

**SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT**

FINANCIAL STATEMENTS
June 30, 2022

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
TABLE OF CONTENTS
June 30, 2022

Independent Auditors' Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Proprietary Fund	6
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	7
Statement of Cash Flows – Proprietary Fund	8
Notes to Basic Financial Statements	10
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability	24
Schedule of Pension Contributions	25
Schedule of Changes in OPEB Liability and Related Ratios	26
Schedule of OPEB Contributions	27

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South San Luis Obispo County Sanitation District
Oceano, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the South San Luis Obispo County Sanitation District (District) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the major fund of the South San Luis Obispo County Sanitation District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South San Luis Obispo County Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 South San Luis Obispo County Sanitation 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 South San Luis Obispo County Sanitation 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 South San Luis Obispo County Sanitation 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 on pages 3 through 5, the schedule of Proportionate Share of Net Pension Liability on page 24, the schedule of Pension Contributions on page 25, the schedule of Changes in OPEB Liability and Related Ratios on page 26, and the schedule of OPEB Contributions on page 27 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, of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of the South San Luis Obispo County Sanitation 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 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.

Moss, Kelly & Haugheim LLP

Santa Maria, CA
November 18, 2022

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
POST OFFICE BOX 339
1600 ALOHA PLACE
OCEANO, CA 93475

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2022

The following is a discussion of the consolidated financial condition and the results of operations of the South San Luis Obispo County Sanitation District (the District) for the year ending June 30, 2022. This discussion refers to and is qualified by information contained in the financial statements and in the notes to the financial statements. Thus, it should be read together with these statements in the Audit Report. The financial audit of the South San Luis Obispo County Sanitation District has been performed by Moss, Levy & Hartzheim, CPAs, in accordance with U.S. generally accepted auditing standards.

Financial Highlights

- At June 30, 2022 the District's total net position was \$20.48 million. Fiscal Year 2021 ended with a total net position of \$19.67 million. This is an increase of 4.15% for net position.
- Total operating revenues increased by 0.46% from \$5.72 million in 2021 to \$5.75 million at June 30, 2022.
- At June 30, 2022 cash and cash equivalents is \$21.10 million with a total current and long-term liability of \$32.01 million.
- Total operating expenses were \$3,960,908. Operating revenues exceeded operating expenses by \$1,788,410.
- Overall increase of cash and cash equivalents realized a decrease from \$36.81 million in Fiscal Year 2021 to \$21.10 million in Fiscal year 2022. This decrease was due to the expenditure of Redundancy construction funding.

Overview of the Financial Statements:

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows all provide information about the District's activities and present a long-term view of its finances.

These statements are prepared using the accrual basis of accounting which recognizes expenses when incurred and revenue when earned rather than when payment is made or received and is widely used by most private sector companies. These statements also report on the District's net position and changes in the position resulting from the current

years activity. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or declining.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The various funds are presented in the accompanying financial statements as a proprietary fund category, enterprise fund type.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10-23 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position increased from \$19.67 million at June 30, 2021 to \$20.48 million at the close of June 30, 2022.

Net position reflects the District's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these fixed capital assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the monies needed to repay any District debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Business-type Activities.

The business-type activities increased the District's net position by \$816 thousand. The key elements are as follows: operating and non-operating revenues exceeded operating and non-operating expenses as of June 30, 2022. Capital contributions to the District's system totaled \$46 thousand as of June 30, 2022. The total revenues exceeded expenses during the 2022 fiscal year. The District's Construction in Progress value has been recorded as capitalized amounts as detailed in Note 4 on page 15.

Capital Asset and Debt Administration

Capital Assets. The District's investments in capital assets for its business type activities as of June 30, 2022 amounts to \$3.14 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, machinery, and equipment.

Additional information on the South San Luis Obispo County Sanitation District capital assets can be found in Note 4 on page 15 of this report.

Long-term Debt. At the end of June 30, 2022, the District held debt of Certificates of Participation and compensated absences.

Additional information on the District's long-term debt can be found in Notes 5,6,7 and 8 on pages 15-23 of this report.

Economic Factors and Next Year's Budgets and Rates

Certificates of Participation. On December 1, 2020 the District issued two series of Certificates of Participation for funding the District's Redundancy Project. The payment of this Debt for the upcoming 22/23 fiscal year is \$951,169 for the Series A and \$89,300 for the Series B.

Rate Increase. Upon completion of the District's Redundancy Project the District will undertake a review of rates as actual operation and maintenance expenses of the new facilities become known. The District expects to conduct a rate study during fiscal year 23/24

Other Post-Employment Benefits. The District provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit fund which is administered by CalPERS. In 2000, the District joined the CalPERS medical program. An actuarial was performed with a measurement date of June 30, 2021 that was rolled forward to determine the District's June 30, 2022 total OPEB obligation. Information can be found on pages 20-23.

Requests for Information

This financial report is designed to provide a general overview of the South San Luis Obispo County Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the District Administrator, South San Luis Obispo County Sanitation District 1600 Aloha Place, Oceano, CA 93445.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

ASSETS

Current Assets:

Cash and investments	\$ 21,100,535
Accounts receivable	391,791
Prepaid expenses	19,343
Total current assets	<u>21,511,669</u>

Noncurrent Assets:

Deposits	1,308
Capital assets	
Land	431,425
Construction in progress	24,831,461
Property, plant & equipment	27,325,929
Accumulated depreciation	(21,232,379)
Total noncurrent assets	<u>31,357,744</u>

Total assets	<u>52,869,413</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions	330,523
Deferred OPEB	377,244
Total deferred outflows of resources	<u>707,767</u>

LIABILITIES

Current Liabilities:

Accounts payable	1,049,060
Accrued liabilities	39,779
Compensated absences, current portion	15,377
Brine deposits	10,000
Interest payable	218,686
Certificate of participation, current portion	385,000
Unamortized premium, current portion	38,832
Total current liabilities	<u>1,756,734</u>

Long-Term Liabilities:

Compensated absences, net of current portion	41,621
Net pension liability	868,708
Other post employment benefits	1,544,700
Certificate of participation, net of current portion	26,755,000
Unamortized premium, net of current portion	1,038,756
Total long term liabilities	<u>30,248,785</u>

Total liabilities	<u>32,005,519</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred pensions	776,214
Deferred OPEB	310,528
Total deferred inflows of resources	<u>1,086,742</u>

NET POSITION

Net investment in capital assets	3,138,848
Restricted for capital expansion	3,330,633
Restricted for Redundancy project	8,926,776
Unrestricted	<u>5,088,662</u>
Total net position	<u>\$ 20,484,919</u>

The notes to basic financial statements are an integral part of this statement.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022

Operating Revenues:

Sewer services fees	\$ 5,749,318
Total operating revenues	<u>5,749,318</u>

Operating Expenses:

Gross wages	862,686
Payroll taxes and benefits	70,666
Employee benefits	188,499
Retirement contribution	448,885
OPEB expense	52,990
Uniforms	21,830
Repairs and maintenance	244,567
Equipment rental	2,725
Insurance	56,577
Depreciation	770,415
Communications	17,536
Utilities	356,141
Property tax	33,810
Special services	198,900
Office and supplies	8,694
Fuel and oil	3,964
Membership, permits, and license fees	57,718
Legal	20,379
Accounting	16,859
Plant chemicals, lab, and analysis	445,464
Employee training	10,728
Solids handling	62,254
Small tools	8,621
Total operating expenses	<u>3,960,908</u>
Net operating income	<u>1,788,410</u>

Non-Operating Revenues (Expenses):

Investment loss	(355,596)
Interest expense	(631,105)
Loss on disposal of assets	<u>(31,879)</u>
Total non-operating revenues (expenses)	<u>(1,018,580)</u>

Capital Contributions:

Connection fees	<u>46,404</u>
Change in net position	816,234

Net Position:

Net position, beginning of fiscal year	<u>19,668,685</u>
Net position, end of fiscal year	<u>\$ 20,484,919</u>

The notes to basic financial statements are an integral part of this statement.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 5,888,018
Payments to vendors	(2,818,220)
Payments to employees	<u>(637,992)</u>
Net cash provided by operating activities	<u>2,431,806</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	46,404
Acquisition and construction of capital assets	(16,784,476)
Principal paid on capital debt	(370,000)
Interest paid on capital debt	<u>(676,019)</u>
Net cash used by capital and related financing activities	<u>(17,784,091)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received less investment loss	<u>(353,472)</u>
Net cash used by investing activities	<u>(353,472)</u>
Net change in cash and cash equivalents	(15,705,757)
Cash and cash equivalents, July 1, 2021	<u>36,806,292</u>
Cash and cash equivalents, June 30, 2022	<u><u>\$ 21,100,535</u></u>

The notes to basic financial statements are an integral part of this statement.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
For the Fiscal Year Ended June 30, 2022

Reconciliation of operating income to net cash provided

by operating activities:

Operating income	\$ 1,788,410
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	770,415
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Accounts receivable	81,476
Prepaid expenses	56,819
Deposits	405
Deferred outflows of resources relating to pensions	(5,403)
Deferred outflows of resources relating to OPEB	47,553
Accounts payable	(490,413)
Compensated absences	(13,456)
OPEB liability	(277,262)
Net pension liability	(497,216)
Deferred inflows of resources relating to pensions	747,240
Deferred inflows of resources relating to OPEB	<u>223,238</u>

Net cash provided by operating activities	<u><u>\$ 2,431,806</u></u>
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The notes to basic financial statements are an integral part of this statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- J. Compensated Absences - Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District.
- K. Restricted Assets - Restricted assets are financial resources segregated for a special purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted.
- L. Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, 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 expenses during the reported period. Actual results could differ from those estimates.
- M. Net Position
GASB Statement No. 63, requires that the difference between assets added to the deferred outflows of resources and liabilities be added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.
- N. Pensions
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South San Luis Obispo County Sanitation District's Public Employee's Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- O. Deferred Outflows and Inflows of Resources
Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 7 and Note 8 for a detailed listing of the deferred outflows of resources the District has reported.

NOTE 1 - REPORTING ENTITY

The reporting entity is the South San Luis Obispo County Sanitation District. The District is responsible for trunk main and sewer pipes from the Cities of Arroyo Grande, Grover Beach, and the Oceano Community Services District. The District is governed by a three-member body, known as the District Board, who are appointed by the respective member agencies on a yearly basis. The District Board includes one representative from each of its Member Agencies, specifically, the City of Arroyo Grande, City of Grover Beach and the Oceano Community Services District. The District provides wastewater disposal services.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80 and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.

C. Fund Financial Statements - The fund financial statements provide information about the District's proprietary fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

D. Proprietary Fund Type

Enterprise Fund

An Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, 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.

E. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

F. Property, Plant, and Equipment - Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.

G. Depreciation - Capital assets owned by the District are depreciated over their estimated useful lives (ranging from 5-40 years) under the straight-line method of depreciation.

H. Receivables - The District did not experience bad debt losses; accordingly, no adjustment has been made for doubtful accounts, and accounts receivable is shown at the adjusted value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 7 and Note 8 for a detailed listing of the deferred inflows of resources the District has reported.

P. Other Postemployment Benefits (OPEB)

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

Q. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2022, the District had the following cash and investments on hand:

Cash on hand	\$ 40
Cash in bank	160,126
Cash and investments with County Treasurer	18,332,030
Local Agency Investment Fund (LAIF)	<u>2,608,339</u>
 Total cash and investments	 <u>\$ 21,100,535</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the San Luis Obispo County Investment Pool and the Local Agency Investment Fund, those external pools measured under Level 2.

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	5 years	15%	10%
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
San Luis Obispo Investment Pool	\$ 18,332,030	\$ 18,332,030	\$ -	\$ -	\$ -
State Investment Pool (LAIF)	2,608,339	2,608,339			
	<u>\$ 20,940,369</u>	<u>\$ 20,940,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	Aa	Baa	Not Rated
San Luis Obispo Investment Pool	\$ 18,332,030	N/A	\$ -	\$ -	\$ -	\$ 18,332,030
State Investment Pool (LAIF)	2,608,339	N/A				2,608,339
	<u>\$ 20,940,369</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,940,369</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2022, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investment in State Pool (LAIF)

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

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Land	\$ 431,425	\$ -	\$ -	\$ -	\$ 431,425
Construction in Progress	9,429,989	16,460,890		(1,059,418)	24,831,461
Property, Plant, & Equipment	<u>26,067,947</u>	<u>323,586</u>	<u>(125,022)</u>	<u>1,059,418</u>	<u>27,325,929</u>
Total capital assets	35,929,361	16,784,476	(125,022)		52,588,815
Less Accumulated Depreciation	<u>(20,555,107)</u>	<u>(770,415)</u>	<u>93,143</u>		<u>(21,232,379)</u>
Net capital assets	<u>\$ 15,374,254</u>	<u>\$ 16,014,061</u>	<u>\$ (31,879)</u>	<u>\$ -</u>	<u>\$ 31,356,436</u>

NOTE 5 – LONG-TERM LIABILITIES

The changes in long-term liabilities for the fiscal year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due within One year
Certificate of participation	\$ 27,510,000	\$ -	\$ (370,000)	\$ 27,140,000	\$ 385,000
Unamortized premium	1,116,420		(38,832)	1,077,588	38,832
Compensated absences	70,454	61,506	(74,962)	56,998	15,377
OPEB	1,821,962	52,088	(329,350)	1,544,700	
Net pension liability	<u>1,365,924</u>	<u>2,209</u>	<u>(499,425)</u>	<u>868,708</u>	
Total	<u>\$ 31,884,760</u>	<u>\$ 115,803</u>	<u>\$ (1,312,569)</u>	<u>\$ 30,687,994</u>	<u>\$ 439,209</u>

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – CERTIFICATES OF PARTICIPATION

On December 1, 2020, the 2020 Certificates of Participation Series A for \$23,045,000 and Series B for \$4,465,000 at a premium of \$1,155,252 were issued to provide funding for the Redundancy Project. The District has pledged all net revenues to repay the 2020 Certificates of Participation. In the event of default, all principal and accrued interest becomes due. The certificates are payable semiannually on March 1 and September 1 of each year with interest rates varying from 2% to 5%. As of June 30, 2022, \$27,140,000 was still outstanding.

Future minimum payment obligations for the certificates at June 30, 2022, are as follows:

Series A			
Fiscal Year Ended June 30	Principal	Interest	Total
2023	\$ 385,000	\$ 566,169	\$ 951,169
2024	400,000	546,544	946,544
2025	430,000	525,794	955,794
2026	450,000	503,794	953,794
2027	605,000	477,419	1,082,419
2028-2032	3,460,000	1,951,857	5,411,857
2033-2037	3,865,000	1,554,370	5,419,370
2038-2042	4,235,000	1,186,351	5,421,351
2043-2047	4,700,000	725,762	5,425,762
2048-2051	4,145,000	189,169	4,334,169
	<u>\$ 22,675,000</u>	<u>\$ 8,227,229</u>	<u>\$ 30,902,229</u>

Series B			
Fiscal Year Ended June 30	Principal	Interest	Total
2023	\$ -	\$ 89,300	\$ 89,300
2024		89,300	89,300
2025		89,300	89,300
2026	4,465,000	44,650	4,509,650
	<u>\$ 4,465,000</u>	<u>\$ 312,550</u>	<u>\$ 4,777,550</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS' website.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Benefits Provided

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

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.09% to 2.42%	1.0% to 2.5%
Required employee contribution rates	7.96%	6.75%
Required employer contribution rates	11.59%+\$102,257	7.59%+ \$8,736

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$204,264 for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$868,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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 Pension Plan participants, actuarially determined. At June 30, 2021, the District's proportion was 0.04575%, which increased by 0.01337% from June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$448,885. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 204,264	\$ -
Differences between expected and actual experience	97,416	
Changes in assumptions		
Net difference between projected and actual earnings on retirement plan investments		758,337
Adjustment due to differences in proportions	21,005	5,446
Difference in actual contributions and proportionate share of contributions	7,838	12,431
	<u>\$ 330,523</u>	<u>\$ 776,214</u>

\$204,264 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ending June 30	Amount
2023	\$ (128,491)
2024	(143,271)
2025	(168,627)
2026	(209,566)
	<u>\$ (649,955)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	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, 2.75% thereafter.

- (1) The mortality table used was developed based on CALPERS' specific data. The table includes 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study.

NOTE 7 – DEFINED BENEFIT 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%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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 the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	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%
Total	<u>100%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 1,542,983	\$ 868,708	\$ 311,296

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2022, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District provides post-retirement health benefits to all retirees with five years of service who retire from the District, and must have reached the minimum age of 50. Benefits continue for the lifetime of the retiree. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefit Terms

For those hired prior to 2013, the employee shall receive 100% of the stipulated amount. For those hired between 2013 through 2017, they shall receive 50% of the premium. For any employees hired after 2017, they will receive the minimum employer contribution.

Employees Covered

As of the June 30, 2021, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	9
Inactive employees or beneficiaries currently receiving benefits	7
Total	16

The District currently finances benefits on a pay-as-you-go basis.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Liability

The District's OPEB liability was measured as of June 30, 2021 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2020 that was rolled forward to determine the June 30, 2021 total OPEB liability, based on the following assumptions:

Discount Rate	2.16%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Mortality Rate	Derived from 2017 CalPERS Active Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2017 CalPERS Turnover for Miscellaneous employees.

Actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 2.16 percent.

Change of assumptions. The discount rate was decreased from 2.20 percent to 2.16 percent and inflation was decreased from 2.75 percent to 2.50 percent.

Discount rate. GASB No. 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2022	June 30, 2021	2.16%	2.16%	2.16%
June 30, 2021	June 30, 2020	2.20%	2.20%	2.20%

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	
(Valuation Date, June 30, 2021)	\$ 1,821,962
Changes recognized for the measurement period:	
Service cost	12,593
Interest	39,495
Changes of assumptions	(234,894)
Experience (Gains)/Losses	(29,564)
Benefit payments	(64,892)
Net Changes	(277,262)
Balance at June 30, 2022	
(Measurement Date, June 30, 2021)	\$ 1,544,700

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease 1.16%	Current Rate 2.16%	1% Increase 3.16%
OPEB Liability	\$ 1,760,861	\$ 1,544,700	\$ 1,368,101

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
OPEB Liability	\$ 1,482,555	\$ 1,544,700	\$ 1,633,250

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$52,990. As of the fiscal year ended June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 59,461	\$ -
Change in assumptions	317,783	255,194
Differences between expected and actual experience		55,334
	<u>\$ 377,244</u>	<u>\$ 310,528</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to OPEB liability to be recognized in future periods in a systematic and rational manner. \$59,461 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

<u>Fiscal year Ending June 30,</u>	<u>Amount</u>
2023	\$ 902
2024	902
2025	902
2026	902
2027	902
Thereafter	2,745
	<u>\$ 7,255</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net pension liability	0.01606%	0.01255%	0.01232%	0.01200%
Proportionate share of the net pension liability	\$ 868,708	\$ 1,365,924	\$ 1,262,383	\$ 1,156,301
Covered payroll	\$ 846,584	\$ 784,070	\$ 702,820	\$ 762,177
Proportionate share of the net pension liability as percentage of covered payroll	102.6%	174.2%	179.6%	151.7%
Plan's total pension liability	\$ 46,174,942,264	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364
Plan's fiduciary net position	\$ 40,766,653,876	\$ 32,822,501,335	\$ 31,179,414,067	\$ 29,308,589,559
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.01186%	0.01163%	0.01117%	0.00894%
Proportionate share of the net pension liability	\$ 1,176,202	\$ 1,006,552	\$ 766,801	\$ 556,113
Covered payroll	\$ 776,359	\$ 648,335	\$ 512,061	\$ 496,070
Proportionate share of the net pension liability as percentage of covered payroll	151.5%	155.3%	149.7%	112.1%
Plan's total pension liability	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

*- Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2022

The following table provides required supplementary information regarding the District's Pension Plan.

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ 204,264	\$ 177,437	\$ 161,923	\$ 136,795
Contribution in relation to the actuarially determined contributions	204,264	177,437	161,923	136,795
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 862,687	\$ 846,584	\$ 784,070	\$ 702,820
Contributions as a percentage of covered payroll	23.68%	20.96%	20.65%	19.46%
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 98,219	\$ 104,648	\$ 77,019	\$ 48,422
Contribution in relation to the actuarially determined contributions	98,219	104,648	77,019	48,422
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 762,177	\$ 776,539	\$ 648,335	\$ 512,061
Contributions as a percentage of covered payroll	12.89%	13.48%	11.88%	9.46%

*- Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
As of June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability				
Service cost	\$ 12,593	\$ 8,416	\$ 71,936	\$ 75,519
Interest on the total OPEB liability	39,495	50,948	68,087	68,178
Actual and expected experience difference	(29,564)	(7,164)	(33,833)	
Changes in assumptions	(234,894)	345,086	63,487	(76,832)
Change in benefit terms			(403,851)	
Benefit payments	<u>(64,892)</u>	<u>(60,728)</u>	<u>(69,690)</u>	<u>(68,012)</u>
Net change in total OPEB Liability	(277,262)	336,558	(303,864)	(1,147)
Total OPEB liability - beginning	1,821,962	1,485,404	1,789,268	1,790,415
Total OPEB liability - ending	<u>\$ 1,544,700</u>	<u>\$ 1,821,962</u>	<u>\$ 1,485,404</u>	<u>\$ 1,789,268</u>
Covered payroll	\$ 846,584	\$ 784,070	\$ 702,820	\$ 762,177
Total OPEB liability as a % of covered payroll	182.46%	232.37%	211.35%	234.76%
	<u>2018</u>			
Total OPEB Liability				
Service cost	\$ 73,498			
Interest on the total OPEB liability	60,374			
Actual and expected experience difference				
Changes in assumptions				
Change in benefit terms				
Benefit payments	<u>(65,396)</u>			
Net change in total OPEB Liability	68,476			
Total OPEB liability - beginning	1,721,939			
Total OPEB liability - ending	<u>\$ 1,790,415</u>			
Covered payroll	\$ 776,359			
Total OPEB liability as a % of covered payroll	230.62%			

*- Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Years*

As of June 30, 2022

The District's contribution for the fiscal year ended June 30, 2022 was \$59,461. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2022, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2021 was \$64,892. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2021, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2020 was \$60,728. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2019 was \$69,690. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2018 was \$73,106. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.