Las Gallinas Valley Sanitary District

San Rafael, California

Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2021 and 2020

Las Gallinas Valley Sanitary District

Primary clarifier sludge pump facilities

San Rafael, California

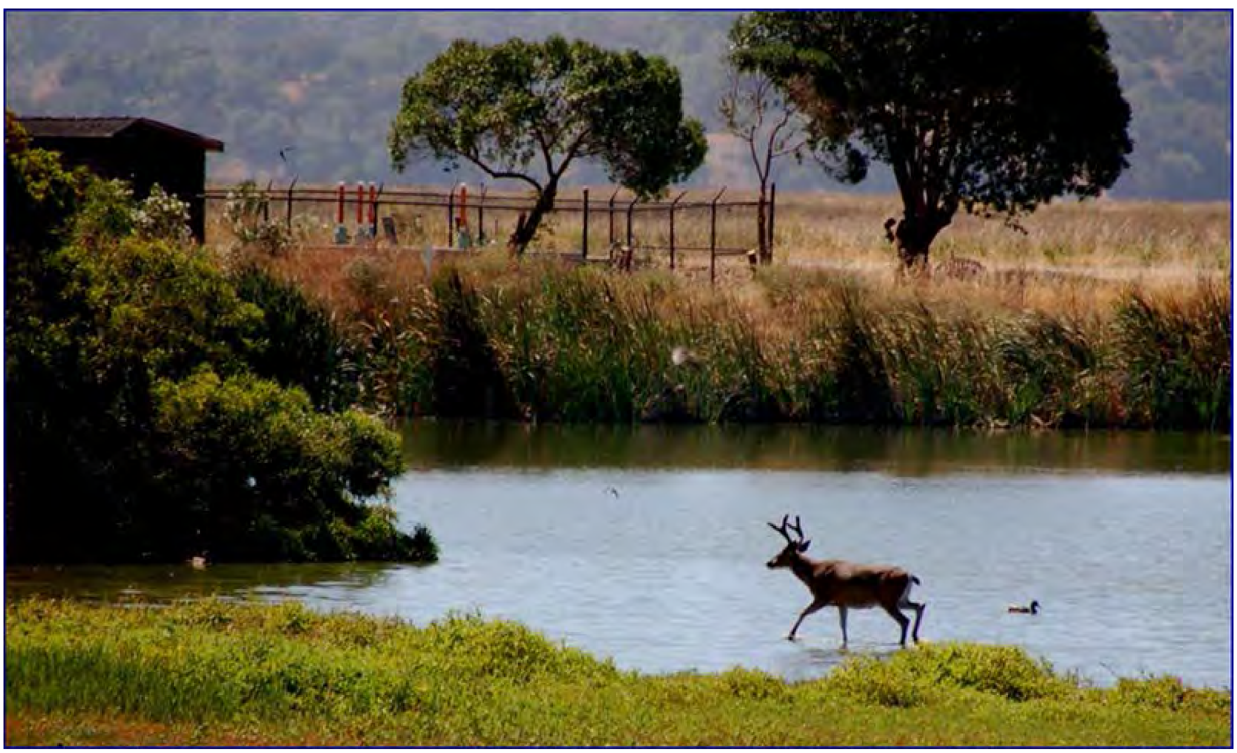
Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2021 and 2020

Chris DeGabriele
Interim General Manager

Prepared by:

Dale McDonald
Administrative Services Manager



Reclamation Ponds

Commissioning of the BioWheels Aeration Tanks in March 2021

Demolition related to Treatment Plant Upgrade Project

Las Gallinas Valley Sanitary District

Table of Contents

Las Gallinas Valley Sanitary District

Table of Contents (continued)

INTRODUCTORY SECTION

This page left intentionally blank.

Las Gallinas
VALLEY SANITARY DISTRICT

101 Lucas Valley Road, Suite 300
San Rafael, CA 94903
Tel.: 415-472-1734
Fax: 415-499-7715
www.LGVSD.org

January 31, 2022

To the Ratepayers and Honorable Board of Directors of
Las Gallinas Valley Sanitary District
San Rafael, California

It is our pleasure to submit this Annual Comprehensive Financial Report (ACFR) of the Las Gallinas Valley Sanitary District (the District) for the fiscal year ended June 30, 2021 (FY2021). This report was prepared by the District staff that collected and analyzed the financial statements and other information presented herein.

This ACFR was prepared by District staff in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Recommended guidelines by the Government Finance Officers Association (GFOA) of the United States and Canada were also followed.

California law requires that every local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2021.

The management of the District assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive system of internal controls that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The District's basic financial statements have been audited by Cropper Accountancy Corporation, a registered public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2021 are fairly presented in conformity with GAAP and are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors have issued an unmodified ("clean") opinion on the Las Gallinas Valley Sanitary District's financial statements for the fiscal year ended June 30, 2021. Their audit report is presented as the first component of the financial section of this report.

The ACFR represents the culmination of all budgeting and accounting activities engaged in by management during the fiscal year. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) which is presented after the independent auditors' report. This letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it.

FINANCIAL CONTROLS AND ACCOUNTING SYSTEMS

Internal Controls

To ensure that accounting data is compiled and properly recorded, and to permit the preparation of financial statements in accordance with generally accepted accounting principles, the management staff of the District is responsible for establishing and maintaining an accounting system and internal controls structure. These controls are designed to ensure that the assets of the District are adequately protected from loss, theft, unauthorized use or disposition, or other misuse. The internal controls structure is designed to provide reasonable, but not absolute, assurance that this objective is met while recognizing that: (1) the cost of the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management. We believe that the District's internal accounting controls adequately safeguard its assets and provide reasonable assurance that financial transactions are recorded properly and are free of any material misstatements.

Budgetary Controls

The District is not required by statute to adopt a budget; however, in its commitment to maintain fiscal responsibility, the District adopts an annual budget prior to June 30th each year. In preparation for drafting a budget, management staff meets with the District's Board of Directors (the Board) to update the Strategic Plan to determine the strategic goals and vision for the upcoming year. The budget outlines and reflects the major elements of the upcoming fiscal year operating and capital plans, from which management allocates funds that are necessary for specific departmental activities and capital projects. In June 2021, the Board accepted a two-year sewer rate study and adopted a budget with 5-year capital improvements plan for 2021 through 2025, which includes a significant investment toward the construction of a new Operations and Control Center Building at the wastewater treatment plant facility. Management integrates these priorities into the annual budget. Budgetary control is maintained at the detailed line-item level. The General Manager (GM) may approve expenditures in excess of budgeted amounts up to $15,000; for items in excess of this the Board must be informed as soon as administratively feasible. For consultant contracts the GM's signature authority is up to $60,000.

Accounting System

Las Gallinas Valley Sanitary District is an independent special district. The District's accounting structure, insofar as practical and in accordance with GAAP, complies with the Uniform System of Accounts for Waste Disposal Districts provided by the California State Controller's office.

The District reports its activities as an Enterprise Fund under the broad category of funds called proprietary funds. The District uses the full accrual basis of accounting. The District tracks expenditures by department, with each department delineated by function and specific activity, in order to provide management and the Board with better cost control measures. At the end of each fiscal year, these costs are combined to arrive at the financial position and results of operations reflected in the District's basic financial statements.

HISTORY AND PROFILE OF THE DISTRICT

The District was established on April 6, 1954 pursuant to the California Health and Safety Code, Division 6 – Sanitary District Act of 1923. It is located approximately two miles northeast of the City of San Rafael and 20 miles north of San Francisco. It covers an area of about sixteen square miles in the northern part of the City of San Rafael and surrounding unincorporated areas in Marin County, California, including the communities of Lucas Valley, Marinwood, Santa Venetia and Terra Linda. The District's boundaries are Hamilton Field (a former air force base) to the north, San Pablo Bay to the east, and central San Rafael to the south. The District serves a population of approximately 30,000 people. The District is primarily residential and built out, resulting in a fairly stable customer base. As of July 1, 2029, the connections are 97.4% residential (12,948 units) and 2.6% commercial/industrial (348 units); however, the revenue from these connections is 77.45% residential and 22.55% commercial.

Financing Activities

The District has been planning a multi-year, multi-million-dollar Secondary Treatment Plant Upgrade and, Recycled Water Expansion (STPURWE) construction project for several years. This project will upgrade the treatment plant to meet more stringent regulatory requirements and allow the District to fully serve Marin Municipal Water District's recycled water customers. The District received bids in November 2017 however due the impact of design complexities on operations during construction, the bids were in excess of available funds. The project has been redesigned and rebid during 2018 and is now under construction. The $41 million in bond proceeds that were issued in 2017 to fund the projects has been drawn down and exhausted in October 2020. In addition, the District secured $12 million in additional financing from the California Infrastructure & Economic Developmental Bank (iBank) for the STPURWE project which has been drawn down $5,909,093 in 2021.

Sewage Collection

- The District operates a sanitary sewer collection system comprised of approximately 105 miles of gravity sewer lines, 6.72 miles of force mains, and 28 pump stations. There are 2,985 manholes and approximately 52.5 miles of privately owned laterals.
- The District regularly performs smoke testing of the District to detect leaks in sewer mains and laterals. It is a process whereby smoke is blown into the sewer mains, lower and upper laterals, to determine where there may be cracked pipes or storm water cross connections. This process helps to identify where there may be Infiltration and Inflow (I&I) into the sewage collection system. I&I is a major concern for wastewater treatment plants since large storms may produce flows that overwhelm the capacity of the sewage collection system and possibly the plant, resulting in sewage spills, plant violations, overflows and fines.
- The District continuously televises its sewer mains; the process requires four years to televise all of the system. Televising these lines allows District staff to identify future repair and replacement projects, as well as monitor the integrity of the system.

Sewage Treatment

- The District operates a sewage treatment plant with a permitted dry weather average capacity of 2.92 million gallons per day (MGD).
- The District treated an average daily flow of 2.05 MGD of sewage per day in FY 2020-21.
- The District's treatment plant uses primary treatment to separate the solids from the wastewater; trickling filters and deep bed filters to provide secondary treatment. Treated effluent is disposed of through discharge pipes into Miller Creek which flows to San Pablo Bay during discharge season, November through May. Discharge coincides with wet weather when treated effluent can be diluted by higher levels of bay water due to rain.
- All readily settable solids and grit are removed from the wastewater stream; grit is then disposed of in a landfill. The solids are treated by gravity thickening and anaerobic digestion, and then pumped to one or more of three storage ponds, where they are typically retained for one year prior to surface disposal. The treatment plant produces 1.5 Million Gallons of Class B biosolids at 3% solids per year.

Reuse of Treated Wastewater

- The District is producing recycled water year-round to meet increasing demand during the dry months of summer and fall. In the past, recycled water was predominately used during the summer months, which aligned with the District's non discharge period of June through October.
- The District has a water reclamation project on 385 acres of diked bay lands located to the northeast of the treatment plant. This project includes a 20-acre wildlife marsh pond, 40 acres of storage ponds, 200 acres of irrigated pasture, and 3.5 miles of public trails which are part of the San Francisco Bay Trail. During 2020, 95.9 million gallons were diverted to the District's water reclamation project.
- The District delivers effluent to Marin Municipal Water District (MMWD), which further treats it so that it can be used for irrigation of landscapes, including golf courses and playing/ recreation fields, dual plumbing for toilet flushing, cooling water uses, and car washes within the District's boundaries. In 2017, the District reached an agreement with MMWD to expand the District's recycled water treatment plant to provide tertiary treated wastewater which can then be distributed to MMWD's customers. MMWD decommissioned its existing plant, which is located on the District's property, to allow for construction of STPURWE project. As part of the agreement, MMWD made a capital contribution towards the existing facility and makes payments towards outstanding debt which was issued to build the existing facility and for the expansion. The expansion began construction in December 2018 and the recycled water facility was completed in March 2021 with treatment plant upgrade scheduled for completion in late 2022.
- The District's new expanded recycled water treatment facility, online since March 2021, has a design capacity of over 5 million gallons per day. The completed expansion effectively quadrupled its capacity. The recycled water delivery from the expanded facility is now being provided to the North Marin Water District (NMWD) and the Marin Municipal Water District (MMWD), who then sell it for use in landscape irrigation, car washes, cooling towers, commercial laundries, and toilet flushing. The District produced 36.97 million gallons to NMWD and 51.28 million gallons for MMWD during FY 2020-21.

Lab and Public Outreach

- The District operates its own lab which collects samples, completes analysis, and performs other testing to comply with the plant discharge permit issued by the State Water Resources Control Board.
- Central Marin Sanitation Agency and District lab staff members manage the source control program. This includes a Fats Oils and Grease (FOG) Program that is designed to prevent customers from discharging substances that are harmful to the sewage treatment process or that may cause clogs to sewer mains and pump stations.
- Lab staff members participate in the Marin County Sanitation Agencies Public Education Program. This program allows participating agencies to combine resources and have a unified message to educate the public about the proper disposal of and to collect pharmaceuticals, mercury, batteries and other household hazardous waste in the County. They participate in programs with school children, the Marin County Fair and various farmers' markets and festivals.
- The District offers tours of the plant treatment works and enhanced wetlands upon request from schools, community groups and other members of the public.
- The District produces a newsletter twice a year to educate the public about the sewer collection system, treatment plant and their sewer laterals. Staff has noted an increase in knowledge by homeowners regarding maintaining their sewer laterals.
- The District has a website at www.lgvsd.org where it posts current developments, public education topics and information about what is happening at the Board meetings, the plant and in the District.
- The District was awarded the District Transparency Certificate of Excellence by the Special District Leadership Foundation during July 2015, 2017 and 2019 in recognition of its outstanding efforts to promote transparency and good governance. The award period that began in 2019 was extended through 2022 due to the COVID pandemic.

Solid Waste (Garbage) Services and Recycling

The District manages the refuse hauling service for the unincorporated areas in its District. The franchise has been awarded to Marin Sanitary Service which provides curbside recycling, solid waste, yard waste and food scraps hauling, and safe hazardous waste disposal services that are helping achieve Marin County's goal of zero waste.

Compared to neighboring jurisdictions, the District's customers in the unincorporated area enjoy one of the lowest garbage and recycling rates. As of January 1, 2021, residential customers pay a monthly service fee of $34.96 for a 20-gallon cart and $41.12 for a 32-gallon cart. This is below the Marin County average of $47.35 per month for a 32-gallon cart.

ECONOMIC CONDITIONS AND OUTLOOK

The District is comprised primarily of residential units with commercial and some light industrial areas. It is substantially built out with in-fill developments in pockets of undeveloped land and redevelopment of commercial areas that were built over twenty years ago. The District does not expect significant number of or large new, customers in the near future. A capital facilities charge study was performed during 2015. The study reviewed the capital facilities plan developed by staff and the Board during 2015. The capital facilities charge is $6,666 effective July 1, 2021 and will be adjusted by the Engineering News Record Construction Cost Index for San Francisco each July.

The Board adopted a two-year rate review and capital improvement plan in June 2021, which provides for an annual sewer user charge rate of $1,029 effective July 1, 2021 up to $1,122 as of July 1, 2022. This rate, when combined with the average property tax revenue received by the District per single family dwelling unit, is below the average for neighboring agencies in Marin County. Each year, the Board reviews the operating and capital needs of the District to determine the revenue requirements in setting the upcoming rate.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Las Gallinas Valley Sanitary District for its ACFR for the year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This ACFR is the culmination of the hard work and dedication of many District employees and the audit team under the direction of John Cropper, CPA of the accounting firm Cropper Accountancy Corporation. Las Gallinas Valley Sanitary District staff would like to acknowledge the support of the Board for its continuing direction and oversight in providing value to the community of San Rafael.

Chris DeGabriele

Chris DeGabriele
Interim General Manager

Dale McDonald
Administrative Services Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Las Gallinas Valley Sanitary District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

Las Gallinas Valley Sanitary District

Annual Comprehensive Financial Report

Mission Statement

Our Mission

The Mission of the Las Gallinas Valley Sanitary District is to protect public health and our environment, providing effective wastewater collection, treatment, and resource recovery.

Vision

Recognizing that sanitation and wastewater treatment is vital to protecting the public health, the District will:

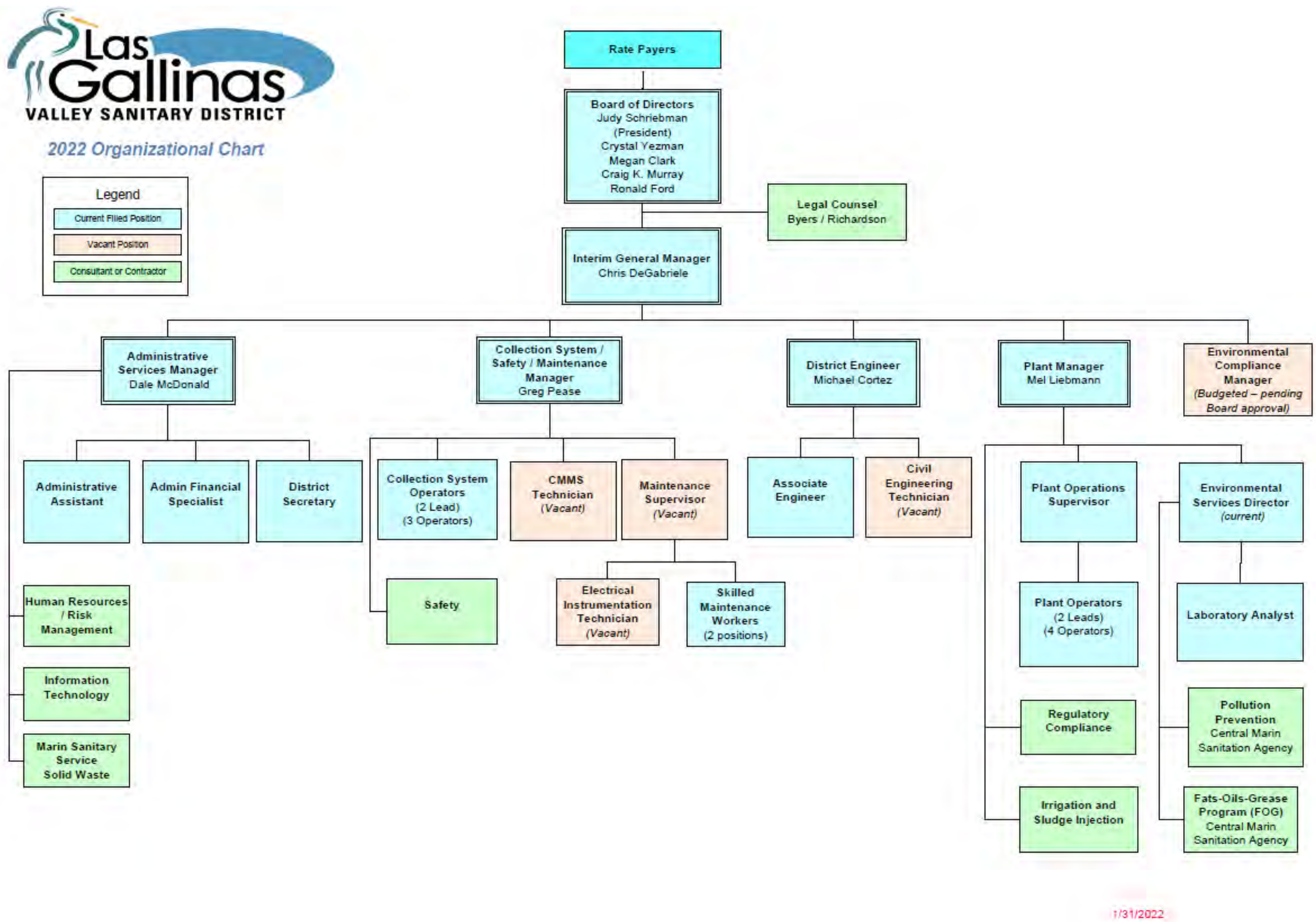
- manage our treatment and collection systems in a planned and sustainable way to reduce impact on natural resources;
- strive for zero spills;
- meet or exceed regulatory requirements for treatment (effluent, emissions and biosolids);
- strive toward beneficial recycling of wastewater, biosolids and other resources using safe and effective processes and systems to achieve our zero-waste vision;
- collaborate with neighboring agencies to achieve efficiencies for the public;
- cooperate with stakeholders to leverage opportunities for protecting the bay and regional water resources for the people we serve;
- maintain a safe, high quality workplace to promote a sustainable, motivated, long-term and cohesive workforce;
- increase public education, participation, acceptance and understanding of what we do;
- responsibly manage the refuse franchise; and
- consider climate change, sea level rise and flooding when developing and designing new projects.

Our Core Values

- Protect Public Health and the Environment.
- Provide High Quality Customer Service.
- Use Public Funds Responsibly.
- Maintain a Safe, Challenging, Positive Workplace.

Las Gallinas Valley Sanitary District

Annual Comprehensive Financial Report



Las Gallinas Valley Sanitary District

Annual Comprehensive Financial Report

Directory of Officials

Board of Directors

Craig K. Murray	Director	12/10/2020 – 12/10/2024[1]
Rabi Elias [2]	Director	12/13/2018 – 12/04/2021[1]
Megan Clark	Director	12/13/2018 – 12/13/2022[1]
Judy Schriebman	Director	12/10/2020 – 12/10/2024[1]
Crystal Yezman	Director	12/10/2018 – 12/10/2022[1]
Ronald Ford [2]	Director	01/06/2022 – 12/13/2022[1]

Administration

Mike Prinz, P.E.	General Manager [3]
Chris DeGabriele	Interim General Manager [3]
Michael P. Cortez, P.E.	District Engineer
Teresa Lerch	District Secretary
Mel Liebmann	Plant Manager
Greg Pease	Collection System/Safety Manager
Dale McDonald	Administrative Services Manager

[1] The California Voter Participation Rights Act amended the Elections Code to prohibit the District from holding its elections in years other than when a statewide election occurs. The law also allowed Board members to extend their terms by one year to coincide with the next statewide election date.

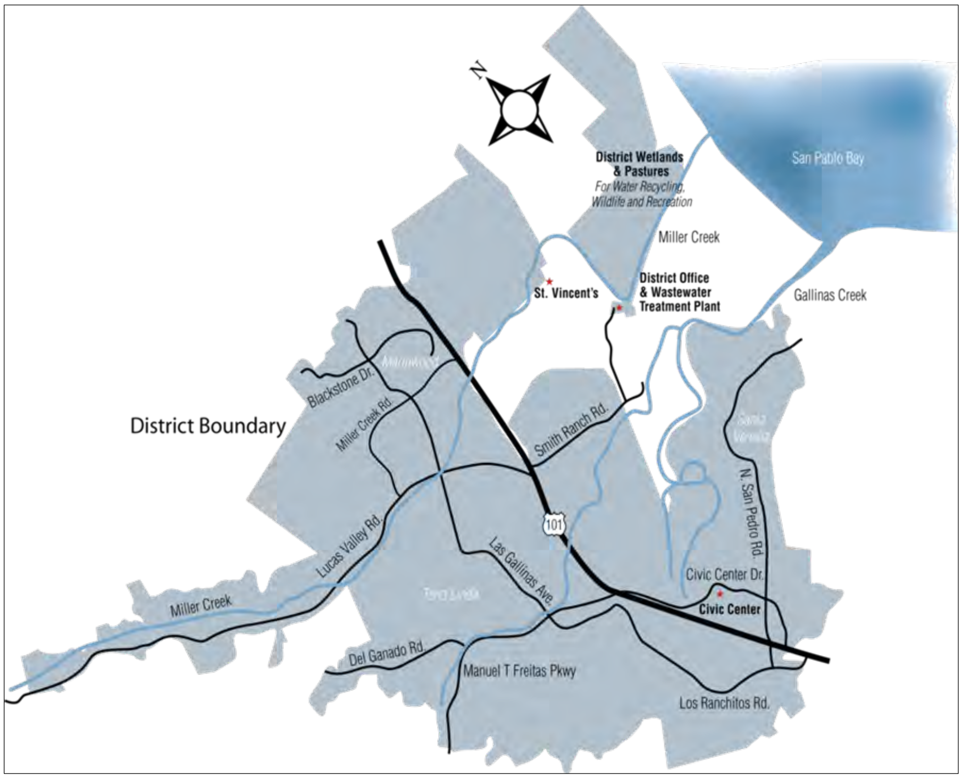
[2] Director Elias resigned on December 4, 2021. Director Ford was appointed on January 6, 2022 to serve out the term.

[3] General Manager Prinz's last day of employment with the District was on November 18, 2021. Interim General Manager Chris DeGabriele began employment on January 31, 2022.

Las Gallinas Valley Sanitary District

Annual Comprehensive Financial Report

District Service Area



Walkers in reclamation

FINANCIAL SECTION

This page left intentionally blank.

Las Gallinas Valley Sanitary District

San Rafael, California

Financial Statements

With Auditors' Report Thereon

Fiscal Years Ended June 30, 2021 and 2020

This page left intentionally blank.

Las Gallinas Valley Sanitary District

Table of Contents

Miller Creek

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel
(925) 476-9930 efax
www.cropperaccountancy.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Las Gallinas Valley Sanitary District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Las Gallinas Valley Sanitary District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Las Gallinas Valley Sanitary District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Las Gallinas Valley Sanitary District's basic financial statements. The introductory section, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021 on our consideration of Las Gallinas Valley Sanitary 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 solely 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 Las Gallinas Valley Sanitary 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 Las Gallinas Valley Sanitary District's internal control over financial reporting and compliance.

Cropper Accountancy

CROPPER ACCOUNTANCY
Walnut Creek, California
December 10, 2021

Las Gallinas Valley Sanitary District

Management's Discussion and Analysis

Fiscal Years Ended June 30, 2021 and 2020

The following discussion and analysis of the Las Gallinas Valley Sanitary District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the District financial statements and accompanying notes, which follow this section.

USING THIS ANNUAL REPORT

This annual report consists of five parts: Management's Discussion and Analysis, Financial Statements, Required Supplementary Information, Supplementary Information and Statistical Section. The Financial Statements also include notes that explain in more detail some of the information contained in those statements.

REQUIRED FINANCIAL STATEMENTS

District financial statements report information about the District's use of accounting methods similar to those used by private sector companies. The Statement of Net Position includes all District assets and liabilities that provide information about the nature and amounts of investments in resources and obligations to creditors. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of District operations and management of investments over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts, cash disbursements and net changes in cash resulting from operations, investing, and capital and noncapital financing activities.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District activities in a way that will help answer this question. These two statements report the net position of the District and changes from year to year. The difference between assets and liabilities (net position) is one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether the financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

Changes in Net Position

The District's net position increased by $4,548,184 in 2021 and $3,351,039 in 2020. The following Condensed Statements of Net Position shows these changes.

CONDENSED STATEMENTS OF NET POSITION
Fiscal years ended June 30, 2021, 2020 and 2019

	2021	2020	2019
ASSETS			
Current assets	$ 37,315,807	$ 43,569,861	$ 68,828,159
Capital assets	109,758,748	95,864,951	$ 69,350,571
Other noncurrent assets	7,334,214	1,290,103	1,305,176
Total Assets	**154,408,769**	**140,724,915**	**139,483,906**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	43,394	52,862	62,329
Pension plan	967,924	955,903	946,585
Other post employment benefits	717,833	801,963	371,208
Total deferred outflows of resources	**1,729,151**	**1,810,728**	**1,380,122**
LIABILITIES			
Current liabilities	5,876,776	5,870,657	5,758,439
Noncurrent liabilities	59,680,155	51,143,570	53,242,942
Total Liabilities	**65,556,931**	**57,014,227**	**59,001,381**
DEFERRED INFLOWS OF RESOURCES			
Pension plan	112,815	219,367	180,601
Other post-employment benefits	1,037,161	419,220	330,256
Total deferred inflows of resources	**1,149,976**	**638,587**	**510,857**
NET POSITION			
Net investment in capital assets	52,497,294	47,892,850	18,764,185
Restricted	900,246	9,527,818	37,516,009
Unrestricted	36,033,473	27,462,161	25,071,596
Total net position	**$ 89,431,013**	**$ 84,882,829**	**$ 81,351,790**

Analysis of Condensed Statements of Net Position

- Current assets decreased by $6,254,054 in 2021 as funds were used to pay for construction of the Secondary Treatment Plant Upgrade Recycled Water Expansion (STPURWE) project.

- Capital assets, net of accumulated depreciation, increased by $13,893,797 in 2021 and $26,514,380 in 2020 primarily due to the treatment plant upgrade and completion of larger portions of the recycled water expansion project.

- Deferred outflows of resources decreased by $81,577 in 2021 and increased by $430,606 in 2020 due to the changes in the pension and other postemployment retirement benefits related items in accordance Government Accounting Standards Board No. 68, *Financial Reporting for Pension Plans* (GASB No. 68) and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75).

- Current liabilities in 2021 increased by $6,119 and by $112,218 in 2020 related to major construction expenditures for plant improvements.

- Noncurrent liabilities had increased by $8,536,585 in 2021 primarily due to addition of the IBank installment fund long term notes payable. In 2020 payables decreased by $2,099,372 primarily due to scheduled long-term debt repayments.

- Deferred inflows of resources increased $511,389 in 2021 and decreased $127,730 in 2020 due to scheduled amortization and changes in the actuarial assumptions related to GASBS No. 68 and 75.

- Restricted funds as of June 30, 2021 is primarily restricted for future debt service, $900,130 in Certificates of Deposits held as investments. The remaining balance of $116 is related to the 2017 Bond held on deposit at U.S. Bank, the Trustee for the bond. The California State Treasurer's Local Agency Investment Funds (LAIF) Bond Fund which held the 2017 Bond funding was exhausted in 2021 to pay for the ongoing capital construction costs associated with the STPURWE Project. The bond proceeds were reduced from $8,632,794 in 2020 to $116 in 2021. It is planned that the current restricted assets will be used in future years for capital improvements.

- Unrestricted funds of $36,033,473 as of June 30, 2021 includes $25,702,059 held in LAIF investments, of which $8,034,573 is designated for District reserves; operating working cash flow, capital reserves, rate stabilization, emergency repair reserves, and vehicle equipment reserves.

Changes in Net Position

Changes in District net position can be determined by reviewing the following Condensed Statements of Revenues, Expenses, and Changes in Net Position.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Fiscal years ended June 30, 2021, 2020 and 2019

REVENUE	2021	2020	2019
Operating Revenue			
Sewer use charges	$ 15,170,106	$ 14,831,995	$ 14,228,877
Recycled water fees	123,155	67,288	63,463
Miscellaneous	331,856	65,401	42,905
Nonoperating Revenue			
Tax revenues	1,555,409	1,524,094	1,353,767
Interest income and other	500,234	650,436	616,625
Total Revenue	**17,680,760**	**17,139,214**	**16,305,637**
EXPENSES			
Operating expenses	12,049,968	13,038,339	8,692,030
Nonoperating expenses	1,992,232	1,453,877	856,897
Total Expenses	**14,042,200**	**14,492,216**	**9,548,927**
Excess or deficiency before Capital Contributions	**3,638,560**	**2,646,998**	**6,756,710**
CAPITAL CONTRIBUTIONS			
Connection fees	-	-	-
Intergovernmental	463,395	514,720	463,143
State grants	446,229	369,321	173,894
Total Capital Contribution	**909,624**	**884,041**	**637,037**
Change in Net Position	**4,548,184**	**3,531,039**	**7,393,747**
Net position - beginning of year	84,882,829	81,351,790	73,958,043
Net position - end of year	**$ 89,431,013**	**$ 84,882,829**	**$ 81,351,790**

Analysis of Changes in Statements of Revenues, Expenses and Changes in Net Position

- Operating Revenue of the District increased in 2021 due primarily to a 2.28% increase in sewer use charge revenue. This increase builds upon the increase of 4.24% in 2019. Recycled water fees are based on production to meet demand and costs incurred by the District. Deliveries to Marin Municipal Water District (MMWD) began in March 2021 and along with year-round recycled water deliveries to North Marin Water District (NMWD) recycled water fee revenue increased 83.03% over 2020.

- Operating expenses decreased by $988,371 in 2021 or 7.58% from $13,038,339 to $12,049,968. This was primarily attributable to the one-time allocation of $1,000,000 to the Vehicle & Equipment Reserve Fund (VERF) received in 2020. If you were to factor out the VERF revenue in 2020 it would have resulted in a slight increase in operating expenses equal to 0.1%.

- Nonoperating revenues decreased by 5.47% or $118,887 in 2021. Property taxes paid by the County increased by $31,315 or 2.05% while interest income decreased by 23.09% as interest rates on LAIF funds fell and money was withdrawn for use on the STPURWE project.

- Nonoperating expenses increased by $538,355 in 2021 compared to increase of $596,980 in 2020. For assets that are financed with tax-exempt debt (2017 Bond and IBank Loan), the interest income earned on unexpended funds is offset against the interest expenditures in determining the amount of interest to be capitalized (GASB No.89). Loan principal and interest payments to IBank began in 2019.

- Capital Contributions from Connection Fees are primarily dependent on the level of densification of existing development with the District. In recent years, the development has consisted of the decentralized development rather than new greenfield development. Connection fees charged to developers to reserve system capacity are recorded as liabilities (unearned connection fees) until the connections are actually made which can take upwards of a year for larger projects. Once connections are made, the fees are recognized as increases to capital contributions. There were no recognized capital contributions for connection fees in 2021. The intergovernmental contributions are from MMWD for its allocation of capacity in the existing recycled water treatment facility and its proportionate share of the expanded facility which is undergoing construction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had $109,758,748 invested in capital assets. The District's cost basis of capital assets increased by $16,938,452, from $155,362,608 at the beginning of the year to $172,301,060 at the end of the year, due to construction related to the following major capital activities:

- Recycled Water Facility Expansion Phase 1 completed
- Portions of the ongoing Secondary Treatment Plant Upgrade project
- Air Release Valve and Vault Replacement Pump Station project
- Purchase of new collection system vehicles
- Various pump station improvements

The following summarizes the District's capital assets for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Disposals/ Charge off	Transfers/ Reclass	Balance June 30, 2021
Land	$ 2,867,571	$ -	$ -	$ -	$ 2,867,571
Construction-in-progress	39,356,096	16,447,538	-	-	55,803,634
Subsurface lines	35,513,005	5,860	-	-	35,518,865
Facilities and equipment	77,625,936	485,054	-	-	78,110,990
	155,362,608	16,938,452	-	-	172,301,060
Less: Accumulated depreciation	(59,497,657)	(3,044,655)	-	-	(62,542,312)
Capital assets, net of accumulated depreciation	**$ 95,864,951**	**$ 13,893,797**	-	**$ -**	**$ 109,758,748**

Additional information on the capital assets can be found in Note 6 of the notes to the financial statements of this report.

Long-Term Obligations

As of June 30, 2021, the District has total long-term obligations of $62,509,793 related to compensated absences for staff, the actuarially determined net pension liability, net other postemployment benefits, and debt issued for the purchase and construction of capital assets.

The following is a summary of long-term obligations for the year:

Long-Term Obligations

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Personnel Related Obligations				
Compensated Absences	$ 499,581	$ 117,940	$ (188,005)	$ 429,516
Net Pension Liability	3,419,231	315,689	-	3,734,920
Net Other Post Employment Benefits	1,948,431	-	(907,922)	1,040,509
	5,867,243	433,629	(1,095,927)	5,204,945
Notes Payable				
Bank of Marin	3,457,784	-	(442,402)	3,015,382
Municipal Finance Corporation	3,888,800	-	(580,000)	3,308,800
State Revolving Fund	2,893,080	-	(207,352)	2,685,728
California Infrasturcture and Economic Development Bank (iBANK)	(329,134)	12,000,000	(339,008)	11,331,858
2017 Revenue Bonds	35,475,000	-	(1,030,000)	34,445,000
Premium on 2017 Revenue Bonds	2,639,433	-	(121,353)	2,518,080
	48,024,963	12,000,000	(2,720,115)	57,304,848
Total Long-Term Obligations	**$ 53,892,206**	**$ 12,433,629**	**$ (3,816,042)**	**$ 62,509,793**

Additional information on the long-term debt can be found in Note 8 of the notes to the financial statements of this report.

ECONOMIC FACTORS, RATES AND BUDGETARY CONTROL

The District is a California Special District maintained as an enterprise fund. As a special district, charges to customers are made only to those who receive services. The District is not typically subject to general economic conditions such as increases or decreases in property tax values or other types of revenues that vary with economic conditions such as sales taxes. However, it does receive approximately 10% of its budget from property taxes which are dependent upon property tax valuations. The COVID-19 pandemic could have an impact on property values, but delinquent property tax payments will not materially impact the District as it participates in an optional alternative method for allocating delinquent property tax revenues. Using the accrual method of accounting under the Teeter Plan, Marin County allocates property tax revenues based on the total amount of property taxes billed, but not yet collected. The Teeter Plan allows counties to finance property tax receipts for local agencies, such as the District, by borrowing money to advance cash to each taxing jurisdiction in an amount equal to the current year's delinquent property taxes. There is always the possibility the State legislature changes the law in how future property tax revenue is allocated to special districts but the risk to the District remains small as just over 10% of its revenue comes from property taxes. Sewer Service

Charges imposed by the District are placed on the property tax roll as a special assessment and, like property taxes under the Tetter Plan, delinquent tax payments by property owners will not materially impact the District. Accordingly, the District sets its user rates and capacity charges to cover the costs of operation, maintenance and recurring capital replacement and debt financed capital improvements, plus increments for known or anticipated changes in program costs.

The District, as a wastewater collection and treatment plant operator, is subject to increasing regulatory compliance regulations. These regulations require upgrades to plant and equipment, as well as increased staff to effectively operate the system. The District reviewed its operating and capital needs during 2015 in order to establish sewer service rates for the years beginning July 1, 2015 through June 30, 2020. The rates for July 1, 2020 through June 30, 2021 were established in anticipation of the completion of a three-year rate study which was completed in April 2021. Most of the rate increase is for planned capital improvements, the largest of which is the upgrade to the treatment plant to improve wastewater processes to meet regulatory requirements.

The expected revenue from sanitary service charges is as follows:

Fiscal Year	Price per Sanitary Unit	Expected Total Revenue	Status
2017-18	$ 867	$ 13,438,500	Approved June 2017
2018-19	$ 898	$ 13,919,000	Approved June 2018
2019-20	$ 927	$ 14,368,500	Approved June 2019
2020-21	$ 968	$ 15,289,361	Approved June 2020
2021-22	$ 1,029	$ 15,648,637	Approved June 2021

The District and its Board adopts an annual budget to serve as its formal financial plan. The Board sets all fees and charges required to fund the District's operations and capital programs. The budget is used as a key control device (1) to ensure Board approval for amounts set for operations and capital projects; (2) to monitor expenses and project progress; and (3) as compliance that approved spending levels have not been exceeded. All operating activities and capital activities of the District are included within the approved budget.

The District is monitoring the changes in the current financial and credit markets. Reserve funds are invested in two ways. The majority of funds are invested in the Local Agency Investment Fund (LAIF), which is an investment pool managed by the Treasurer of the State of California. The Treasurer's office is regularly informing the pool members of the impact of changes in the investment landscape on the portfolio. The balance is held in savings accounts with the local Bank of Marin. Community based banks tend to be more conservative in their lending decisions and retain funds within the locality. Funds on deposit with the bank are covered by insurance from the Federal Deposit Insurance Corporation up to $250,000. In addition, the funds are collateralized 110% by securities held in trust.

REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District finances and demonstrate District accountability for the money it received. If you have any questions about this report, or need additional financial information, contact the Administrative Services Manager at 101 Lucas Valley Rd., Suite 300, San Rafael, CA 94903.

This page left intentionally blank.

BASIC FINANCIAL STATEMENTS

Las Gallinas Valley Sanitary District

Statements of Net Position

June 30, 2021 and 2020

		2021		2020
CURRENT ASSETS:				
Cash and cash equivalents:				
Unrestricted	$	36,810,514	$	34,272,931
Restricted - bond proceeds		116		8,632,794
Receivables:				
Connection fees		-		20,156
User charges		-		7,078
Interest		20,985		149,915
Private sewer lateral assistance program		-		-
Grant reimbursement		-		-
Other		25,340		68,460
Current portion of Private Sewer Lateral Assistance program receivable		92,964		79,204
Inventory of supplies		301,868		283,477
Prepaid expenses		64,020		55,846
TOTAL CURRENT ASSETS		**37,315,807**		**43,569,861**
NONCURRENT ASSETS:				
CAPITAL ASSETS:				
Property, plant and equipment, net of accumulated depreciation		109,758,748		95,864,951
OTHER NONCURRENT ASSETS:				
Cash - restricted for debt service		900,130		895,024
Receivables				
iBank loan proceeds		6,090,922		-
Private Sewer Lateral Assistance Program		343,162		395,079
TOTAL NONCURRENT ASSETS		**117,092,962**		**97,155,054**
TOTAL ASSETS		**154,408,769**		**140,724,915**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding		43,394		52,862
Pension plan		967,924		955,903
Other postemployment benefits plan		717,833		801,963
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,729,151		1,810,728
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**156,137,920**	**$**	**142,535,643**

The accompanying notes are an integral part of these financial statements

Las Gallinas Valley Sanitary District

Statements of Net Position

June 30, 2021 and 2020

	2021	2020
CURRENT LIABILITIES:		
Accounts payable	$ 2,375,169	$ 2,434,064
Accrued payroll	106,555	105,068
Accrued compensated absences	128,855	149,874
Accrued interest	507,646	525,121
Current portion of long-term debt	2,700,783	2,598,762
Unearned connection fees	57,768	57,768
TOTAL CURRENT LIABILITIES	**5,876,776**	**5,870,657**
NONCURRENT LIABILITIES:		
Accrued compensated absences	300,661	349,707
Notes payable, long-term	54,604,065	45,426,201
Collective net pension liability	3,734,920	3,419,231
Net other postemployment benefits liability	1,040,509	1,948,431
TOTAL NONCURRENT LIABILITIES	**59,680,155**	**51,143,570**
TOTAL LIABILITIES	**65,556,931**	**57,014,227**
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	112,815	219,367
Other post-employment benefits	1,037,161	419,220
TOTAL DEFERRED INFLOWS OF RESOURCES	**1,149,976**	**638,587**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**66,706,907**	**57,652,814**
NET POSITION		
Net investment in capital assets	52,497,294	47,892,850
Restricted for construction of capital assets	116	8,632,794
Restricted for debt service	900,130	895,024
Unrestricted	36,033,473	27,462,161
NET POSITION	**$ 89,431,013**	**$ 84,882,829**

The accompanying notes are an integral part of these financial statements

Las Gallinas Valley Sanitary District

Statements of Revenues, Expenses, and Changes in Net Position (continued)

Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES:		
Sewer use charges	$ 15,170,106	$ 14,831,995
Recycled water fees	123,155	67,288
Miscellaneous	331,856	65,401
TOTAL OPERATING REVENUES	**15,625,117**	**14,964,684**
OPERATING EXPENSES:		
Sewage collection and pump stations	1,570,736	1,272,839
Sewage treatment	2,865,940	4,269,850
Sewage and solid waste disposal	506,939	616,172
Laboratory	498,183	359,635
Engineering	874,206	616,435
Recycled water	106,416	115,532
General and administrative	2,582,892	2,890,950
Depreciation and amortization	3,044,656	2,896,926
TOTAL OPERATING EXPENSES	**12,049,968**	**13,038,339**
INCOME FROM OPERATIONS	**3,575,149**	**1,926,345**
NONOPERATING REVENUES:		
Property taxes	1,555,409	1,524,094
Franchise fees	153,351	124,693
Intergovernmental fees	4,284	3,679
Interest income	323,132	519,027
Other nonoperating revenues	19,467	3,037
TOTAL NONOPERATING REVENUES	**2,055,643**	**2,174,530**
NONOPERATING EXPENSES:		
Lateral rehab	40	-
Interest expense	1,992,192	1,453,877
TOTAL NONOPERATING EXPENSES	**1,992,232**	**1,453,877**
INCOME BEFORE CONTRIBUTIONS	**3,638,560**	**2,646,998**
CAPITAL CONTRIBUTIONS:		
Connection fees	-	-
State grants	446,229	369,321
Intergovernmental	463,395	514,720
TOTAL CAPITAL CONTRIBUTIONS	**909,624**	**884,041**
CHANGE IN NET POSITION	**4,548,184**	**3,531,039**
NET POSITION - BEGINNING OF YEAR	**84,882,829**	**81,351,790**
NET POSITION - END OF YEAR	**$ 89,431,013**	**$ 84,882,829**

The accompanying notes are an in gral part of the financial statements

Las Gallinas Valley Sanitary District

Statements of Cash Flows (continued)

Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 15,343,459	$ 14,958,769
Cash payments to employers	(4,634,133)	(4,183,933)
Cash payments to suppliers	(4,524,484)	(5,635,627)
Other cash receipts	331,856	65,401
Net cash provided by operating activities	6,516,698	5,204,610
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental fees	4,284	3,679
Franchise fees	153,351	124,693
Advances for the Private Sewer Later Assistance Program	(52,406)	(52,406)
Repayment from the Private Sewer Later Assistance Program	90,563	71,895
Insurance proceeds	19,467	3,037
Property taxes received	1,555,409	1,524,094
Net cash provided by noncapital financing activities	1,770,668	1,674,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from grants	446,229	369,321
Proceeds from debt issuance	5,909,078	-
Connection fees collected	20,156	7,359
Intergovernmental contributions	463,395	514,720
Proceeds from sale of capital assets	(40)	-
Acquisition and construction of capital assets	(16,938,453)	(29,411,306)
Principal payments on long-term debt	(2,598,762)	(2,502,399)
Net cash used in capital and related financing activities	(12,698,397)	(31,022,305)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	452,062	776,636
Interest expense	(2,131,020)	(1,497,402)
Net cash used in investing activities	(1,678,958)	(720,766)
Net increase in cash and cash equivalents	(6,089,989)	(24,863,469)
Cash and cash equivalents, July 1	43,800,749	68,664,218
Cash and Cash equivalents, June 30	$ 37,710,760	$ 43,800,749

The accompanying notes are an integral part of the financial statements

Las Gallinas Valley Sanitary District

Statements of Cash Flows (continued)

Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	3,575,149	1,926,345
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,044,656	2,896,926
Changes in assets and liabilities		
User charges receivable	7,078	3,839
Other receivables	43,120	55,647
Inventory of supplies	(18,391)	34,246
Prepaid expenses	(8,174)	31,713
Deferred outflows of resources	81,577	(430,606)
Accounts payable	(58,895)	(71,696)
Accrued payroll	1,487	(5,878)
Accrued compensation	(70,065)	51,998
Deferred inflows of resources	511,389	127,730
Collective Net Pension Liability	315,689	307,994
Net OPEB Obligation	(907,922)	276,352
Net cash provided by operating activities	$ 6,516,698	$ 5,204,610
NON CASH ACTIVITY		
Increase in loan receivable from iBank	$ 6,090,922	$ -

Wildlife in the reclamation area

1. Reporting Entity

The Las Gallinas Valley Sanitary District (the District) was formed on April 6, 1954 as a special district of the State of California. The District provides sewage collection, treatment, disposal, and wastewater recycling services, as well as manages the refuse hauling and recycling services franchise. The District provides these services to approximately 30,000 people in an area of twelve square miles, from Santa Venetia to Lucas Valley and the Marin County Civic Center to Marinwood, in Marin County, California. Revenues are derived principally from sewer charges collected from commercial and residential users within the District.

The scope of this report extends exclusively to the financial information presented for the District. The District is governed by a five-person Board of Directors (the Board) elected for four-year terms. The Board has no oversight responsibility for any other governmental unit or agency. As such, the Board's governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters extends only to the affairs of the District.

2. Summary of Significant Accounting Principles

Financial Reporting Entity, Measurement Focus, and Financial Statement Presentation

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Operating revenues, such as charges for sewer services and recycled water fees, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

The District receives the majority of its revenue from sewer use charges and property taxes that are collected by the County of Marin through the annual property tax bills. The County has implemented the Teeter policy, whereby the District receives all of the amounts billed whether or not the County collects the monies from the assessed property owners. This ensures that the District has the funds to operate without being dependent upon the timing of the collection of the remittances from the covered property owners.

2. Summary of Significant Accounting Principles (continued)

Net Position

Net position is measured on the full accrual basis and is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows. Net position is classified into the following components: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "invested in capital assets, net of related debts" or "restricted."

Budgetary Accounting

The District is not required by statute to adopt a budget; however, in its commitment to maintain fiscal responsibility, the District adopts an annual budget prior to June 30th each year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for depreciation which is not included and annual principal payments on debt service which are included. All annual, noncapital appropriations lapse at year-end.

Budgetary control is maintained at the detailed line item level. The General Manager may approve expenditures in excess of budgeted amounts up to $15,000; items in excess of this must be approved by the Board. A budget revision is usually presented to the Board in the fall to adjust for changes in capital project funding after the close of the prior year.

2. Summary of Significant Accounting Principles (continued)

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments, with original maturities of three months or less from the date of acquisition. These items are valued at cost. Please see Note 4 for additional information on investment policies and practices for both the State of California and the District.

Cash that is restricted for debt service is invested in certificates of deposit. It is classified as a noncurrent asset based on two factors: 1) due to a maturity date that is more than one year from the date of the Statement of Net Position or 2) due to the final maturity date of the related loan, which will require that the funds be maintained until a date that is more than one year from the date of the Statement of Net Position.

Inventory of Supplies

Inventory consists of materials and supplies, such as chemicals, pipe fittings, valves, pumps and filters, which are stated at cost, using the first-in, first-out method.

Capital Assets

Capital assets consist of property, plant and equipment owned by the District, which are recorded at cost or at estimated historical cost if cost information is not practically determinable. Prior to July 1, 2017 the District's policy was to include in construction-in-progress the capitalized interest cost of related borrowings, net of interest earned on unspent proceeds of the related borrowings. Effective July 1, 2017 the District has implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of Construction Period* as discussed in the New Accounting Pronouncements section below.

The District defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. The cost of normal repairs and maintenance is recorded as expense. Improvements that add to the value or extend the life of assets are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Subsurface lines	50 - 75 years
Facilities and structures	15 - 40 years
Equipment	5 - 20 years

2. Summary of Significant Accounting Principles (continued)

Intangible Assets

Intangible assets consist of easements and internally generated computer software. All intangible assets are recognized in the Statement of Net Position only if they are considered identifiable. They are amortized over their estimated useful life unless the life is indefinite.

Compensated Absences

The District provides vacation and sick leave benefits to its employees. Upon separation from employment, employees are paid for accumulated vacation days and accrued administrative and compensated time off (overtime hours for which pay is not taken). Employees who have been with the District for at least three years are also paid for one-half of their accumulated sick days. The District recognizes the related expense as the benefits are earned.

The District has accrued a liability for accumulated earned, but unused, leave.

Balance at June 30, 2019		$ 447,583
Accrued compensated absences earned	377,597	
Accrued compensated absences used	(325,599)	
Net change in accrued compensated absences		51,998
Balance at June 30, 2020		$ 499,581
Accrued compensated absences earned	117,940	
Accrued compensated absences used	(188,005)	
Net change in accrued compensated absences		(70,065)
Balance at June 30, 2021		$ 429,516

The current portion of the noncurrent liability to be used within the next year is estimated by management to be approximately $128,855, or 30%.

3. Summary of Significant Accounting Principles (continued)

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources.

Deferred amount on debt refunding – Unamortized gains and losses from current or advance debt refunding result in deferred outflows of resources. This amount is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Pension plan – The accounting valuation for the pension plan results in deferred outflows and deferred inflows of resources from several sources. In performing the actuarial valuation for the deferred compensation plan, changes in projected and actual earning on pension plan investments and adjustments due to differences in proportions for members of cost-sharing multiple-employer plans are calculated. The difference in proportions results from the California Public Employees Retirement System (CalPERS) allocation methodology. Rather than a single proportionate share applied to all components of pension expense, the CalPERS method applies employer proportions to various pension-related items such as assets, liabilities and service cost. This adjustment reconciles the difference in proportions for these various items with the employer's change in net pension liability during the plan measurement period. The amounts will be recognized over future periods equal to the expected average remaining service lifetime of the pool or 3.8 years for the June 30, 2020 measurement date (3.8 years for June 30, 2019). In addition, since the measurement date of the pension plan is one year in advance of the financial statement reporting period (i.e. valuation of the pension plan assets has a measurement date of June 30, 2020 with the results reported in the District's June 30, 2021 financial statements) contributions by the employer for 2021 and 2020 are deferred outflows at June 30, 2021 and 2020, respectively. These amounts will be recognized in the years subsequent to payment.

Other Postemployment Benefits (OPEB) plan – The accounting valuation for the OPEB plan results in deferred outflows and deferred inflows of resources from several sources. In performing the valuation for the postemployment benefit plan, changes in projected and actual earnings on plan investments, changes in projected and actual healthcare costs, changes in participant plan utilization and participant mortality are calculated. The amounts will be recognized over future periods. In addition, since the measurement date of the OPEB plan is one year in advance of the financial statement reporting period (i.e. valuation of the OPEB plan assets has a measurement date of June 30, 2020 with the results reported in the District's June 30, 2021 financial statements) contributions by the employer for 2021 deferred outflows at June 30, 2021. These amounts will be recognized in the years subsequent to payment.

2. Summary of Significant Accounting Principles (continued)

Restricted Assets and Liabilities

Restricted assets are items that have been restricted by either bond indentures, loan agreements or are to be used for specified purposes based on contract provisions, such as debt service. Restricted liabilities relate to assets restricted for their payment.

Property Taxes

The County of Marin levies taxes and places liens on real property as of January 1st on behalf of the District. Property taxes are due on the following November 1st and March 1st and become delinquent December 10th and April 10th for the first and second installments, respectively. All taxes collected for debt service are maintained in separate funds designated for payment of the debt (see Note 9).The District receives property taxes and Education Revenue Augmentation Funds (ERAF) from the County of Marin. The ERAF allows the state legislature to reallocate property tax amounts to local governments. For the years ended June 30, 2021 and 2020, the District received $1,116,356 and $1,081,890, respectively, in property taxes and $439,054 and $442,204, respectively, in ERAF.

Grants

The District's grants are cost-reimbursement grants, which are earned as the allowable expenditures under the agreement are made. A receivable is recorded when the criteria established for requesting reimbursement under the grant agreement has been satisfied and the amount of reimbursement is determinable. Grants for feasibility studies are recorded as nonoperating income. Grants for capital purposes are reported as capital contributions.

Connection Fees

The District charges connection fees to developers to reserve system capacity. Amounts charged are recorded as liabilities (unearned connection fees) until connections are actually made. Once connections are made, the fees are recognized as increases to capital contributions. In accordance with GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the capital contributions are recorded in the Statements of Revenues, Expenses and Changes in Net Position.

2. Summary of Significant Accounting Principles (continued)

Pensions

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

Other Postemployment Benefits (OPEB)

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

Interest

Prior to July 1, 2017 the District capitalized the interest cost incurred for assets that require an acquisition period to get them ready for use. The interest cost capitalization period began when the following three conditions were met: expenditures had occurred; activities necessary to prepare the asset, including administrative activities before construction, had begun; and interest cost had been incurred. Interest cost is not capitalized during delays or interruptions, other than for brief periods. When the project is completed, the interest cost was included in the amount of the asset that was capitalized and depreciated over the assets' useful life. Effective July 1, 2017, the District has implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of Construction Period* as discussed in the New Accounting Pronouncements section below.

For assets that are financed with tax-exempt debt, the interest income earned on unexpended funds is offset against the interest expenditures in determining the amount of interest to capitalize.

2. Summary of Significant Accounting Principles (continued)

Use of Estimates

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

Implemented New Accounting Pronouncements

For the fiscal year ended June 30, 2021, the District implemented the following pronouncements:

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

  This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement were originally effective for the financial statements for periods beginning after December 15, 2018 (fiscal 2020). Implementation was postponed by the provisions of Statement No. 95. The District does not believe this statement will have a significant impact on the financial statements.

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

2. Summary of Significant Accounting Principles (continued)

The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2018. Implementation was postponed by the provisions of Statement No. 95. The District does not believe that there will be any financial statement effect related to GASB No. 90.

Upcoming New Accounting Pronouncements

In June 2017, GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019 (fiscal 2021). Implementation was postponed by the provisions of Statement No. 95. The District anticipates that the implementation of this pronouncement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

2. Summary of Significant Accounting Principles (continued)

The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2020 (fiscal 2022). Implementation was postponed by the provisions of Statement No. 95. The District does not believe this statement will have a significant impact on the financial statements.

In January 2020 GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan

- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers

- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature

- Terminology used to refer to derivative instruments

The requirements of this Statement were originally effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

2. Summary of Significant Accounting Principles (continued)

- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Implementation was postponed by the provisions of Statement No. 95, however earlier application is encouraged and is permitted by topic.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* - The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offer Rate (IBOR). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal FUnds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended.

The removal of London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (fiscal year 2022-23). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (fiscal year 2020-21). The District does not believe that the implementation of this Pronouncement will have an impact on the financial statements.

2. Summary of Significant Accounting Principles (continued)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPP.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The District has not yet determined whether the implementation of this Pronouncement will have a material impact on the financial statements.

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

2. Summary of Significant Accounting Principles (continued)

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The District has not yet determined whether the implementation of this Pronouncement will have a material impact on the financial statements.

In June 2020, GASB Statement No. 97**,** *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (fiscal year 2021-22). For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021 (fiscal year 2021-22).

3. Cash and Cash Equivalents

At June 30, 2021 and 2020, the District maintained the majority of its cash in the Bank of Marin and the State of California LAIF pooled investment funds. Balances in the Bank of Marin are insured by the Federal Deposit Insurance Corporation up to $250,000, are collateralized by securities at 110% of the balance, and consist of checking and savings accounts.

The LAIF funds invest deposits of the District, counties, various schools and other special districts primarily in cash equivalents, as prescribed by the California Government Code. Balances are stated at cost, which is approximately market value. Each participating agency is allocated realized investment gains, losses, and interest based on average daily balances invested. Copies of financial statements for LAIF may be obtained from the California State Treasurer at *http://www.treasurer.ca.gov/pmia-laif/reports.asp.*

Restricted Cash

Restricted cash consists of unexpended proceeds from issuing the 2017 Revenue Bonds in April 2017 and the debt service reserve funds. At June 30, 2021 and 2020 $116 and $111 was on deposit at U.S. Bank, the Trustee for the issue, in the Cost of Issuance fund. See Note 8 for additional information regarding the bonds. The debt service reserve funds are invested in certificates of deposit with Bank of Marin and have maturity dates in 2025.

For the purpose of the statements of cash flows, cash and cash equivalents include all items of cash and investments with original maturities of three months or less. Cash and cash equivalents consist of the following:

3. Cash and Cash Equivalents (continued)

	June 30, 2021	
	Reported/Fair Value	
	Unrestricted	Restricted
Cash in bank and on hand		
Bank of Marin	$ 11,107,489	$ -
Petty cash	966	-
Total cash in bank and on hand	11,107,489	
Investments		
Certificates of deposit	-	900,130
Local Agency Investment Fund	25,702,059	-
Total investments	25,702,059	$ 900,130
Total cash and cash equivalents as of June 30, 2021	**$ 36,810,514**	**$ 900,130**

	June 30, 2020	
	Reported/Fair Value	
	Unrestricted	Restricted
Cash in bank and on hand		
Bank of Marin	$ 6,387,696	$ -
Petty cash	928	-
Total cash in bank and on hand	6,388,624	-
Investments		
Certificates of deposit	-	895,024
Local Agency Investment Fund	27,884,307	8,632,794
	27,884,307	9,527,818
Total cash and cash equivalents as of June 30, 2020	**$ 34,272,931**	**$ 9,527,818**

3. Cash and Cash Equivalents (continued)

Investments Authorized by the District's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bonds issued by the District	none	not applicable	none	none
U.S. Treasury Obligations	none	not applicable	none	none
U.S. Agency Securities	none	not applicable	none	none
Registered State Warrants or Treasury Notes or Bonds issued by the State of California	none	not applicable	none	none
Local Agency Bonds, Notes, Warrants or Pooled Investment Accounts	none	not applicable	none	none
Bankers' Acceptances	270 days	not applicable	40%	30%
Prime Commercial Paper	180 days	Aaa/AAA	15%-30%	none
Negotiable Certificates of Deposit	none	not applicable	30%	none
Repurchase/Reverse Repurchase Agreements	none	not applicable	none	none
Medium-Term Notes	5 years	A	30%	none
Money Market Mutual Funds	none	Aaa/AAA	15%	none
Collateralized Bank Deposits	none	not applicable	none	none
Mortgage Pass-Through Securities	5 years	not applicable	30%	none

Debt Proceeds

Unspent debt proceeds for the District are invested in interest bearing accounts at either the financial institution that advanced the funds or in a separate LAIF fund managed by the Trustee of the Bond Indenture.

3. Cash and Cash Equivalents (continued)

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. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 6 months.

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 maturity date of its investments at June 30, 2021 and 2020:

	2021	Maturity Date
Certificates of Deposit	$ 900,130	4 years average
LAIF	25,702,059	291 days average
	$ 26,602,189	

	2020	
Certificates of Deposit	$ 895,024	31 days average
LAIF	36,516,990	191 days average
	$ 37,412,014	

Credit Risk

Generally, credit risk is the risk of an issuer that an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

3. Cash and Cash Equivalents (continued)

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 nor will it 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 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The State of California has no additional requirements for custodial credit risk, nor does the District.

Certificates of Deposit

The District is required to maintain cash in debt reserve funds, equal to one year’s debt service for the State Revolving Fund and for the loans from Bank of Marin. At June 30, 2021 and 2020, this equaled $900,130 and $895,024, respectively. Since these funds will not be needed until the final year of maturity of the loans, the District has invested them in certificates of deposit. These accounts pay interest at 0.494% and matured in July and August 2020, respectively. Upon maturation in 2020, the CDs were rolled over and have new maturity dates of July and August 2025, respectively.

3. Cash and Cash Equivalents (continued)

Investment in State Investment Pool

The District is a voluntary participant in the 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 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 District's proportionate share of that value was $25,704,191 and $36,696,390 as of June 30, 2021 and 2020, respectively. There are no derivatives included in the portfolio. Included in LAIF's investment portfolio are asset-backed securities totaling $2,773 and $1,675 million as of June 30, 2021 and 2020, respectively. Structured notes comprised $1,700 million and $1,725 million of the portfolio as of June 30, 2021 and 2020. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The current and prior year changes in fair value were not material to the financial statements as a whole and, therefore, have not been presented.

4. Accounts Receivable

The majority of the District's sewer user charge revenue and all of the property tax revenue is collected by the County of Marin through charges on the tax rolls. The collections are remitted to the District as follows: 55% in December, 40% in April, and the balance of 5% during June and July. The June and July remittances allow the County as the collection agent to true-up any changes for revisions in the sewer charges after the initial calculation in August.

5. Private Sewer Lateral Assistance Program

The District has a private sewer lateral assistance program which allows property owners to receive an advance to repair or replace their sewer laterals. The maximum that may be advanced under the program is $10,000 per property, with interest charged at 2%, and the amount is repaid over 10 years through the property tax collections.

5. Private Sewer Lateral Assistance Program (continued)

The activity in the program for 2021 and 2020 is a follows:

Balance at June 30, 2019	$ 493,772
Payments received	(103,565)
Advances made	73,397
Balance at June 30, 2020	463,604
Payments received	(103,382)
Advances made	75,904
Balance at June 30, 2021	$ 436,126

Scheduled payments to be received from the advances in future years are as follows:

Fiscal year ending June 30,	
2022	$ 92,964
2023	79,396
2024	73,615
2025	61,797
2026	38,053
Thereafter	90,301
	$ 436,126

In addition to regularly schedule repayments collected through the tax roll, property owners may prepay the amounts outstanding under the lateral assistance program if they sell or refinance the property. Included in payments received are prepayments of $31,567 and $23,086 in 2021 and 2020, respectively.

6. Capital Assets

A summary of property, plant and equipment transactions for the year ended June 30, 2021 is as follows:

	Ending Balance at June 30, 2020	Increases	Decreases	Transfers/ Reclass	Ending Balance at June 30, 2021
Capital assets being depreciated:					
Land	$ 2,867,571	$ -	$ -	$ -	$ 2,867,571
Construction-in-progress	39,356,096	16,447,538	-	-	55,803,634
Total capital assets not being depreciated	42,223,667	16,447,538	-	-	58,671,205
Capital assets being depreciated:					
Subsurface lines and manholes	35,513,005	5,860	-	-	35,518,865
Facilities and equipment					
Sewage collection	2,727,090	99,244	-	-	2,826,334
Sewage treatment	40,861,604	311,331	-	-	41,172,935
Sewage disposal	8,200,137	-	-	-	8,200,137
Reclamation	1,459,514	59,202	-	-	1,518,716
Recycled water production	9,501,549	-	-	-	9,501,549
Pump stations	13,189,868	7,350	-	-	13,197,218
Administration	1,123,173	7,928	-	-	1,131,101
Laboratory	563,001	-	-	-	563,001
Total capital assets being depreciated	113,138,941	490,915	-	-	113,629,856
Less accumulated depreciation for:					
Subsurface lines and manholes	(16,647,187)	(678,276)	-	-	(17,325,463)
Facilities and equipment					
Sewage collection	(2,054,241)	(86,383)	-	-	(2,140,624)
Sewage treatment	(20,049,815)	(1,294,083)	-	-	(21,343,898)
Sewage disposal	(6,940,853)	(148,677)	-	-	(7,089,530)
Reclamation	(945,714)	(39,449)	-	-	(985,163)
Recycled water production	(2,948,080)	(384,198)	-	-	(3,332,278)
Pump stations	(8,910,010)	(346,418)	-	-	(9,256,428)
Administration	(691,732)	(52,898)	-	-	(744,630)
Laboratory	(310,025)	(14,274)	-	-	(324,299)
Accumulated depreciation	(59,497,657)	(3,044,656)	-	-	(62,542,313)
Total capital assets being depreciated, net	**53,641,284**	**(2,553,741)**	**-**	**-**	**51,087,543**
Capital assets, net	**$95,864,951**	**$13,893,797**	**$ -**	**$ -**	**$109,758,748**

6. Capital Assets (continued)

A summary of property, plant and equipment transactions for the year ended June 30, 2020 is as follows:

	Ending Balance at June 30, 2019	Increases	Decreases	Transfers/ Reclass	Ending Balance at June 30, 2020
Capital assets being depreciated:					
Land	$ 2,867,571	$ -	$ -	$ -	$ 2,867,571
Construction-in-progress	18,472,286	29,589,452	(1,792,586)	(6,913,056)	39,356,096
Total capital assets not being depreciated	21,339,857	29,589,452	(1,792,586)	(6,913,056)	42,223,667
Capital assets being depreciated:					
Subsurface lines and manholes	33,550,719	322,640	-	1,639,646	35,513,005
Facilities and equipment					
Sewage collection	2,727,090	-	-	-	2,727,090
Sewage treatment	34,537,775	1,185,328	-	5,138,501	40,861,604
Sewage disposal	8,200,137	-	-	-	8,200,137
Reclamation	1,336,016	106,472	-	17,026	1,459,514
Recycled water production	9,501,549	-	-	-	9,501,549
Pump stations	13,071,985	-	-	117,883	13,189,868
Administration	1,123,173	-	-	-	1,123,173
Laboratory	563,001	-	-	-	563,001
Total capital assets being depreciated	104,611,445	1,614,440	-	6,913,056	113,138,941
Less accumulated depreciation for:					
Subsurface lines and manholes	(16,033,158)	(614,029)	-	-	(16,647,187)
Facilities and equipment					
Sewage collection	(1,968,815)	(85,426)	-	-	(2,054,241)
Sewage treatment	(18,844,779)	(1,205,036)	-	-	(20,049,815)
Sewage disposal	(6,791,389)	(149,464)	-	-	(6,940,853)
Reclamation	(911,486)	(34,228)	-	-	(945,714)
Recycled water production	(2,563,882)	(384,198)	-	-	(2,948,080)
Pump stations	(8,554,988)	(355,022)	-	-	(8,910,010)
Administration	(636,572)	(55,160)	-	-	(691,732)
Laboratory	(295,662)	(14,363)	-	-	(310,025)
Accumulated depreciation	(56,600,731)	(2,896,926)	-	-	(59,497,657)
Total capital assets being depreciated, net	**48,010,714**	**(1,282,486)**	**-**	**6,913,056**	**53,641,284**
Capital assets, net	**$69,350,571**	**$28,306,966**	**$ (1,792,586)**	**$ -**	**$95,864,951**

7. Water Disposal and Recycled Water

In 1988, the District entered into a water-reclamation agreement with MMWD to provide for the disposal of treated wastewater. At a facility located on the District's property, MMWD provides further treatment to the wastewater in order to distribute it as recycled water. The contract, which was set to expire in December 2018, has been extended until December 31, 2021.

In 2017, the District entered into a purchase and sale of recycled water agreement with MMWD. The District will provide MMWD with 2.5 million gallons per day of plant capacity to produce a minimum of 600 acre fee per year, for 30 years. As part of the agreement, MMWD made an initial payment towards the cost of the existing facility of $333,563 and will make quarterly payments of $51,637 through October 1, 2022 and after that $26,890 per quarter through July 1, 2031. In addition, the District has designed an expansion of the existing facility in order to serve MMWD. Funding for the expansion is from part of the proceeds of the 2017 Revenue Bonds and a WaterSmart Grant awarded in 2015. The project was awarded to Myers & Sons Construction LLC on November 15, 2018 by the Board and the estimated construction cost was $48,622,939. On December 17, 2018 the General Manager signed the contract. The cost of the portion of the expansion ascribed to MMWD is $4.6 million with payments due semi-annually on April 1st and October 1st through April 1, 2042. MMWD paid $463,395 in 2021 and $514,720 in 2020 per the agreement. See Note 8E for further information regarding the bonds.

The agreement with MMWD may be modified to revise the payment amounts once the construction is completed and all costs are known. MMWD is responsible for demolishing the existing facility which is located on the District's site.

Future minimum payments expected to be received from MMWD are as follows:

Fiscal year ending June 30,	Total
2022	$ 463,269
2023	413,480
2024	364,049
2025	364,447
2026	364,111
2027 – 2031	1,820,914
2032 – 2036	1,335,915
2037 – 2042	1,532,940
	$ 6,659,124

In addition to these payments, MMWD will be charged for deliveries of recycled water based on the District's regular, ongoing operations and maintenance costs and deposits into a capital repair and replacement fund equal to 10% of annual operations and maintenance costs.

7. Water Disposal and Recycled Water (continued)

In 2011, the District entered into an agreement with NMWD to annually produce at least 220 acre feet of recycled water for 20 years. NMWD will reimburse the District for its operating and maintenance costs associated with producing the recycled water.

8. Long-Term Obligations

A. Wastewater Revenue Certificates of Participation, Series 2005 and Note Payable with Municipal Finance Corporation

The District issued $10,000,000 of Wastewater Revenue Certificates of Participation Bonds rated AA on November 15, 2005. The bonds had maturity dates ranging from December 1, 2006 through December 1, 2025 and carried an average interest rate of 4%. The net proceeds from the sale, after paying issuance costs, underwriter fees, and the reserve surety bond premium was $9,774,000.

In April 2014, the bonds were refinanced with Municipal Finance Corporation, a private lender. The principal balance outstanding was $6,880,000 and a 1% early call premium of $68,800 was required to retire the bonds. The refinanced note payable of $6,948,800 will be paid over the remaining term of the old debt, with principal payments due each December 1st; and interest payments are due each December 1st and June 1st through 2025. The interest rate on the refinanced debt is 3.3%.

The discount of $42,442 and the call premium of $68,800 are recorded as a Deferred Outflow of Resources – Deferred amount on debt refunding and are being amortized over the life of the loan. The accumulated amortization is $67,848 at June 30, 2021 and $58,382 at June 30, 2020; the amount charged to interest expense was $9,467 for both June 30, 2021 and 2020.

The debt is payable solely from net revenues of the District. Net revenues consist generally of all revenues after payment of adjusted operation and maintenance costs and include property taxes received by the District. The loan requires the District to maintain a debt coverage ratio of earnings before interest, depreciation and amortization over scheduled principal payments of 1.15 to 1.0.

8. Long-Term Obligations (continued)

Future minimum payments are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2022	$ 610,000	$ 99,125	$ 709,125
2023	630,000	78,665	708,665
2024	660,000	57,380	717,380
2025	690,000	35,105	725,105
2026	718,800	11,860	730,660
Total	$ 3,308,800	$ 282,135	$ 3,590,935

B. Note Payable – Bank of Marin

The District entered into a financing agreement with Bank of Marin on June 10, 2011 for $4,600,000. The loan is for the recycled water facility which was completed in July 2012. The loan bears interest at 3.88%, requires a reserve fund equal to one year's debt service, or $332,681, and monthly principal and interest payments of $27,723 beginning July 2011 through June 10, 2031. The loan requires the District to maintain a debt coverage ratio of earnings before interest, depreciation and amortization over scheduled principal payments of 1.2 to 1.0.

Future minimum payments are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2022	$ 228,726	$ 103,955	$ 332,681
2023	237,888	94,793	332,681
2024	247,186	85,495	332,681
2025	257,318	75,363	332,681
2026	267,625	65,056	332,681
2027 – 2031	1,507,647	155,760	1,663,407
Total	$ 2,746,390	$ 580,422	$ 3,326,812

C. Note Payable – Bank of Marin

The District entered into a financing agreement with Bank of Marin on July 27, 2012 for $2,000,000. The loan is for the recycled water facility which was completed in July 2012. The loan bears interest at 3.25%, requires a reserve fund equal to one year's debt service, or $235,346, and monthly principal and interest payments of $19,612 beginning September 10, 2012 through August 10, 2022. The loan requires the District to maintain a debt coverage ratio of earnings before interest, depreciation and amortization over scheduled principal payments of 1.2 to 1.0.

8. Long-Term Obligations (continued)

Future minimum payments are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2022	$ 229,928	$ 5,418	$ 235,346
2023	39,065	160	39,225
Total	$ 268,993	$ 5,578	$ 274,571

D. State Revolving Fund Loan

The District had a construction loan with the State Water Resources Control Board, which converted to a term loan in November 2012 after the last construction draw was received.

The loan bears interest at 2.7%, requires a reserve fund equal to one year's debt service, or $285,464, and annual principal and interest payments beginning June 1, 2012 through June 1, 2032. The loan requires the District to maintain a debt coverage ratio of earnings before interest, depreciation and amortization over scheduled principal payments of 1.2 to 1.0.

Future minimum payments are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2022	212,950	72,514	$ 285,464
2023	218,699	66,765	285,464
2024	224,604	60,860	285,464
2025	230,669	54,795	285,464
2026	236,897	48,567	285,464
2027 – 2031	1,283,950	143,371	1,427,321
2032	277,960	7,505	285,465
Total	$ 2,685,729	$ 454,377	$ 3,140,106

8. **Long-Term Obligations** (continued)

E. 2017 Revenue Bonds

The District issued $38,365,000 of Revenue Bonds rated AAA on April 28, 2017. The bonds have maturity dates ranging from April 1, 2018 through April 1, 2042; interest is due each October and April with the first payment due October 1, 2017. The yield to maturity on the bonds ranges from 0.87% to 3.57% with a stated interest rate of 4% and a true interest cost of 3.2984%. The sources and uses of funds from the bond issuance are as follows:

Sources of Funds:		
Stated redemption price of bonds	$	38,365,000
Original issue premium		3,023,718
		41,388,718
Uses of Funds:		
Issuance costs	$	153,608
Surety bond premium		50,231
Underwriter's discount		145,365
		349,204
Deposit to project fund	**$**	**41,039,514**

The bonds are generally callable in whole or in part on or after April 1, 2027. This special call provision relates to the expansion of the recycled water treatment facility to serve MMWD (see Note 7).

Issuance costs, the surety bond premium and underwriter’s discount are expensed in the year of issuance. The original issue premium will be amortized over the maturity period of the bonds and included in interest expense. As of June 30, 2021 and 2020 the accumulated amortization is $505,638 and $384,285, respectively.

The interest paid on the 2017 Revenue Bonds qualifies as exempt from income tax for specified bond holders. As such the District is subject to Internal Revenue Code requirements concerning arbitrage. There are safe-harbors for spending the bond proceeds that can exempt the District from having to rebate any excess interest earned on unspent funds in excess of interest paid to bond holders. The arbitrage calculation is required every five years; the first year will be in 2022.

The debt is payable solely from net revenues of the District. The loan requires the District to maintain a debt coverage ratio of earnings before interest, depreciation and amortization over scheduled principal payments of 1.25 to 1.0.

8. Long-Term Obligations (continued)

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2022	$ 1,070,000	$ 1,377,800	$ 2,447,800
2023	1,110,000	1,335,000	2,445,000
2024	1,155,000	1,290,600	2,445,600
2025	1,205,000	1,244,400	2,449,400
2026	1,250,000	1,196,200	2,446,200
2027 – 2031	7,045,000	5,189,400	12,234,400
2032 – 2036	8,840,000	3,641,400	12,481,400
2037 – 2041	10,425,000	1,752,600	12,491,800
2042	2,345,000	93,800	2,438,800
Total	$ 34,445,000	$ 17,121,200	$ 51,566,200

F. California Infrastructure and Economic Development Bank

The District entered into an agreement with California Infrastructure and Economic Development Bank (iBank) in May 2019 for a loan of $12,000,000. The loan has maturity dates ranging from August 1, 2019 through August 1, 2043; interest is due each February and August with the first payment due August 1, 2019. Payments of principal and interest are due whether or not any of the funds have been disbursed. As of June 30, 2021, $5,909,078 of these funds have been received. The interest rate on the loan is 3.00% per annum.

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2022	$ 349,179	$ 334,718	$ 683,897
2023	359,654	324,086	683,740
2024	370,444	313,134	683,578
2025	381,557	301,854	683,411
2026	393,004	290,236	683,410
2027 – 2031	2,149,106	1,264,330	3,413,436
2032 – 2036	2,491,402	916,899	3,408,301
Thereafter	4,837,512	603,001	5,440,513
Total	$ 11,331,858	$ 4,348,258	$ 15,680,116

8. Long-Term Obligations (continued)

The following is a summary of the long-term obligations activity for the year ended June 30, 2021:

	Balance June 30, 2020	Additions		Reductions	Balance June 30, 2021	Amounts Due Within One Year
Personnel Related Obligations						
Compensated absences	$ 499,581	$ 117,940		$ (188,005)	$ 429,516	$ 128,855
Net Pension Liabiltiy	3,419,231	315,689		-	3,734,920	-
Net OPEB Liability	1,948,431	-		(907,922)	1,040,509	-
	5,867,243	433,629		(1,095,927)	5,204,945	128,855
Notes Payable						
Bank of Marin	3,457,784	-		(442,402)	3,015,382	458,654
Municipal Finance Corporation	3,888,800	-		(580,000)	3,308,800	610,000
State Revolving Fund	2,893,080	-		(207,352)	2,685,728	212,950
California Infrastructure and Economic Development Bank (iBank)	(329,134)	12,000,000	*	(339,008)	11,331,858	349,179
2017 Revenue Bonds	35,475,000	-		(1,030,000)	34,445,000	1,070,000
Premium on 2017 Revenue Bonds	2,639,433	-		(121,353)	2,518,080	-
	48,024,963	12,000,000		(2,720,115)	57,304,848	2,700,783
Total long-term obligations	**$ 53,892,206**	**$ 12,433,629**		**$ (3,816,042)**	**$ 62,509,793**	**$ 2,829,638**

*As of June 30, 2021, the District has drawn down $5,909,078 of these funds. A long-term receivable for the remaining $6,909,922 is shown on the Statement of Net Position

8. Long-Term Obligations (continued)

The following is a summary of the debt activity for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Personnel Related Obligations					
Compensated absences	$ 447,583	$ 377,597	$ (325,599)	$ 499,581	$ 149,874
Net Pension Liabiltiy	3,111,237	307,994	-	3,419,231	-
Net OPEB Liability	1,672,079	276,352	-	1,948,431	-
	5,230,899	961,943	(325,599)	5,867,243	149,874
Notes Payable					
Bank of Marin	3,884,149	-	(426,365)	3,457,784	442,402
Municipal Finance Corporation	4,443,800	-	(555,000)	3,888,800	580,000
State Revolving Fund	3,094,980	-	(201,900)	2,893,080	207,351
California Infrastructure and Economic Development Bank (iBank)	-	-	(329,134)	(329,134)	339,008
2017 Revenue Bonds	36,465,000	-	(990,000)	35,475,000	1,030,000
Premium on 2017 Revenue Bonds	2,760,786	-	(121,353)	2,639,433	-
	50,648,715	-	(2,623,752)	48,024,963	2,598,761
Total long-term obligations	**$ 55,879,614**	**$ 961,943**	**$ (2,949,351)**	**$ 53,892,206**	**$ 2,748,635**

During the years ended June 30, 2021 and 2020, the District incurred interest on long-term debt of $1,992,192 ($2,697,725 paid less $705,533 earned on restricted bond investments) and $1,453,877 ($2,081,321 paid less $627,444 earned on restricted bond investments), respectively.

9. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all permanent, full-time District employees, permits employees to defer a portion of their current salary until future years. Employees may defer up to the Internal Revenue Code limits. For 2021 and 2020, employees contributed $150,231 and $107,686, respectively. Generally, deferred compensation is payable upon retirement, termination of employment, disability or death. Deferred amounts are held in a 457 plan trust established by the District for the exclusive benefit of the participants and their beneficiaries. Contributions are made to the Supplemental Income Plan (SIP) administered by the CalPERS for the benefit of each individual participant. The SIP is an entity separate from the District and, accordingly, the trust assets are not considered to be assets of the District itself. Additional information about the trust may be obtained from the CalPERS Supplemental Income Plan, which has a mailing address of 400 Q Street, Room E2812, Sacramento, CA 95814.

10. Commitments

The District was contractually committed to contractors and vendors for various projects totaling $20,458,206 and $30,323,655 as of June 30, 2021 and 2020, respectively.

11. Defined Benefit Pension Plan

Plan Description and Benefits Provided

The District contributes to CalPERS, a cost sharing multiple employer defined benefit pension plan. The contribution requirements of the plan members are established by state statute and the employer contribution rates are established and may be amended by CalPERS. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Contributions by the employer and the employee are based on eligible employees' regular rate of pay without inclusion of overtime, stand-by pay, or separation pay of accrued time off, which prevents spiking of retirement benefits.

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. The benefits are based on the plan formulas, and the member's years of service, age and final compensation. Because the District has less than 100 active members, it is required by CalPERS to participate in a cost sharing multiple-employer risk pool of similar agencies that all have the same contract formula known as PERF C. Copies of CalPERS' annual financial report may be obtained from its Executive Office at 400 P Street, Sacramento, CA 95814.

11. Defined Benefit Pension Plan (continued)

The Plan's provisions and benefits are summarized as follows:

	Miscellaneous	
	Hired Prior to January 1, 2013	**Hired On or After January 1, 2013**
Benefit formula	2.7% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 – 55	52 – 67
Monthly benefits and a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required contribution rate as a percentage of reportable payroll		
Employees	8.000%	6.250%
Employer		
2021	14.194%	7.732%
2020	13.182%	6.985%
Required contribution rate for prior year unfunded liability		
2021	$ 239,795	$ 5,729
2020	$ 209,390	$ 1,063

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30th 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. Beginning with the determination of the employer contributions for 2016, two contribution amounts are required. An amount expressed as a percentage of reportable payroll plus a pre-determined annual dollar amount to pay the prior year unfunded liability.

For employees hired prior to January 1, 2013, the District paid a portion of the employees' required contribution through June 30, 2017. Beginning July 1, 2018 employees began paying the full required 8% contribution.

For employees hired after January 1, 2013, the District did not pay any of the employees' required contribution of 6.25%, and the employees began cost sharing and pating a portion of the employers' required contribution as of July 1, 2017, equal to 1.75% of reportable payroll. This brings the employee contribution total up to 8%.

11. Defined Benefit Pension Plan (continued)

For the years ended June 30, 2021 and 2020, the contributions recognized as part of pension expense for each Plan were as follows:

	June 30, 2021	June 30, 2020
Contributions – employer	$ 526,615	$ 446,449

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension

The District's proportionate share of the net pension liability is $3,734,920 and $3,419,231 as of June 30, 2021 and 2020, respectively.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The liability and deferred outflows and inflows of resources are determined from actuarial valuations that are prepared at dates that differ from the financial statement reporting periods in these statements. For these financial statements, the following timeframes are used:

Fiscal Year	**June 30, 2021**	**June 30, 2020**
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 - June 30, 2020	July 1, 2018 - June 30, 2019

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.

11. Defined Benefit Pension Plan (continued)

The District's proportionate share of the net pension liability was as follows:

	Financial Statement Report as of June 30, 2021	
Measurement Date	Dollars	Percentage
Proportion – June 30, 2019	$ 3,419,231	0.03337%
Proportion – June 30, 2020	3,734,920	0.03433%
Change – Increase (Decrease)	$ 315,689	0.00096%

	Financial Statement Report as of June 30, 2020	
Proportion – June 30, 2018	$ 3,111,237	0.03229%
Proportion – June 30, 2019	3,419,231	0.03337%
Change – Increase (Decrease)	$ 307,994	0.01080%

For the years ended June 30, 2021 and 2020, the District recognized actuarial pension expense of $723,731 and $783,891, respectively.

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Change in Assumptions are amortized over the Expected Average Remaining Service Lifetime of members provided pensions through the Plan determined as of the beginning of the related measurement period for all PERFC participants. As of the June 30, 2020 measurement date it is 3.8 years.

11. Defined Benefit Pension Plan (continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$ 192,471	$ -
Changes of assumptions	-	(26,639)
Net differences between projected and actual earnings on plan investments	110,952	-
Change in employer's proportion	137,886	-
Differences between the employer's contributions and the employers' proportionate share of contributions	-	(86,176)
Pension contributions subsequent to the measurement date	526,615	-
Total	$ 967,924	$ (112,815)

The $526,615 is reported as deferred outflows of resources related to contributions made during the District's year ended June 30, 2021 which is subsequent to the pension plan measurement date of June 30, 2020 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Deferred outflows of resources to be amortized over the remaining average service life of 3.8 years and recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/Inflows Of Resources
2022	$ 61,010
2023	120,921
2024	93,349
2025	53,214
2026	-
Thereafter	-

11. Defined Benefit Pension Plan (continued)

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2019 (last available)
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service.
Mortality	Derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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 period of projected benefit payments to determine the total pension liability.

11. Defined Benefit Pension Plan (continued)

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 ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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+ 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 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 adjusted to account for assumed administrative expenses.

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.

Allocation by Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%
Total	100.00%		

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

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

11. Defined Benefit Pension Plan (continued)

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
$ 5,724,776	$ 3,734,920	$2,090,765

Pension Plan Fiduciary Net Position

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

Required Information in Compliance with GASB No. 68 for Cost Sharing Multiple-Employer Defined Benefit Plans

Effective June 30, 2003, CalPERS risk pools were established for plans containing less than 100 active members as of that valuation date. The District is included in the risk pool for “Miscellaneous Retirement Plan 2.7% at 55” and/or “Miscellaneous Retirement Plan 2.0% at 62.”

Public Employees’ Pension Reform Act of 2013 (PEPRA)

On January 1, 2013, the Public Employees’ Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees. As such, it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payrolls would lead to the underfunding of the plans. In addition, the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore, the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

11. Defined Benefit Pension Plan (continued)

In order to address these issues, the CalPERS Board of Administration structural changes to the risk pools approved at their May 21, 2014 meeting. All pooled plans were combined into two active risk pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the risk pools this way, the payroll of the risk pools and the employers within the risk pools can once again be expected to increase at the assumed 3 percent annual growth. This change allowed the continuation of current level percent of payroll amortization schedule. However, two important changes are being made which that affect employers.

Beginning in 2016, CalPERS collected employer contributions toward the unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments, the plan's normal cost contribution will continue to be collected as a percentage of each payroll.

The risk pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by the plan's individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

12. Other Postemployment Benefits

Plan Description

In addition to the pension benefits described in Note 12, the District has established another postemployment benefits (OPEB) plan to provide health insurance (OPEB Plan) to employees in accordance with the Memorandum of Understanding between the District and its employees. These employees must meet certain service requirements and retire directly from employment with the District. According to the most current postemployment medical benefits plan, effective July 1, 2014 there are four tiers of benefits.

12. Other Postemployment Benefits (continued)

Tier 1 – Employees who retired prior to January 1, 2003, with five years of service, receive a benefit that is indexed by 6% each year and are eligible for spousal coverage up to the benefit cap. The monthly cap was $875 as of January 1, 2021 and $826 as of January 1, 2020.

Tier 2 – Employees who were employed prior to January 1, 2003, and retire with five years of District service, receive a monthly benefit that is set by the California Department of Personnel Administration. The monthly benefit cap was $798 as of January 1, 2021, $767 as of January 1, 2020, and $734 as of January 1, 2019. This benefit is available to the employee only without any spousal coverage.

Tier 3 – Employees hired after January 1, 2003 are eligible for benefits from 50% to 100% of the rate established by the California Department of Personnel Administration. They have to work for the District for at least five years, retire from the District, and have a minimum of 10 years of CalPERS agency service to receive a 50% benefit. The benefit increases 5% each year after that until the maximum coverage is reached at 20 years of service.

Tier 4 – Employees who are hired after July 1, 2014 and retire from the District after 10 years of service are eligible for benefits from 50% to 100% of the rate established by the California Department of Personnel Administration. The benefit increases 5% each year after that until the maximum coverage is reached at 20 years of service and is available only to the employee.

All employees who retire from the District, have five years of CalPERS service credits, and participate in the CalPERS medical plan receive a benefit paid by the District equal to the minimum Public Employees' Medical and Hospital Care Act (PEMHCA) contribution. This monthly contribution is included in the cap outlined above for all tiers. However, an employee who is a member of Tier 3, but does not work for the District for five years, and has five year of CalPERS service credits, is eligible for the PEMHCA. The monthly amount was $143 as of January 1, 2021, $139 as of January 1, 2020, and $136 as of January 1, 2019.

Employees Covered

As of the June 30, 2020 actuarial valuation date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	21
Inactive employees of beneficiaries currently receiving benefits	22
Inactive employees entitled to, but not yet receiving benefits	-
Total participants	43

12. Other Postemployment Benefits (continued)

Contributions

Effective, July 1, 2009, the District joined the California Employers' Retiree Benefit Trust (CERBT) in order to pre-fund the retiree medical costs. The objective of the CERBT is to seek favorable returns that reflect the broad investment performance through asset allocation. The employers who participate in the CERBT own units of the fund’s portfolio, which is invested in accordance with the approved strategic asset allocation; they do not have direct ownership of the securities in the portfolio. The unit value changes with market conditions. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets.

The annual contribution is based on the actuarially determined contribution which consists of the cost to fund the benefits for current and retired OPEB Plan participants and the implicit rate subsidy. The implicit rate subsidy results when the healthcare rate charged to retired employees is the group premium charged to active employees. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Unless the premium rate for retirees is set to fully recover their healthcare costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. Similarly, unless the premium rate for retirees is set to fully recover their health costs, the premium for retirees is understated. This difference creates an implicit rate subsidy. This rate subsidy is considered a benefit that should be included in OPEB valuations. The OPEB obligation normally includes the cost of the implicit rate subsidy for the years in which the retiree is paying the active employee insurance costs for continued coverage. When the retiree is eligible for Medicare, the actual cost of coverage is much closer to the premium cost. Therefore, there is no OPEB liability assumed for Medicare-eligible retirees paying 100 percent of the premium. For the year ended June 30, 2020 the actuarially determined cash contribution was $236,657 and the implicit rate subsidy contribution was $33,035.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

12. Other Postemployment Benefits (continued)

The actuary used the following actuarial method and assumptions:

Actuarial Assumptions:

Actuarial valuation date	• June 30, 2020
Contribution policy	• District contributes full ADC
Discount rate and long-term expected rate of return on assets	• 6.25% at June 30, 2020 • 6.73% at June 30, 2019 • Expected District contributions projected to keep sufficient plan assets to pay all benefits from.
General inflation	• 2.75% annually
Mortality, retirement, disability, termination	• CalPERS 1997 – 2015 Experience Study
Mortality improvement	• Mortality projected fully generational with Scale MP-2020
Salary increases	• Aggregate – 3% annually • Merit – CalPERS 1997 – 2015 Experience Study
Medical trend	• Non-Medicare: 7% for 2022, decreasing to an ultimate rate of 4% in 2076 • Medicare (Non-Kaiser): 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076 • Medicare (Kaiser): 5% for 2022, decreasing to an ultimate rate of 4% in 2076
PEMHCA minimum increases	• 4.25% annually
Cap increases	• Tier 1: 6% • Tiers 2-4: Non-Medicare medical trend
Healthcare participation for future retirees	• Eligible for amounts larger than PEMHCA minimum: 100% • Eligible for PEMHCA minimum only: 50%

As of June 30, 2021, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Asset Class Component	Target Allocation CERBT-Strategy 2	Expected Real Rate of Return
Global Equity	40%	4.82%
Fixed Income	43%	1.47%
TIPS	5%	1.29%
Commodities	4%	0.84%
REITS	8%	3.76%
Assumed long-term rate of inflation		2.75%
Expected long-term rate of return, rounded		6.25%

12. Other Postemployment Benefits (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.73 percent. The cash flows of the OPEB plan were projected to future years, assuming that the District will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 6.73%.

Changes in the OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020* (6/30/2019 measurement date)	$ 3,371,099	$ 1,422,668	$ 1,948,431
Changes for the year			
Service cost	77,111	-	77,111
Interest	227,575	-	227,575
Changes of benefit terms	-	-	-
Actual vs. expected experience	(538,461)	-	(538,461)
Assumption changes	(321,884)	-	(321,884)
Contribution – employer	-	273,462	(273,462)
Contribution – employee	-	-	-
Net investment income	-	79,999	(79,999)
Benefit payments	(133,439)	(133,439)	-
Administrative expenses**	-	(1,198)	1,198
Net changes	(689,098)	218,824	(907,922)
Balance at June 30, 2021 (6/30/2020 measurement date)	$ 2,682,001	$ 1,641,492	$ 1,040,509

* From prior actuary's report

** Includes trust administrative expenses and other administrative expenses

12. Other Postemployment Benefits (continued)

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

Discount Rate – 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
$ 1,379,879	$ 1,040,509	$ 759,271

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

1% decrease	Current Trend Rate	1% increase
$ 745,297	$ 1,040,509	$ 1,399,575

OPEB Plan Fiduciary Net Position

CalPERS issues a separate ACFR. Copies of CERBT's annual financial report may be obtained from its Affiliate Program Services Division at 400 Q Street, Sacramento, CA 95811.

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

For the year ended June 30, 2021, the District recognized actuarial OPEB expense of $64,360. As of June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 433,225	$ 452,230
Changes in assumptions	-	584,931
Net difference between projected and actual earnings on plan investments	14,916	-
Employer contributions made subsequent to the measurement date	269,692	-
	$ 717,833	$ 1,037,161

Of the $717,833 reported as deferred outflows, $269,692 related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/Inflows Of Resources
2022	$ (141,202)
2023	(140,165)
2024	(131,494)
2025	(95,779)
2026	(84,233)
Thereafter	3,853

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disaster. The District's insurance coverage is carried through the California Sanitation Risk Management Association (CSRMA) in pooled programs and through a commercial insurance carrier. CSRMA is a public entity risk pool currently operating as a common risk management and insurance program for member sanitary districts located throughout California. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group. Although CSRMA may assess additional premiums to a member district in the event of losses in excess of reserves, no additional assessments have occurred nor are they contemplated.

The financial statements of CSRMA are available their website, www.csrma.org. Condensed financial information for CSRMA is presented below:

	Years Ended June 30,	
	2020[1]	**2019**
Total assets	$ 29,737,991	$ 26,991,334
Total liabilities	22,524,920	20,588,497
Net Position	$ 7,213,071	$ 6,402,837
Total revenues	$ 16,076,801	$ 13,274,331
Total expenditures	15,266,567	14,577,244
Net income (loss)	$ 810,234	$ (1,302,913)

[1] most recent available

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability
Last 10 Years*

	Fiscal Year End June 30,						
	2021	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of net pension liability	0.03433%	0.03337%	0.03229%	0.03195%	0.34162%	0.03057%	0.27220%
Proportionate share of the net pension liability	$ 3,734,920	$ 3,419,231	$ 3,111,237	$ 3,169,000	$ 2,722,446	$ 2,098,373	$ 1,693,868
Covered payroll	$ 2,523,986	$ 2,427,993	$ 2,263,451	$ 2,234,070	$ 2,065,897	$ 2,002,442	$ 1,801,016
Proportionate share of the net pension liability as a percentage of covered payroll	147.98%	140.83%	137.46%	141.85%	131.78%	104.79%	94.05%
Proportionate share of fiduciary net position	$ 11,217,902	$ 10,869,207	$ 9,997,987	$ 9,397,583	$ 8,814,153	$ 8,719,117	$ 8,648,606
Plan's fiduciary net position as a percentage of the Plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

Schedule of District's Pension Plan Contributions
Last 10 Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions (actuarially determined)	$ 526,615	$ 446,449	$ 374,938	$ 332,915	$ 331,323	$ 295,148	$ 330,377
Contributions in relation to actuarially determined contributions	(526,615)	(446,449)	(374,938)	(332,915)	(331,323)	(295,148)	(330,377)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	$ 2,767,942	$ 2,523,986	$ 2,427,993	$ 2,263,451	$ 2,234,070	$ 2,065,897	$ 2,002,442
Contributions as a percentage of covered payroll	19.03%	17.69%	15.44%	14.71%	14.83%	14.29%	16.50%

Notes to Schedule:

Valuation Date:	June 30, 2018
Methods and assuptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of pay, direct rate smoothing
Remaining amortization periods	Differs by employer rate plan, but not more than 30 years
Asset valuation method	Market value of assets
Inflation	2.500%
Salary increases	Varies by entry age and service
Discount rate	7.00% (net of administrative expense)
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

* Fiscal year ending June 30, 2015, was the first year of implementation; additional years will be added until 10 years of data is presented

Las Gallinas Valley Sanitary District

Schedule of Changes in the Net OPEB Liability and Related Ratios

for the Measurement Periods Ended June 30

		2020	2019	2018	2017
Total OPEB Liability					
Service cost		$ 77,111	$ 96,178	$ 91,597	$ 77,776
Interest on the OPEB liability		227,575	195,332	185,403	196,002
Differences between expected and actual experience		(538,461)	514,719	(9,045)	156,326
Change of assumptions		(321,884)	(181,852)	-	(457,988)
Benefits paid to retirees		(133,439)	(117,075)	(132,720)	(153,771)
Net change in total OPEB liability		(689,098)	507,302	135,235	(181,655)
Total OPEB Liability - beginning		3,371,099	2,863,797	2,728,562	2,910,217
Total OPEB Liability - ending	**(a)**	$ 2,682,001	$ 3,371,099	$ 2,863,797	$ 2,728,562
Plan Fiduciary Net Position					
Employer contributions		$ 273,462	$ 256,635	$ 250,954	$ 287,951
Net investment income		79,999	91,660	62,465	64,362
Benefits paid to retirees		(133,439)	(117,075)	(132,720)	(153,771)
Administrative expense		(1,198)	(270)	(562)	(463)
Net change in plan fiduciary position		218,824	230,950	180,137	198,079
Plan fiduciary net position- beginning		1,422,668	1,191,718	1,011,581	813,502
Plan fiduciary net position- ending	**(b)**	$ 1,641,492	$ 1,422,668	$ 1,191,718	$ 1,011,581
Net OPEB liability- ending	**(a) - (b)**	$ 1,040,509	$ 1,948,431	$ 1,672,079	$ 1,716,981
Plan fiduciary net position as a percentage of the total OPEB liability		61.20%	42.20%	41.61%	37.07%
Covered-employee payroll		$ 2,734,659	$ 2,676,304	$ 3,687,903	$ 2,252,470
Net OPEB liability as a percentage of covered-employee payroll		38.05%	72.80%	45.34%	76.23%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available

The term Covered-employee payroll is used because there are employees receiving benefits not based on wages.

Las Gallinas Valley Sanitary District
Schedule of OPEB Contributions
Last Ten Fiscal Years

Fiscal Year Ended June 30,	2021	2020	2019	2018
Actuarially determined contributions (ADC)	$ 236,657	$ 228,225	$ 213,168	$ 219,673
Contributions in relation to the ADC	(269,692)	(256,635)	(250,954)	(287,951)
Contribution deficiency (excess)	**$ (33,035)**	**$ (28,410)**	**$ (37,786)**	**$ (68,278)**
Covered-employee payroll	$ 3,167,587	$ 2,676,304	$ 3,687,903	$ 2,252,470
Contributions as a percentage of covered-employee payroll	8.51%	9.59%	6.80%	12.78%

Notes to Schedule:

Valuation Date	June 30, 2020
Actuarial cost method	Entry age normal, level percent of payroll
Amortization method	Level percent of pay
Amortization period	19-year fixed period for 2020-21
Asset valuation method	Set to market value of assets
Discount rate	6.25%
General inflation	2.75%
Medical trend	· Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076 · Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076 · Medicare (Kaiser) - 5% for 2022, decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 1997 - 2015 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-2020

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

2700 Ygnacio Valley Road, Ste 270
Walnut Creek, CA 94598
(925) 932-3860 tel
(925) 476-9930 efax
www.cropperaccountancy.com

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*

To the Board of Directors
Las Gallinas Valley Sanitary District
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of Las Gallinas Valley Sanitary District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Las Gallinas Valley Sanitary District's basic financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Las Gallinas Valley Sanitary District's internal control over financial reporting (internal control) as a basis for designing 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 Las Gallinas Valley Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of Las Gallinas Valley Sanitary District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Las Gallinas Valley Sanitary District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
December 10, 2021

SUPPLEMENTARY INFORMATION

This page left intentionally blank.

Las Gallinas Valley Sanitary District

Budgetary Comparison Schedule

Fiscal Year Ended June 30, 2021

	Original Appropriated Budget	Final Appropriated Budget	Actual	Variance From the Budget
REVENUES:				
Sewer use charges	$ 15,289,361	$ 15,289,361	$ 15,170,106	$ (119,255)
Private sewer lateral assistance program	66,500	66,500	-	(66,500)
Miscellaneous	32,383	32,383	351,323	318,940
Property taxes	1,303,419	1,303,419	1,555,409	251,990
Intergovernmental fees	4,300	4,300	4,284	(16)
Franchise fees	137,081	137,081	153,351	16,270.000
Recycled water sales	42,000	42,000	123,155	81,155
Interest income	800,900	800,900	323,132	(477,768)
TOTAL REVENUES	**17,675,944**	**17,675,944**	**17,680,760**	**4,816**
EXPENDITURES:				
Personnel Costs:				
Salaries and wages	3,589,602	3,589,602	3,181,369	(408,233)
Employee benefits	1,984,822	1,946,662	1,359,073	(587,589)
Payroll processing fees	12,729	12,729	20,996	8,267
Operations Expense:				
Insurance	175,076	175,076	207,609	32,533
Repairs and maintenance	671,594	671,594	574,273	(97,321)
Chemicals	187,000	187,000	153,539	(33,461)
Pollution prevention	12,500	12,500	19,591	7,091
Laboratory services	43,000	43,000	43,728	728
Small tools	25,000	25,000	12,442	(12,558)
Outside services	2,129,463	2,129,463	1,585,367	(544,096)
Damage claim	10,000	10,000	10,000	-
Reclamation expense	270,834	270,834	248,757	(22,077)
Engineering consultants	210,300	210,300	238,610	28,310
Operating supplies	40,250	40,250	82,667	42,417

Las Gallinas Valley Sanitary District

Budgetary Comparison Schedule (continued)

Fiscal Year Ended June 30, 2021

	Original Appropriated Budget	Final Appropriated Budget	Actual	Variance From the Budget
Safety program and supplies	$ 98,450	$ 98,450	$ 75,137	$ (23,313)
Fuel, gas and oil	33,802	33,803	38,866	5,063
Private lateral assistance program	100,000	100,000	36,834	(63,166)
Equipment rent	-	-	-	-
Permits and fees	20,250	20,250	92,735	72,485
Employee training	25,600	25,600	4,403	(21,197)
Utilities	285,812	287,812	431,426	143,614
General and Administrative Expense:				
Conferences	68,500	68,500	2,005	(66,495)
Mileage and travel	8,000	8,000	1,020	(6,980)
Office expense	27,200	27,200	41,737	14,537
Computer support and supplies	84,500	84,500	93,200	8,700
Publications and legal ads	16,606	16,606	6,629	(9,977)
Public education	65,000	65,000	41,566	(23,434)
Rents and leases	119,652	119,652	173,933	54,281
Property and other taxes	9,000	9,000	891	(8,109)
Memberships	46,495	46,495	62,624	16,129
Legal and professional	150,600	150,600	159,156	8,556
Bank charges and collection fees	36,500	36,500	1,600	(34,900)
Employee recognition	6,000	6,000	447	(5,553)
Fines	-	-	-	-
Miscellaneous	36,000	26,000	3,122	(22,878)
EXPENDITURES BEFORE DEPRECIATION AND INTEREST	10,600,137	10,553,978	9,005,352	(1,548,626)
OPERATING AND MAINTENANCE SURPLUS BEFORE DEPRECIATION AND INTEREST	**$ 7,075,807**	**$ 7,121,966**	**$ 8,675,408**	**$ (1,543,810)**

Note to Budgetary Comparison Schedule

Accounting Basis for Schedule

The Budgetary Comparison Schedule is prepared on the Modified Accrual basis of accounting, based on the Operating and Maintenance Budget. It does not include depreciation since this GAAP expense is not budgeted. In addition, certain other revenues and expenditures are not included in the Statements of Revenues, Expenses and Changes in Net Position in accordance with GAAP. For budgeting purposes, these expenditures are monitored on the cash basis rather than accrual.

The budget amount, up to the amount of the actual expenditure, for certain items that were included in the Capital Outlay Budget, have been included in the Original, Revised and Final Appropriated Budget. These items were included in the District’s Capital budget; however, the actual expenditures were either less than the District’s capitalization threshold of $5,000 or, due to the nature of the expenditure, such as feasibility studies, they were charged to an expense account in the Statement of Revenues, Expenses and Changes in Net Position. Including the budget amounts in this schedule provides a better understanding of the current year results since the Capital Outlay budget is not included in the supplementary information.

Las Gallinas Valley Sanitary District

Glossary of Acronyms

In order to help the reader better understand the terms and abbreviations used in this document, management is providing a list of acronyms and their definitions.

ACRONYM	NAME	DEFINITION
AAL	Actuarial Accrued Liability	The actuarial present value of all postemployment benefits attributable to past service.
AICPA	American Institute of Certified Public Accountants	The national professional organization of Certified Public Accountants (CPAs) in the United States. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments. It also develops and grades the Uniform CPA Examination.
AOC	Annual OPEB Cost	An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The annual OPEB cost is the amount that must be calculated and reported as an expense.
ARC	Annual Required Contribution	The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
Auditors' Opinion	Unmodified Opinion	An opinion is said to be unmodified when the Auditor concludes that the Financial Statements give a true and fair view in accordance with the financial reporting framework used for the preparation and presentation of the Financial Statements. An Auditor gives a Clean opinion or Unmodified Opinion when he or she does not have any significant reservation in respect of matters contained in the Financial Statements. The most frequent type of report is referred to as the "Unmodified Opinion," and is regarded by many as the equivalent of a "clean bill of health" to a patient, which has led many to call it the "Clean Opinion," but in reality it is not a clean bill of health, because the Auditor can only provide reasonable assurance regarding the Financial Statements, not the health of the entity itself, or the integrity of company records not part of the foundation of the Financial Statements. This type of report is issued by an auditor when the financial statements presented are free of material misstatements and are represented fairly in accordance with the Generally Accepted Accounting Principles (GAAP), which in other words means that the entity's financial condition, position, and operations are fairly presented in the financial statements. It is the best type of report an auditee may receive from an external auditor.

Glossary of Acronyms (continued)

ACRONYM	NAME	DEFINITION
ACFR	Annual Comprehensive Financial Report	A set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the GASB.
CalPERS	California Public Employees Retirement System	The California Public Employees' Retirement System is an agency in the California executive branch that "manages pension and health benefits for more than 1.6 million California public employees, retirees, and their families."
CERBT	California Employers' Retiree Benefit Trust	An investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB.
CSRMA	California Sanitation Risk Management Association	A joint powers authority which provides broad coverage and risk management services to its members who are primarily local government agencies that provide water and wastewater services.
COP	Certificates of Participation	A financial document that is used by a municipal government or other government entity creates a bond issue. Revenues of the issuer are pledged to repay the bonds rather than being secured by property.
ERAF	Education Revenue Augmentation Funds	A fund used to collect the property taxes in each county that are shifted from cities, the county and special districts prior to their reallocation to K-14 school agencies. The county treasurer maintains the ERAF on behalf of the county auditor.
FASB	Financial Accounting Standards Board	Financial Accounting Standards Board (FASB) is a private, not-for-profit organization whose primary purpose is to develop generally accepted accounting principles (GAAP) within the United States in the public's interest.
FOG	Fats, Oils and Grease	Substances than can cause overflows of sanitary sewer systems if not disposed of properly.
GAAP	Generally Accepted Accounting Principles	The standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as accounting standards or standard accounting practice. These include the standards, conventions, and rules that accountants follow in recording and summarizing and in the preparation of financial statements.

Glossary of Acronyms (continued)

ACRONYM	NAME	DEFINITION
GASB	Governmental Accounting Standards Board	Currently the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States of America.
I&I	Infiltration and Inflow	Infiltration is groundwater entering sanitary sewers through defective pipe joints and broken pipes. Inflow is water entering sanitary sewers from inappropriate connections such as roof drains, cellar drains, and yard drains.
LAIF	Local Agency Investment Fund	A fund managed by the Office of the Treasurer of the State of California, which is available for local governments.
MD&A	Management Discussion and Analysis	An integrated part of the annual financial statements. The purpose of the MD&A is to provide a narrative explanation, through the eyes of management, of how an entity has performed in the past, its financial condition, and its future prospects.
MGD	Million Gallons per Day	Measurement unit used for calculating volume of wastewater treated at the plant.
MMWD	Marin Municipal Water District	Water agency for Marin County serving areas south of Ignacio.
NBWRA	North Bay Water Reuse Authority	A coordinated regional group of water and sanitation agencies in Sonoma, Marin, and Napa Counties to offset potable water demand by promoting water reuse for agriculture, urban, and environmental uses.
NMWD	North Marin Water District	Water agency for Marin County serving areas north of Ignacio and some coastal communities.
OPEB	Other Postemployment Benefits	Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, except benefits defined as special termination benefits.

STATISTICAL SECTION

This page left intentionally blank.

Introduction to the Statistical Section

This section of the Las Gallinas Valley Sanitary District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the District's overall health.

Financial Trend Information

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its largest single own-source revenue: sewer service charges.

- Sewer Service Charge Revenue
- Sewer Service Rates per Eligible Dwelling Unit
- Principal Revenue Payers
- Summary of Sewer Customers by Class

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- Revenues, Expenditures, Debt Service Coverage and Cash Flows from Operations
- Outstanding Debt per Connection
- Other Postemployment Benefits Funding Status and Covered Lives

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

- Demographic and Economic Statistics
- Principal Employers in Marin County

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

- Recycled Water Production
- Daily Average Influent Flow
- Private Sewer Lateral Assistance Program
- Collection System Services
- Full-time Equivalent Employees by Function

Recycled water treatment facilities

Las Gallinas Valley Sanitary District

Statements of Net Position for the Last Ten Fiscal Years

(in thousands)

Fiscal Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015 As Restated	2014	2013	2012
ASSETS										
Current Assets	$ 37,316	$ 43,570	$ 68,828	$ 66,984	$ 63,817	$ 21,657	$ 20,401	$ 19,409	$ 18,716	$ 15,335
Capital and other assets	117,093	97,155	70,656	65,282	64,935	59,823	56,651	54,820	53,390	54,609
TOTAL ASSETS	**154,409**	**140,725**	**139,484**	**132,266**	**128,752**	**81,480**	**77,052**	**74,229**	**72,106**	**69,944**
Deferred Outflows of Resources	**1,729**	**1,811**	**1,380**	**1,570**	**1,141**	**702**	**486**	**910**	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**156,138**	**142,536**	**140,864**	**133,836**	**129,893**	**82,182**	**77,538**	**75,139**	**72,106**	**69,944**
LIABILITIES										
Total current liabilities	5,877	5,871	5,758	3,412	3,823	1,841	2,136	1,956	1,877	8,399
Total noncurrent liabilities	59,680	51,144	53,243	55,938	56,121	16,162	16,823	18,919	17,007	11,556
TOTAL LIABILITIES	**65,557**	**57,015**	**59,001**	**59,350**	**59,944**	**18,003**	**18,959**	**20,875**	**18,884**	**19,955**
Deferred Inflows of Resources	**1,150**	**638**	**511**	**528**	**144**	**296**	**622**	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS RESOURCES	**66,707**	**57,653**	**59,512**	**59,878**	**60,088**	**18,299**	**19,581**	**20,875**	**18,884**	**19,955**
NET POSITION:										
Net investment in capital assets	52,497	47,893	55,392	51,243	48,605	43,749	39,712	37,011	34,787	36,553
Restricted	900	895	880	880	874	867	860	858	855	2,085
Unrestricted	36,033	27,462	25,072	21,836	20,325	19,227	17,491	16,394	17,580	11,351
TOTAL NET POSITION	**$ 89,431**	**$ 84,883**	**$ 81,352**	**$ 73,958**	**$ 69,805**	**$ 63,883**	**$ 57,957**	**$ 54,264**	**$ 53,222**	**$ 49,989**

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

Note: The Statements of Net Position have been restated for the correction of an error and the implementation of GASB No. 68.

Las Gallinas Valley Sanitary District

Statements of Revenues, Expenses and Changes in Net Position
For the Last Ten Fiscal Years

(in thousands)

Fiscal Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015 As Restated	2014	2013	2012
OPERATING REVENUES:										
Sewer use charges	$ 15,170	$ 14,832	$ 14,229	$ 13,635	$ 13,060	$ 11,647	$ 10,311	$ 10,157	$ 10,069	$ 9,233
Recycled water fees	123	67	64	61	45	50	120	75	37	-
Miscellaneous	332	65	43	41	42	46	22	46	34	54
TOTAL OPERATING REVENUES	**15,625**	**14,964**	**14,336**	**13,737**	**13,147**	**11,743**	**10,453**	**10,278**	**10,140**	**9,287**
OPERATING EXPENSES:										
Sewage collection and pump stations	1,571	1,273	1,162	1,271	1,036	945	1,156	1,089	951	937
Sewage treatment	2,866	4,270	1,934	1,875	2,065	1,547	1,425	1,519	1,312	1,295
Sewage and solid waste disposal	507	616	197	129	216	83	127	340	267	147
Laboratory	498	360	319	339	338	295	352	402	377	387
Engineering[1]	874	616	470	650	532	448	435	325	296	-
Recycled water	106	116	181	69	57	98	109	90	60	-
General and administrative	2,583	2,891	1,774	2,208	1,719	1,635	1,467	1,692	2,093	1,726
Depreciation and amortization	3,045	2,897	2,655	2,601	2,526	2,429	2,413	2,432	2,311	1,842
TOTAL OPERATING EXPENSES	**12,050**	**13,039**	**8,692**	**9,142**	**8,489**	**7,480**	**7,484**	**7,889**	**7,667**	**6,334**
INCOME (LOSS) FROM OPERATIONS	3,575	1,926	5,644	4,595	4,658	4,263	2,969	2,389	2,473	2,953
NONOPERATING REVENUES:										
Property taxes	1,555	1,524	1,354	1,290	1,239	1,125	1,087	1,118	983	1,005
Federal and state grants	-	-	-	-	-	-	-	19	-	-
Franchise fees	153	125	69	25	25	25	25	25	25	25
Intergovernmental fees	4	4	4	4	4	4	4	5	5	5
Gain on disposal, net & Other	19	3	-	-	-	-	1	-	-	-
Interest income	323	519	543	281	150	79	51	47	46	65
TOTAL NONOPERATING REVENUES	**2,056**	**2,175**	**1,970**	**1,600**	**1,418**	**1,233**	**1,168**	**1,214**	**1,059**	**1,100**

Las Gallinas Valley Sanitary District

Statements of Revenues, Expenses and Changes in Net Position
For the Last Ten Fiscal Years (continued)

(in thousands)

Fiscal Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015 As Restated	2014	2013	2012
NONOPERATING EXPENSES:										
Loss on disposals	$ -	$ -	$ -	$ 1	$ 6	$ -	$ -	$ 2	$ 48	$ -
Bond issuance costs	-	-	-	-	349	-	-	-	-	-
Interest expense	1,992	1,454	857	1,288	276	402	553	624	652	331
TOTAL NONOPERATING EXPENSES	**1,992**	**1,454**	**857**	**1,289**	**631**	**402**	**553**	**626**	**700**	**331**
INCOME BEFORE CONTRIBUTIONS	3,639	2,647	6,757	4,906	5,445	5,094	3,584	2,977	2,832	3,722
CAPITAL CONTRIBUTIONS:										
Connection fees	-	-	-	239	40	34	74	44	15	28
Federal and state grants	446	369	174	362	-	798	35	-	386	1,107
Intergovernmental	463	515	463	455	437	-	-	-	-	-
CHANGE IN NET POSITION	4,548	3,531	7,394	5,962	5,922	5,926	3,693	3,021	3,233	4,857
NET POSITION - BEGINNING OF YEAR AS PREVIOUSLY STATED	84,883	81,352	73,958	69,805	63,883	57,957	54,264	51,243	52,960	48,103
Restatement: Change in Accounting Principle[2]	-	-	-	(1,809)	-	-	-	-	-	-
NET POSITION - BEGINNING OF YEAR AS RESTATED	84,883	81,352	73,958	67,996	63,883	57,957	54,264	51,243	52,960	48,103
NET POSITION - END OF YEAR	**$ 89,431**	**$ 84,883**	**$ 81,352**	**$ 73,958**	**$ 69,805**	**$ 63,883**	**$ 57,957**	**$ 54,264**	**$ 56,193**	**$ 52,960**

[1] In prior years, these line items were classified with different departments.

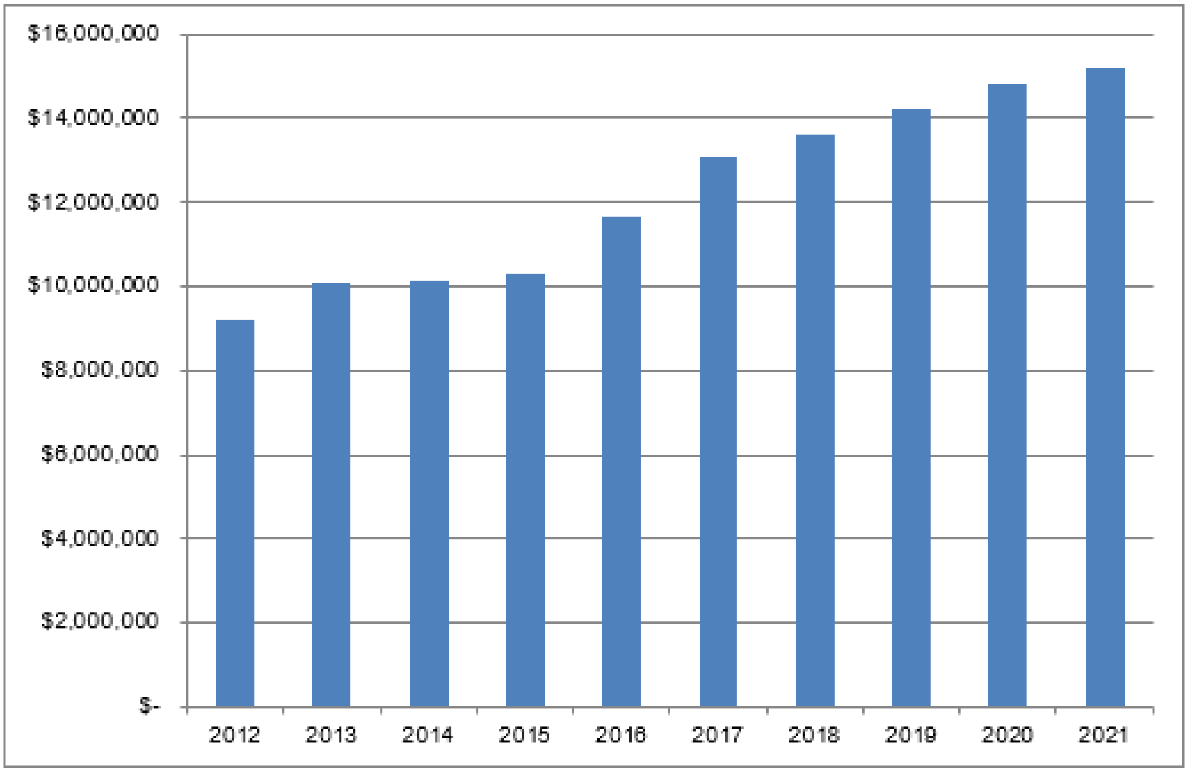
[2] The District implemented GASB 75 - Accounting for Postemployment Benefit Obligations during the fiscal year ended June 30, 2018.

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

Note: The Statements of Revenues, Expenses and Net Position have been restated for the correction of an error and the implementation of GASB No. 68.

Las Gallinas Valley Sanitary District

Sewer Service Charge Revenue for the Past Ten Fiscal Years



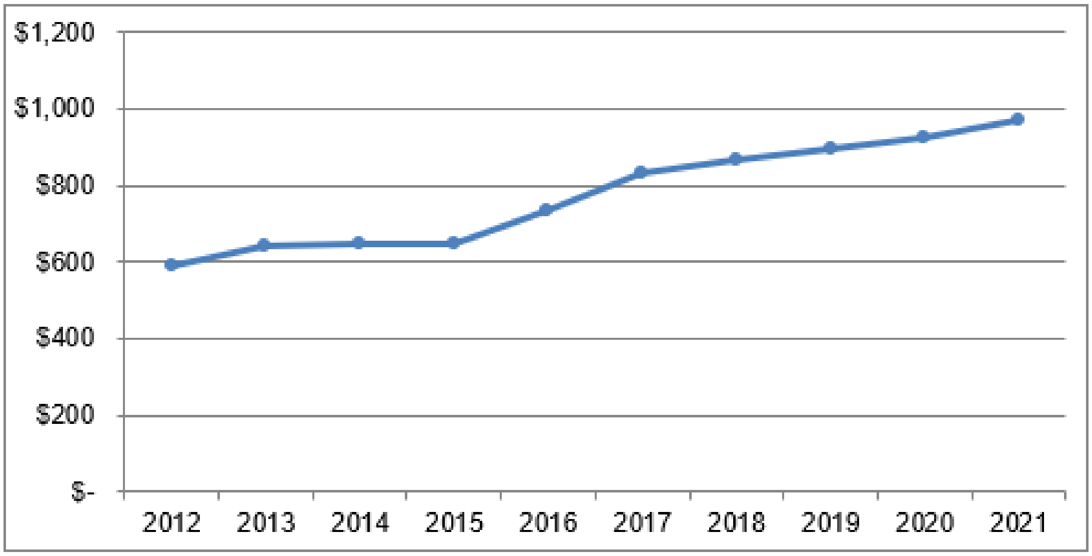
Historic Sewer Service Revenue

Fiscal Year Ended June 30,	Service Revenue	Percentage Change
2012	$ 9,233,000	4.51%
2013	$ 10,069,600	9.06%
2014	$ 10,157,200	0.87%
2015	$ 10,311,200	1.52%
2016	$ 11,647,257	12.96%
2017	$ 13,059,850	12.13%
2018	$ 13,634,548	4.40%
2019	$ 14,228,877	4.36%
2020	$ 14,831,995	4.24%
2021	$ 15,170,106	2.28%

Source: Las Gallinas Valley Sanitary District records

Las Gallinas Valley Sanitary District

Sewer Service Rates Per Eligible Dwelling Unit for the Past Ten Fiscal Years



Historic Sewer Service Rates

Fiscal Year Ended June 30,	Sewer Service Rates	Percentage Change
2012	$ 590	4.8%
2013	$ 642	8.8%
2014	$ 647	0.8%
2015	$ 647	0.0%
2016	$ 734	13.4%
2017	$ 835	13.8%
2018	$ 867	3.8%
2019	$ 898	3.6%
2020	$ 927	3.2%
2021	$ 968	4.4%

Source: Las Gallinas Valley Sanitary District records

Las Gallinas Valley Sanitary District

Principal Revenue Payers
for the Current Fiscal Year and Ten Years Prior

FY 2020/21			FY 2010/11		
Payer	Total Paid	Percentage of Revenue Collected	Payer	Total Paid	Percentage of Revenue Collected
County of Marin	$ 446,430	2.94%	County of Marin	$ 203,806	2.68%
Embassy Suites	226,996	1.50%	Hilton	118,230	1.55%
Villa Marin Retirement Living	212,960	1.40%	Kaiser Permanente	73,753	0.97%
Kaiser Permanente	202,978	1.34%	Sheraton Four Points	60,804	0.80%
Northgate Mall	186,340	1.23%	Rafael Covalescent Hospital	42,225	0.56%
Dixie School District	115,011	0.76%	St Vincent's School	40,536	0.53%
Drake Terrance	94,090	0.62%	Marin Jewish Community Center	39,410	0.52%
St. Vincent's School	90,448	0.60%	Northgate Mall	38,847	0.51%
The Sisters of Nazareth House	89,782	0.59%	Civic Center Marin LLC	37,721	0.50%
Sheraton Four Points	83,914	0.55%	Guide Dogs	33,780	0.44%
Total	**$ 1,748,946**	**11.53%**	**Total**	**$ 689,112**	**9.06%**

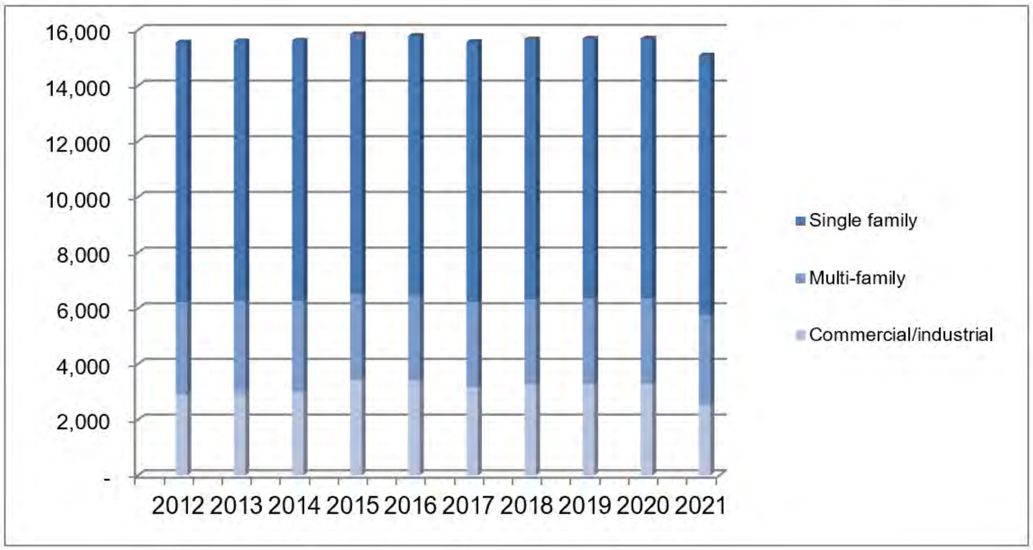
Source: Las Gallinas Valley Sanitary District records

Las Gallinas Valley Sanitary District

Summary of Sewer Customers by Class
for the Past Ten Fiscal Years

June 30,

Class	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021 % of Total
Residential											
Single family	9,325	9,325	9,329	9,337	9,332	9,334	9,339	9,339	9,339	9,320	59.52%
Multi-family	3,302	3,298	3,300	3,060	3,053	3,050	3,059	3,065	3,065	3,206	19.53%
Subtotal	12,627	12,623	12,629	12,397	12,385	12,384	12,398	12,404	12,404	12,526	79.06%
Commercial/industrial	2,923	2,967	2,986	3,450	3,401	3,187	3,268	3,286	3,287	2,559	20.94%
Total	**15,550**	**15,590**	**15,615**	**15,847**	**15,786**	**15,571**	**15,666**	**15,690**	**15,691**	**15,085**	100.00%



Source: Las Gallinas Valley Sanitary District records

Note: Table is required per 2017 Revenue Bond Official Statement Table 1, see page 22 of document for table and C-2 for requirement.

Las Gallinas Valley Sanitary District

Revenues, Expenditures, Debt Service Coverage and Cash Flow from Operations
For the Last Ten Fiscal Years

(in thousands)

	Fiscal Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
GROSS REVENUES[1]							As Restated			
Sewer use charges	$ 15,170	$ 14,832	$ 14,229	$ 13,635	$ 13,060	$ 11,647	$ 10,311	$ 10,157	$ 10,069	$ 9,233
Property taxes	1,555	1,524	1,354	1,290	1,239	1,125	1,087	1,118	983	1,005
Recycled water fees	123	67	63	61	45	50	120	75	37	-
Other	832	716	660	590	261	188	177	186	125	177
TOTAL GROSS REVENUES	**17,681**	**17,139**	**16,306**	**15,576**	**14,605**	**13,010**	**11,695**	**11,536**	**11,214**	**10,415**
Marin Municipal Water District Debt Debt Reimbursement										
Bank of Marin	207	206	206	207	437	-	-	-	-	-
2017 Revenue Bonds	257	257	257	249	-	-	-	-	-	-
	463	463	463	456	437	-	-	-	-	-
OPERATING AND MAINTENANCE COSTS[2]										
Sewage collection, treatment and disposal	4,944	6,159	3,294	3,275	3,317	2,575	2,708	2,948	2,530	2,379
Laboratory	498	360	319	339	338	295	352	402	377	387
Engineering	874	615	470	650	532	448	435	325	296	-
Recycled water	106	116	180	69	57	98	109	90	60	-
General and administrative	2,583	2,891	1,774	2,208	1,719	1,635	1,467	1,692	2,093	1,726
Less accounting adjustment for pension expense and OPEB	9	(272)	(190)	(299)	(24)	145	48	-	-	-
TOTAL OPERATING AND MAINTENANCE COSTS	**9,014**	**9,869**	**5,847**	**6,242**	**5,939**	**5,196**	**5,119**	**5,457**	**5,356**	**4,492**
NET REVENUES	$ 8,667	$ 7,270	$ 10,459	$ 9,334	$ 8,666	$ 7,814	$ 6,576	$ 6,079	$ 5,858	$ 5,923

Revenues, Expenditures, Debt Service Coverage and Cash Flow from Operations For the Last Ten Fiscal Years (Continued)

(in thousands)

	Fiscal Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
DEBT SERVICE[3]										
Current fiscal year	$ 4,805	$ 4,798	$ 3,991	$ 3,921	$ 1,543	$ 1,540	$ 1,540	$ 1,583	$ 1,591	$ 1,354
Next fiscal year	$ 4,814	$ 4,805	$ 4,798	$ 3,991	$ 3,921	$ 1,543	$ 1,540	$ 1,540	$ 1,583	$ 1,591
COVERAGE (1.25X Requirement)			$ -							
Current fiscal year	1.85	1.53	2.62	2.38	5.62	5.08	4.27	3.84	3.68	4.37
Next fiscal year	1.84	1.53	2.18	2.34	2.21	5.06	4.27	3.95	3.70	3.72
CASH FLOW FROM OPERATIONS	$ 6,517	$ 5,205	$ 8,587	$ 7,339	$ 7,336	$ 6,814	$ 5,190	$ 4,793	$ 5,059	$ 4,747

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

Note: The Statements of Revenues, Expenses and Cash Flows from Operations have been restated for the correction of an error and the implementation of GASB No. 68.

(1) Gross revenues includes all operating and nonoperating revenues and connection fees; excludes grants.

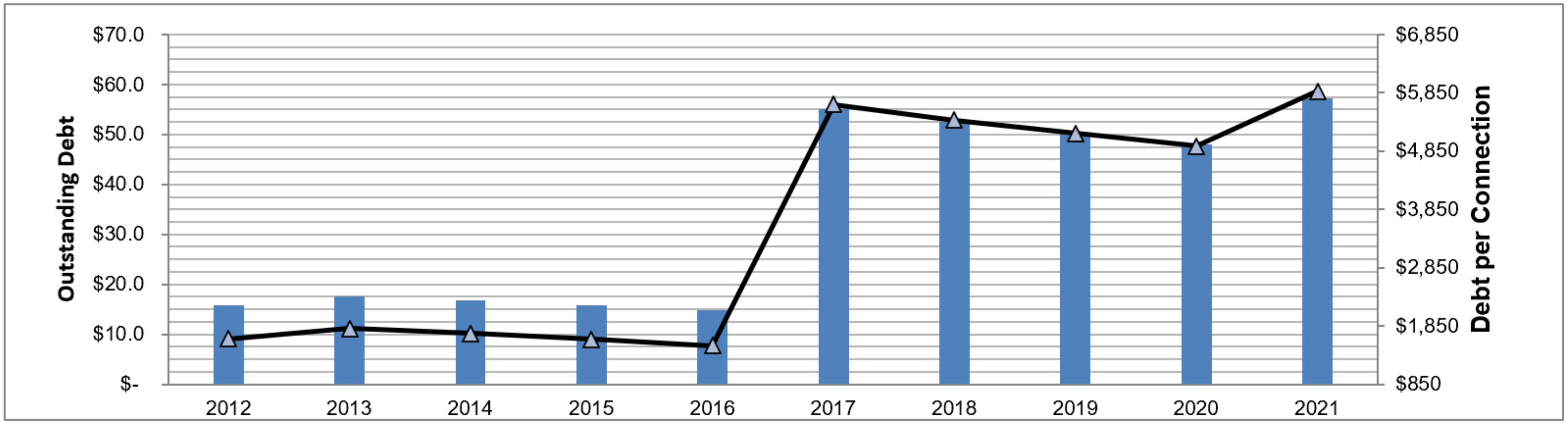
(2) Operating and maintenance costs means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Wastewater Enterprise excluding depreciation, amortization of intangibles, capital expenditures, accounting adjustments related to pension expense and other post-employment benefit (OPEB) plans.

(3) Debt service includes principal and interest due in the specified period

(4) General and administrative restated for fiscal year ending June 30, 2019 from ($2,704) to $1,774.

Las Gallinas Valley Sanitary District

Outstanding Debt Per Connection for the Past Ten Fiscal Years



Type of Debt

Fiscal Year Ended June 30,	Other COP As Restated & IBank [1]	Notes Payable	State Revolving Fund	2017 Revenue Bond	Total Outstanding Debt	Debt per Capita [2,3]	Total Parcels Connected	Debt per Connection
2012	$ 7,696,005	$ 4,446,012	$ 3,720,274	$ -	$ 15,862,291	$ 546	9,735	$ 1,629
2013	$ 7,274,657	$ 6,144,972	$ 4,199,671	$ -	$ 17,619,300	$ 607	9,738	$ 1,809
2014	$ -	$ 12,749,974	$ 4,027,598	$ -	$ 16,777,572	$ 578	9,742	$ 1,722
2015	$ -	$ 11,928,573	$ 3,850,878	$ -	$ 15,779,451	$ 543	9,742	$ 1,620
2016	$ -	$ 11,079,644	$ 3,669,387	$ -	$ 14,749,031	$ 508	9,742	$ 1,514
2017	$ -	$ 10,196,639	$ 3,482,996	$ 41,368,492	$ 55,048,127	$ 1,896	9,742	$ 5,651
2018	$ -	$ 9,274,581	$ 2,893,080	$ 40,297,139	$ 52,464,800	$ 1,807	9,742	$ 5,385
2019	$ -	$ 8,327,949	$ 2,685,728	$ 39,225,786	$ 50,239,463	$ 1,730	9,742	$ 5,157
2020	$ (329,134)	$ 7,346,584	$ 2,893,080	$ 38,114,433	$ 48,024,963	$ 1,654	9,739	$ 4,931
2021	$ 11,331,858	$ 6,324,182	$ 2,685,728	$ 36,963,080	$ 57,304,848	$ 1,889	9,747	$ 5,879

Source: Las Gallinas Valley Sanitary District records

[1] COP as Restated shows for year 2012, IBank $12,000,000 liaiblity not shown until funds disbursed in 2021 however IBank accrued $329,134 towards principle in 2020.

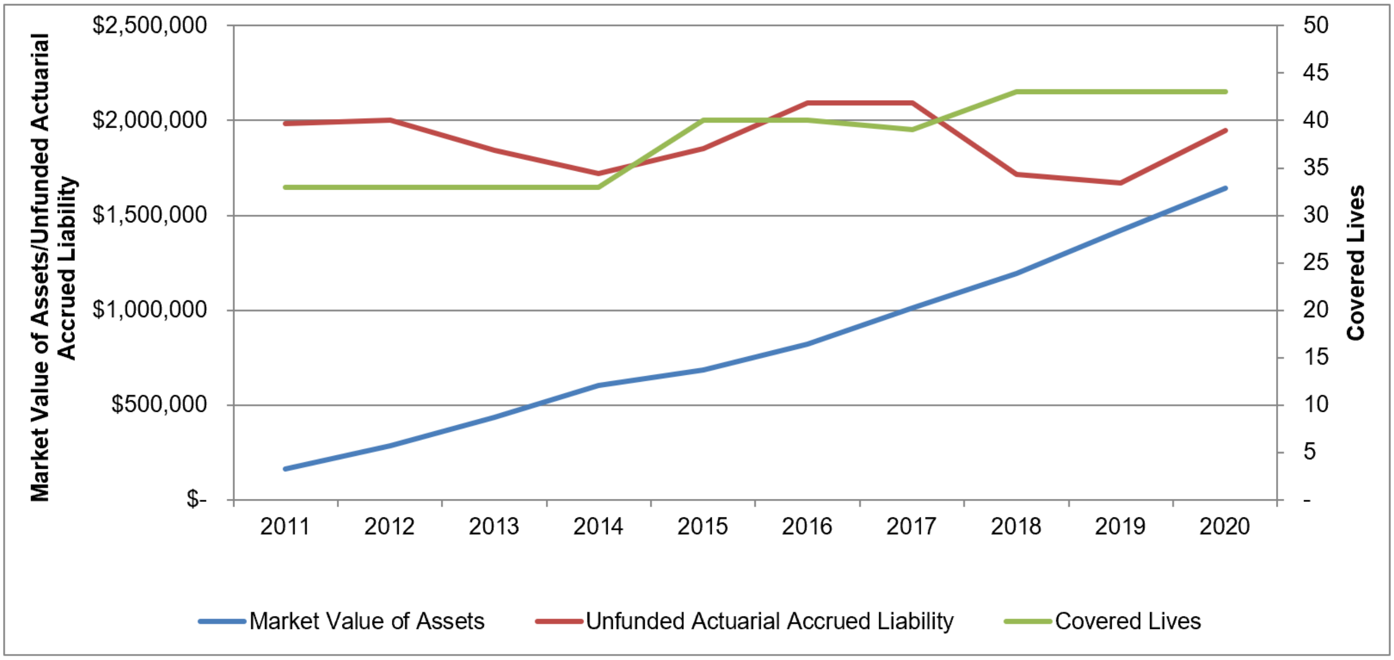
[2] District population of 29,040 per the 2010 Census data for zip code 94903

[3] District population of 30,340 per the 2020 Census data for zip code 94903

[4] Clarified title to "Total Parcels Connected" beginning in 2020 instead of "Total Connections".

Las Gallinas Valley Sanitary District

Other Postemployment Benefits Funding Status and Covered Lives for the Past Ten Fiscal Years



Fiscal Year Ended June 30,	Market Value of Assets	Unfunded Actuarial Accrued Liability	Covered Lives
2010	$ 63,348	$ 1,482,985	31
2011	$ 160,698	$ 1,985,486	33
2012	$ 285,231	$ 2,000,604	33
2013	$ 433,543	$ 1,844,973	33
2014	$ 601,454	$ 1,721,266	33
2015	$ 684,028	$ 1,854,011	40
2016	$ 822,086	$ 2,093,879	40
2017	$ 1,011,581	$ 2,094,980	39
2018	$ 1,191,718	$ 1,716,981	43
2019	$ 1,422,668	$ 1,672,079	43
2020	$ 1,641,492	$ 1,948,431	43

Las Gallinas Valley Sanitary District

Demographic and Economic Statistics
for the Past Ten Fiscal Years

Fiscal Year Ended June 30,	Population [1]	Personal Income ($000)[1]	Per Capita Personal Income ($000)[1]	School Enrollment[2]	Unemployment Rate[3]
2012	256,069	$ 23,918,732	$ 93,407	31,868	7.0%
2013	258,365	$ 25,093,401	$ 97,124	32,793	5.1%
2014	260,750	$ 25,716,754	$ 98,626	33,207	4.2%
2015	261,221	$ 28,492,821	$ 109,076	33,638	3.5%
2016	260,651	$ 30,222,883	$ 115,952	33,633	3.5%
2017	260,955	$ 32,395,707	$ 124,731	33,741	2.4%
2018	259,666	$ 34,866,708	$ 134,275	33,441	2.2%
2019	259,085	$ 35,987,604	$ 138,903	34,333	2.5%
2020	257,332	$ 37,461,199	$ 145,575	34,223	10.0%
2021	Unavailable	Unavailable	Unavailable	Unavailable	4.8%

Notes / Sources:

[1] US Department of Commerce, Bureau of Economic Analysis - www.bea.gov, the most recently available data is for 2020.

[2] California Department of Education, Educational Demographics Office - www.ed-data.org/County/Marin, the most recently available data is for FY 2019-20.

[3] Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov

Las Gallinas Valley Sanitary District

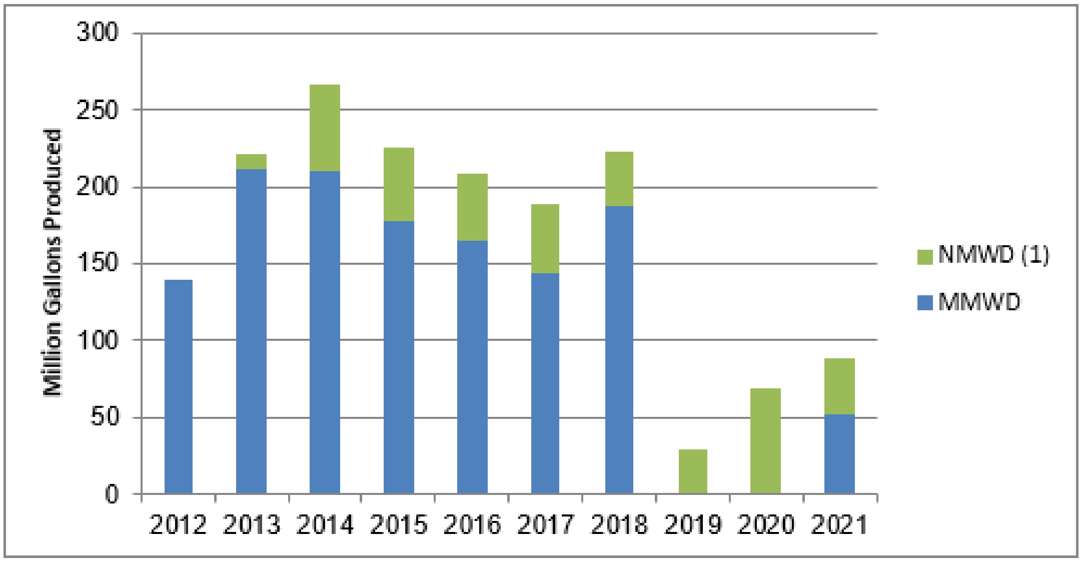
Principal Employers In Marin County
Most Recently Available and Nine Years Prior

2020			2011		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
County of Marin	2358	1.97%	County of Marin	2,135	1.74%
Kaiser Permanente	2014	1.69%	San Quentin State Prison	2,058	1.68%
BioMarin Pharmaceutical	1801	1.51%	Kaiser Permanente Medical Center	1,330	1.09%
San Quentin Prison	1614	1.35%	Safeway Inc.	1,200	0.98%
Marin General Hospital	1279	1.07%	Marin General Hospital	1,090	0.89%
Novato Unified School District	800	0.67%	Fireman's Fund Insurance Co.	950	0.78%
Glassdoor Inc	700	0.59%	Autodesk, Inc.	928	0.76%
Marin County Office of Education	664	0.56%	Novato Unified School District	832	0.68%
San Rafael City Schools	645	0.54%	BioMarin Pharmaceutical	700	0.57%
Marin Community Clinics	540	0.45%	Comcast	619	0.51%
Total	12,415	10.39%	Total	11,842	9.67%
Total County Employment	**119,500**		**Total County Employment**	**122,500**	

Sources:
Most recent available data from the County of Marin Annual Comprehensive Financial Report for FY ending June 20, 2020

Las Gallinas Valley Sanitary District

Recycled Water Production
for the Past Ten Fiscal Years



Fiscal Year Ended June 30,	Million Gallons Produced MMWD	NMWD [1]	Increase (Decrease)
2012	139.35	-	-15.74%
2013	212.03	9.52	58.99%
2014	209.28	56.44	19.94%
2015	176.91	48.96	-15.00%
2016	164.98	43.97	-7.49%
2017	143.86	45.53	-9.36%
2018	186.66	36.44	6.77%
2019	0 [2]	28.87	-84.76%
2020	0 [2]	68.60	-69.25%
2021	51.23 [2]	36.97	205.51%

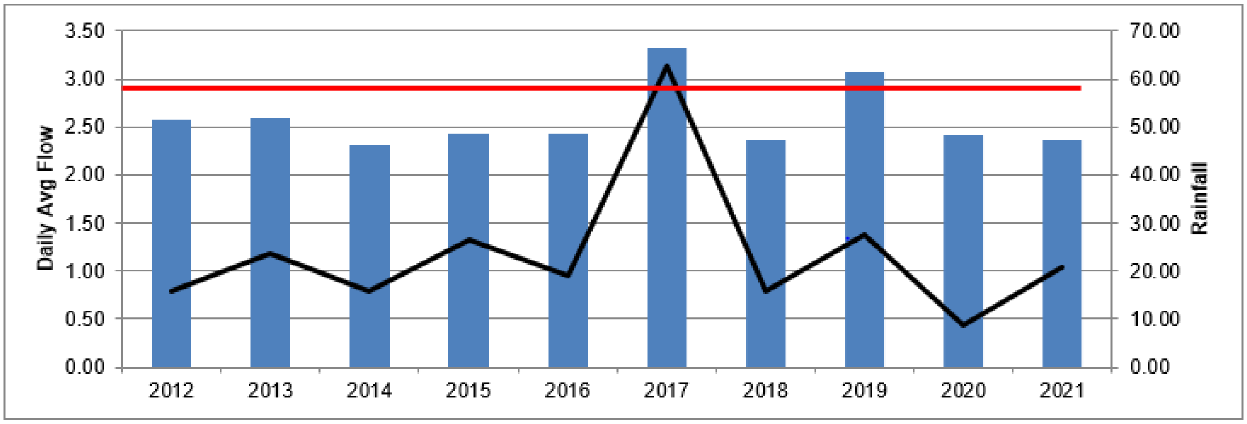
Source: Las Gallinas Valley Sanitary District records

[1] The District began producing recycled water for NMWD in September 2012.

[2] MMWD temporaily suspended intake of water until the Recycled Water Expansion Project was complete. Recycled water service restarted the end of March 2021.

Las Gallinas Valley Sanitary District

Daily Average Influent Flow
for the Past Ten Fiscal Years



Rainfall
Treatment Plant Dry Weather Permitted Capacity of 2.92 MGD

Fiscal Year Ended June 30,	Daily Average Flow (MGD)[1]	Increase (Decrease)	Rainfall		Increase (Decrease)
2012	2.57	-15.74%	15.75	2	-55.00%
2013	2.59	0.78%	23.73	2	50.67%
2014	2.30	-11.20%	16.00	2	-32.57%
2015	2.43	5.65%	26.51	2	65.69%
2016	2.44	0.41%	19.10	1	-27.95%
2017	3.32	35.98%	62.80	3	228.80%
2018	2.36	-28.87%	15.67	4	-75.05%
2019	3.07	30.08%	27.44	4	75.11%
2020	2.42	-21.17%	8.89	4	-67.60%
2021	2.36	-2.48%	20.66	5	132.40%

Sources:

[1] Las Gallinas Valley Sanitary District records

[2] Western Regional Climate Center, www.wrcc.dri.edu, rainfall reporting for the San Rafael Civic Center, California July 1 - June 30.

[3] National Weather Service Forecast Office, http://w2.weather.gov/climate/xmacis.php?wfo=mtr for San Rafael Civic Center, July - June

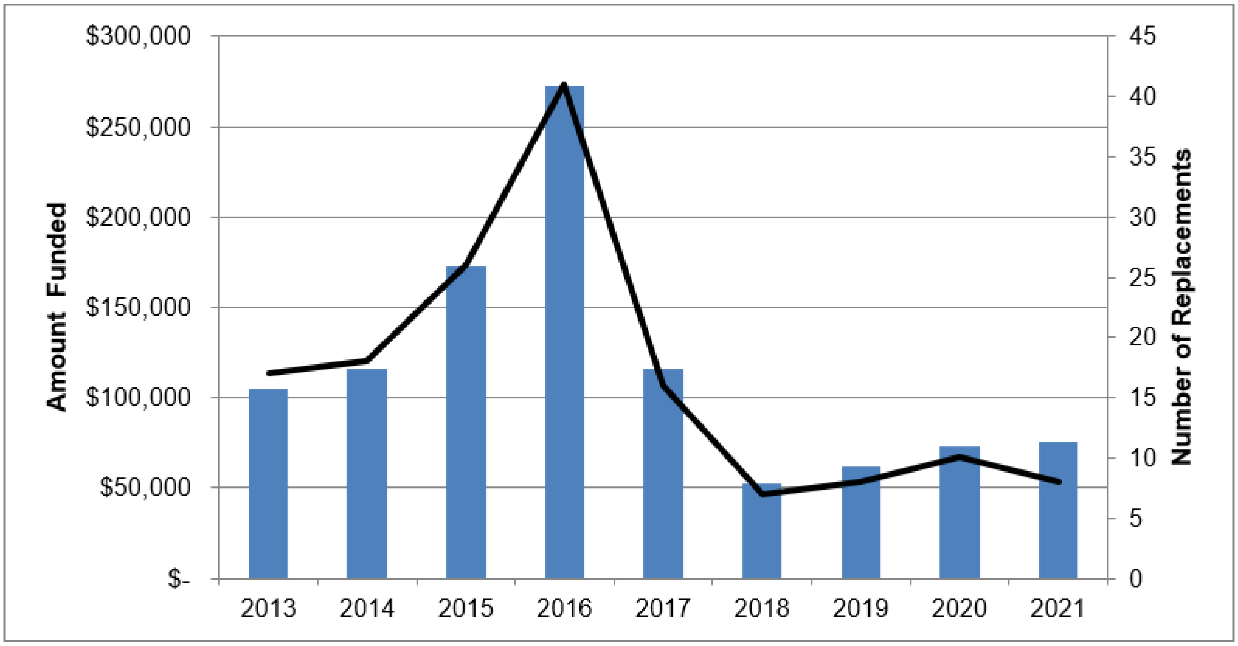
[4] North Marin Water District weather monitoring station at Highways 37 and 101 near Black Pointe.

[5] Marin Water District weather monitoring station at Lake Lagunitas.

Note: Concentrated efforts by the District to reduce infiltration and inflow (I&I) to the sewer collection system during wet weather events through its repair, replacement and maintenance program is demonstrated in the above graph. As rainfall increases, there been a gradual decrease in daily average flow at the treatment plant; this indicates that the District's sewer rehabilitation program is reducing I&I into the sewer system.

Las Gallinas Valley Sanitary District

Private Sewer Lateral Assistance Program for the Past Nine Fiscal Years



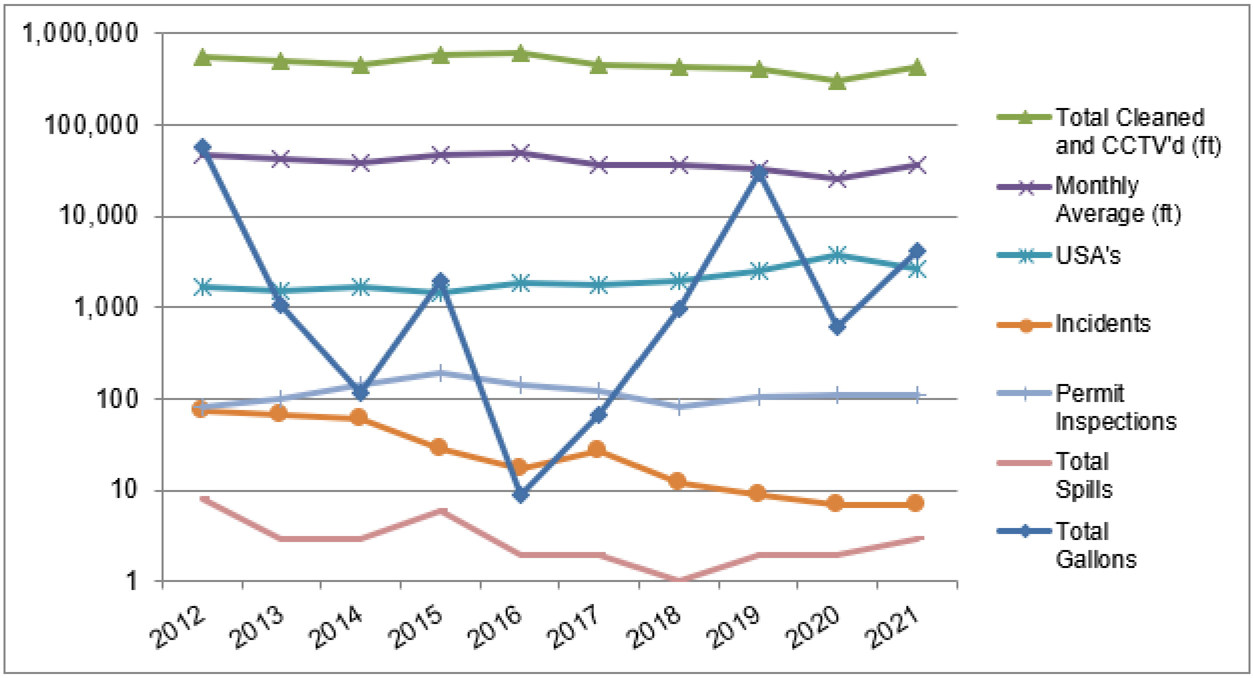
Fiscal Year Ended June 30,	Total Amount Funded	Increase (Decrease)	Number of Funded Replacements	Increase (Decrease)
2013	$ 104,831	-	17	4.62%
2014	$ 115,717	10.38%	18	5.88%
2015	$ 172,788	49.32%	26	44.44%
2016	$ 272,322	57.60%	41	57.69%
2017	$ 116,092	-57.37%	16	-60.98%
2018	$ 52,406	-54.86%	7	-56.25%
2019	$ 61,716	17.77%	8	14.29%
2020	$ 73,397	18.93%	10	25.00%
2021	$ 75,904	3.42%	8	-20.00%

Source: Las Gallinas Valley Sanitary District records

Note: The District began the Private Sewer Lateral Assistance Program in 2013 to help property owners repair and replace their laterals.

Las Gallinas Valley Sanitary District

Collection System Services
Past Ten Calendar Years



Calendar Year	Total Cleaned and CCTV'd (ft)	Monthly Average (ft)	USA's	Incidents	Permit Inspections	Total Spills	Total Gallons
2008	597,230	49,769	875	65	31	5	409
2009	538,127	44,844	1,272	59	36	5	3,455
2010	535,844	44,654	1,053	54	60	2	225
2011	596,551	49,713	927	52	68	2	2,220
2012	561,940	46,828	1,645	74	81	8	56,190
2013	505,587	42,132	1,521	68	100	3	1,073
2014	452,649	37,721	1,721	62	141	3	114
2015	573,209	47,767	1,467	29	190	6	1,964
2016	597,656	49,805	1,896	17	141	2	9
2017	444,989	37,082	1,773	27	125	2	67
2018	436,928	36,411	1,918	12	83	1	975
2019	400,286	33,357	2,548	9	104	2	29,080
2020	303,662	25,305	3,803	7	108	2	601
2021	429,304	35,775	2,681	7	111	3	4,238

Source: Las Gallinas Valley Sanitary District records

Note: CCTV is video recording of the sewer mains and lateral performed with a mobile unit.
A USA is a request by the Underground Service Alert system to mark utility lines on public and private property. The purpose of the program is to prevent damage to the District's sewer system.

Las Gallinas Valley Sanitary District

Full-Time Equivalent Employees by Function
for the Past Ten Fiscal Years

Fiscal Year Ended June 30,	Operations	Engineering	Laboratory[1]	Collection System	Administration	Board	Total
2012	6	2	2	5	4	5	24
2013	6	2	2	5	4	5	24
2014	6	2	2	5	4	5	24
2015	6	3	2	5	4	5	25
2016	7	3	2	5	4	5	26
2017	7	3	2	5	4	5	26
2018	7	2	2	5	4	5	25
2019	7	2	2	5	4	5	25
2020	7	2	2	6	4	5	26
2021	8	2	2	8	5	5	30

Source: Las Gallinas Valley Sanitary District records

Notes:
[1] 2006-2008 counts associated with paid interns