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01/12/22

SELMA-KINGSBURG-FOWLER
COUNTY SANITATION DISTRICT

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Selma-Kingsburg-Fowler County Sanitation District
Kingsburg, California

Report on the Financial Statements

We have audited the accompanying statement of net position of Selma-Kingsburg-Fowler County Sanitation District (the District) as of June 30, 2021 and 2020, and the related statement of revenues, expenses, and changes in net position and cash flows for the years then ended.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Selma-Kingsburg-Fowler County Sanitation District, as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis and the required supplementary information, as listed 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.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The additional information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information has 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 this information.

Clovis, California
, 2021

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021

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INTRODUCTION

This discussion and analysis of Selma-Kingsburg-Fowler County Sanitation District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- Total Net Positions were \$37,509,888, \$35,281,575 and \$33,005,344 at June 30, 2021, 2020 and 2019, respectively. The amount at June 30, 2021 included investment in capital assets, primarily property, plant and equipment, with a net book value of \$40,350,757.
- For the year ending June 30, 2021, overall revenues were \$12,455,119, which was more than overall expenditures of \$10,226,806 and resulted in an increase in net position of \$2,228,313. For the year ending June 30, 2020, overall revenues were \$12,231,056, which was more than overall expenditures of \$9,954,825 and resulted in an increase in net position of \$2,276,231. For the year ending June 30, 2019, overall revenues were \$10,221,123, which was less than overall expenditures of \$13,893,520 and resulted in a decrease in net position of \$3,672,397. These were on the accrual basis and therefore included depreciation and capitalization of new assets.
- The District spent \$5,146,392 for the acquisition and construction of capital assets during the current year.
- The District transferred \$2,056,652 and \$1,425,553 in 2021 and 2020 respectively from the Operation and Maintenance sub-fund to the District sub-fund for future refurbishment or replacement of capital facilities in the treatment plant or interceptor systems.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (this section), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. The four sections together provide a comprehensive overview of the District. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position includes District's revenues and operating expenses. These two statements report the District's Net Position and how they have changed.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
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Net Position, the difference between the assets and liabilities, is one way to measure the District's financial health or Position.

- Over time, increases or decreases in the District's Net Position may be an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as, community growth rates and the condition of facilities.

The Statement of Cash Flows

The Statement of Cash Flows presents the changes in the District's cash and cash equivalents during the fiscal year. The statement is prepared using the direct method of cash flows. The statement details the sources and uses of the District's cash and cash equivalents into three categories: operating, capital and related financing, and investing activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined Net Position were \$37,509,888, \$35,281,575 and \$33,005,344 at June 30, 2021, 2020 and 2019, respectively.

Table 1
Net Position

	Business-Type Activities			Total
	2021	2020	2019	Percentage Change 2021-2020
Assets				
Cash – Unrestricted	14,446,187	15,416,223	14,099,635	-6.29%
Cash – Restricted	3,355,774	3,712,401	3,789,668	-9.61%
Accounts Receivable	734,887	660,000	620,198	11.35%
Interest Receivable	117,117	92,567	94,339	26.52%
CREB Subsidy	76,251	79,992	83,583	-4.68%
Prepaid Expenses	68,559	34,575	99,025	98.29%
Other Assets	555			
Capital assets	40,350,757	37,581,469	34,002,646	7.37%
Connection Fee Receivable	9,332	10,894	12,730	-14.34%
Reimbursement Agreements Receivable	<u>172,851</u>	<u>152,895</u>	<u>152,895</u>	<u>13.05%</u>
TOTAL ASSETS	<u>59,332,270</u>	<u>57,741,016</u>	<u>52,954,719</u>	<u>2.76%</u>
Deferred Outflows of Resources	1,457,069	1,436,425	1,503,185	1.44%
Liabilities				
Accounts Payable	676,073	688,764	1,397,733	-1.84%
Franchise Fees Payable	482,180	448,539	404,741	7.50%
Interest Payable	187,175	192,240	153,424	-2.63%
Accrued Salary and Compensated Absences	501,429	456,463	426,369	9.85%
Net OPEB Obligation	237,605	391,119	1,245,149	-39.25%
Net Pension Liability	6,207,940	5,892,711	5,551,233	5.35%
Debt Payable	<u>14,400,451</u>	<u>14,993,713</u>	<u>12,090,175</u>	<u>-3.96%</u>
TOTAL LIABILITIES	<u>22,692,853</u>	<u>23,063,549</u>	<u>21,268,824</u>	<u>-1.61%</u>
Deferred Inflows of Resources	586,598	832,317	183,736	-29.52%
Net Position				
Invested in Capital Assets	25,950,305	22,587,756	22,053,358	14.89%
Restricted	3,355,774	3,712,401	3,789,668	-9.61%
Unrestricted	<u>8,203,809</u>	<u>8,981,418</u>	<u>7,162,318</u>	<u>-8.66%</u>
TOTAL NET POSITION	<u>37,509,888</u>	<u>35,281,575</u>	<u>33,005,344</u>	<u>6.32%</u>

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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Changes in Net Position

The District's total revenues were \$12,455,119, \$12,231,056 and \$10,221,123 for the years ended June 30, 2021, 2020 and 2019, respectively. The largest source of revenue was domestic/commercial user fees, which accounted for 60%, 58% and 66% of total revenues for the years ended June 30, 2021, 2020 and 2019, respectively.

The District's total expenses were \$10,226,806, \$9,954,825 and \$13,893,520 at June 30, 2021, 2020 and 2019, respectively. The largest area of expense was for sewage treatment, which included personnel services, electricity, and plant capital improvements, at \$5,398,927, \$5,377,711 and \$4,770,133 which was 53%, 54%, and 34% of total expenses for the years ended June 30, 2021, 2020 and 2019, respectively.

The District's total Net Position increased \$2,228,313 during the fiscal year ending June 30, 2021 and increased \$2,276,231 and decreased \$3,672,397 during the fiscal years ending June 30, 2020 and 2019, respectively, as shown in Table 2.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>			<u>Total</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Percentage</u> <u>Change</u> <u>2021-2020</u>
Revenues				
Operating Revenues:				
Industrial	\$3,611,285	\$3,260,526	\$2,621,066	10.76%
Domestic/Commercial	7,412,527	7,097,129	6,736,816	4.44%
Miscellaneous	<u>219,840</u>	<u>453,157</u>	<u>236,398</u>	<u>-51.49%</u>
TOTAL REVENUES	<u>11,243,652</u>	<u>10,810,812</u>	<u>9,594,280</u>	<u>4.00%</u>
Operating Expenses				
Administration & General	2,011,705	1,948,356	1,910,585	3.25%
Sewage Collection	2,816,174	2,628,758	7,212,802	7.13%
Sewage Treatment	<u>5,398,927</u>	<u>5,377,711</u>	<u>4,770,133</u>	<u>0.39%</u>
TOTAL EXPENSES	<u>10,226,806</u>	<u>9,954,825</u>	<u>13,893,520</u>	<u>2.73%</u>
TOTAL NON-OPERATING REVENUE	<u>1,211,467</u>	<u>1,420,244</u>	<u>626,843</u>	<u>-1.47%</u>
CHANGE IN NET POSITION	<u>2,228,313</u>	<u>2,276,231</u>	<u>(3,672,397)</u>	<u>30.16%</u>

ANALYSIS OF THE DISTRICT'S FUNCTIONS

The District reports as a single proprietary fund. The District provides separate activity summaries for each of its six functions, although they are not each fund in a fund-accounting sense. The summaries are presented as supplementary information herein.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, 2020 and 2019, the District invested (Net Book Value) \$40,350,757, \$37,581,469 and \$34,002,646 respectively, in a broad range of capital assets, including land, buildings, sewage collection, sewage treatment, sewage disposal facilities, equipment and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Liabilities

At year-end, the District had long-term liabilities totaling \$20,490,303. On June 30, 2020, the District's long-term liabilities were \$20,874,471. On June 30, 2019, the District's long-term liabilities were \$17,648,441.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited the District was aware of several circumstances that has affected its current and future financial health.

- The District had approved Sewer Service Charge rate increases effective September 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, and July 1, 2023.
- The District received State Revolving Fund (SRF) financing for the McCall Avenue R&R Project, expected to cost approximately \$6.6 Million, which have caused rates to increase for Selma.
- Environmental regulations necessary to protect the ground water in California's central valley are becoming more stringent, with consequent increases in costs to ratepayers.
- In 2020 and 2021 the District received several new Notices to Comply Orders that will consequently increase cost to ratepayers. (Per-and Polyfluoroalkyl Substance (PFAS) Order # WQ-2020-0015-DWQ, Nitrates Control Program Notice to Comply Order #5-01-255, Salt Control Program Notice to Comply Order #5-01-255, Groundwater Monitoring Well Workplan, WDR Order 5-01-255 and General Order for Sanitary Sewer Systems).
- The District has come under additional regulation for the sewer collection systems it operates in its member Cities. The State Water Board has mandated a comprehensive program of evaluation, maintenance, reporting, refurbishment and funding. The District already fulfills many of the items required in the program and the costs already are a part of its fees and charges. However, additional costs will be incurred by the District in complying with this new mandate which may cause fees and charges to increase.

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- The District completed its Collection System Master Plan Update. Refurbishment and replacement of aging District facilities and equipment as well as the city owned sewer lines is of paramount importance. In order to minimize future borrowing appropriate funding needs to be included in rate-setting decisions.
- Depending on the growth rates of the member Cities, the District must be prepared to plan for a treatment plant expansion to accommodate those growth rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's residents, ratepayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact General Manager Ben Muñoz, Jr., at 559-897-6500. The District's website address is www.skfcsd.org.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION

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	June 30,	
	2021	2020
ASSETS:		
Current assets:		
Cash:		
Unrestricted	\$14,446,187	\$15,416,223
Restricted	<u>3,355,774</u>	<u>3,712,401</u>
	17,801,961	19,128,624
Receivables:		
Accounts receivable, net of allowance of \$0 and \$689 on June 30, 2021 and 2020, respectively	734,887	660,000
Interest receivable	117,117	92,567
CREB Subsidy	76,251	79,992
Other	555	
Prepaid expenses	<u>68,559</u>	<u>34,575</u>
Total Current Assets	<u>18,799,330</u>	<u>19,995,758</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	40,350,757	37,581,469
Connection fee receivable	9,332	10,894
Reimbursement agreements	<u>172,851</u>	<u>152,895</u>
Total Non-Current Assets	<u>40,532,940</u>	<u>37,745,258</u>
Total Assets	<u>59,332,270</u>	<u>57,741,016</u>
Deferred Outflows of Resources:		
Related to pension	1,277,298	1,250,676
Related to OPEB	<u>179,771</u>	<u>185,749</u>
	<u>1,457,069</u>	<u>1,436,425</u>
Total Assets and Deferred Outflows of Resources	<u>\$60,789,339</u>	<u>\$59,177,441</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION
(Continued)

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	June 30,	
	2021	2020
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 676,073	\$ 688,764
Franchise fees payable	482,180	448,539
Accrued salaries and compensated absences	254,847	266,273
Interest payable	187,175	192,240
Current portion of long-term debt	<u>602,275</u>	<u>593,262</u>
Total Current Liabilities	<u>2,202,550</u>	<u>2,189,078</u>
Non-current liabilities:		
Accrued salaries and compensated absences	246,582	190,190
Net other postemployment benefits liability	237,605	391,119
Net pension liability	6,207,940	5,892,711
Long-term debt, net of current portion	<u>13,798,176</u>	<u>14,400,451</u>
Total Non-Current Liabilities	<u>20,490,303</u>	<u>20,874,471</u>
Total Liabilities	<u>22,692,853</u>	<u>23,063,549</u>
Deferred Inflows of Resources:		
Related to pension	44,278	186,309
Related to OPEB	<u>542,320</u>	<u>646,008</u>
	586,598	832,317
Total Liabilities and Deferred Inflows of Resources	<u>23,279,451</u>	<u>23,895,866</u>
NET POSITION		
Net investment in capital assets	25,950,305	22,587,756
Restricted	3,355,774	3,712,401
Unrestricted	<u>8,203,809</u>	<u>8,981,418</u>
Total Net Position	<u>37,509,888</u>	<u>35,281,575</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$60,789,339</u>	<u>\$59,177,441</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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	Year Ended June 30,	
	2021	2020
OPERATING REVENUES:		
Industrial	\$ 3,611,285	\$ 3,260,526
Domestic/commercial	7,412,527	7,097,129
Miscellaneous	<u>219,840</u>	<u>453,157</u>
Total Operating Revenues	<u>11,243,652</u>	<u>10,810,812</u>
OPERATING EXPENSES:		
Administration and general	2,011,705	1,948,356
Sewage Collection	2,816,174	2,628,758
Sewage treatment	<u>5,398,927</u>	<u>5,377,711</u>
Total Operating Expenses	<u>10,226,806</u>	<u>9,954,825</u>
Operating Income	1,016,846	855,987
NON-OPERATING REVENUES (EXPENSES):		
Interest income	263,724	403,456
Gain on disposition of capital assets	730	
CREB subsidy revenue	255,189	266,822
Connection/annexation fees	1,139,622	1,219,772
Interest expense	<u>(447,798)</u>	<u>(469,806)</u>
Total Non-Operating Revenues (Expenses)	<u>1,211,467</u>	<u>1,420,244</u>
Change in Net Position	2,228,313	2,276,231
Net Position, Beginning of Year	<u>35,281,575</u>	<u>33,005,344</u>
Net Position, End of Year	<u>\$37,509,888</u>	<u>\$35,281,575</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS

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	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers for wastewater sales and service	\$11,150,371	\$10,772,846
Cash paid to vendors and suppliers for materials and services	(4,076,583)	(4,313,654)
Cash paid to employees for salaries and benefits	<u>(3,853,660)</u>	<u>(3,751,771)</u>
Net Cash Provided by Operating Activities	<u>3,220,128</u>	<u>2,707,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(5,146,392)	(5,836,061)
Loan proceeds		3,333,538
Principal paid on long-term debt	(593,262)	(430,000)
Proceeds from connection/annexation fees	<u>1,139,622</u>	<u>1,219,772</u>
Net Cash Used by Capital and Related Financing Activities	<u>(4,600,032)</u>	<u>(1,712,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and investment earnings	239,174	405,228
Proceeds from the sale of capital assets	8,000	
CREB Subsidy	258,930	270,413
Interest expense	<u>(452,863)</u>	<u>(430,990)</u>
Net Cash Provided by Investing Activities	<u>53,241</u>	<u>244,651</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,326,663)	1,239,321
Cash and Cash Equivalents, Beginning of Year	<u>19,128,624</u>	<u>17,889,303</u>
Cash and Cash Equivalents, End of Year	<u>\$17,801,961</u>	<u>\$19,128,624</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
(Continued)

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	Year Ended June 30,	
	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	<u>\$1,016,846</u>	<u>\$ 855,987</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,369,834	2,257,238
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(74,887)	(39,802)
Prepaid expenses	(33,984)	64,450
Other assets	(555)	
Deferred connection fees	1,562	1,836
Deferred reimbursable agreements	(19,956)	
Deferred outflows	(20,644)	66,760
Increase (decrease) in liabilities:		
Accounts payable	(12,691)	(708,969)
Franchise fees	33,641	43,798
Accrued expenses	44,966	30,094
Other postemployment benefits	(153,514)	(854,030)
Net pension liabilities	315,229	341,478
Deferred inflows	<u>(245,719)</u>	<u>648,581</u>
Total Adjustments	<u>2,203,282</u>	<u>1,851,434</u>
Net Cash Provided by Operating Activities	<u>\$3,220,128</u>	<u>\$2,707,421</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

Selma-Kingsburg-Fowler County Sanitation District (the District) was formed on February 16, 1971, by action of the Fresno County Board of Supervisors through authority of the provisions of the California Health and Safety Code County Sanitation Districts Act. The governing Board of Directors was established by statute and by the Board of Supervisors to be comprised of the Chairman of the Board of Supervisors, the District 4 Supervisor and the mayors of the three Cities of Selma, Kingsburg, and Fowler. The District was established to serve as a regional sewer treatment authority for the three cities and the Golden State Boulevard Industrial Corridor. The District is entirely located within the County of Fresno.

Basis of Accounting

The District reports using a proprietary fund which accounts for its activities using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budget

Annual budgets are drafted, reviewed through the public hearing process, and adopted by resolution of the District's Board of Directors. The annual budget is the District's fiscal plan for operation and maintenance of the District, capital expenses for equipment and facilities, and the revenues in support of the plan. Amendments to the adopted budget require Board action and budgeting control is maintained at department levels.

Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments (including cash held by the County Treasury) with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets are recorded on the basis of cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 15 to 50 years for sewage collection, treatment, disposal facilities and buildings. The useful lives for equipment range from 3 to 25 years. Expenses for maintenance, repairs, renewals, and those related to the three cities' collection systems are expensed as incurred. Expenses for improvements over \$8,000 are capitalized.

The District records and capitalizes the construction costs for sewage collection, treatment, and disposal facilities, which are constructed by the District and to which title is retained by the District.

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Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

Seventy percent of accumulated sick leave benefits are recognized as liabilities of the District. This portion is vested for all full-time employees who have been with the District for more than three months. Payment will be made in accordance with Employee Handbook Section D-4a.2, whether at 0%, 50% or 70%.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, deferred outflows related to pensions and OPEB.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has one type of deferred inflow which qualifies for reporting in this category, deferred inflows related to pensions.

Pension Plan

The District recognizes a net pension liability, which represents its proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the CalPERS Actuarial Office. The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. The average remaining service lifetime for the June 30, 2020 and June 30, 2019 measurement periods is 3.8 years.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	2021	2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

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 (OPEB 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.

General 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.

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	June 30, 2019 to June 30, 2020	June 30, 2018 to June 30, 2019

Income Taxes

As a governmental agency, the District is exempt from both federal income taxes and California state franchise taxes.

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Net Position

Net Position is the excess of all the District’s assets and deferred outflows over all its liabilities, and deferred inflows. Net Position is divided into three categories as follows:

Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources and debt service reserve funds.

Unrestricted describes the portion of net position which is not restricted as to use.

Classification of Revenues

The District’s funds distinguish revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the District’s ongoing operations. The principal operating revenues of the District are from Industrial and Domestic/Commercial fees. Operating expenses include sewage collection and treatment costs, administrative expenses and depreciation and amortization on plan, property and equipment. All other revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS:

Cash and investments as of June 30, 2021 and 2020 consist of the following:

	June 30,	
	2021	2020
Cash on Hand	\$ 700	\$ 700
Deposits with Financial Institutions	29,368	31,883
Deposits with County Treasury	<u>17,771,893</u>	<u>19,096,041</u>
Total Cash and Investments	<u>\$17,801,961</u>	<u>\$19,128,624</u>

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Bank deposit accounts are insured up to \$250,000 per institution by the Federal Depository Insurance Corporation (FDIC). All of the District’s cash balances held by financial institutions are fully insured or collateralized.

Cash in County Treasury

Within the guidelines of Government Code Section 53601, the District maintains substantially all of its cash in the Fresno County Treasury as part of the common investment pool. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, and mortgage-backed pass through securities.

Investments Authorized by the California Government Code

The District does not have an investment policy independent of what is allowed under the California Government Code. The table below identifies the investment types that are authorized by the Code. The table also identifies certain provisions of the Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 years	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

The Fresno County Treasury Investment Pool Statement of Investment Policy is more stringent than the California Government Code. As of June 30, 2021 and 2020, the Investment Pool portfolio complied with its Statement of Investment Policy.

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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

As of June 30, 2021, the weighted average maturity of the investments contained in the Fresno County Treasury Investment Pool is 2.17 years. 34.4% of the portfolio matures within 12 months, 26.2% matures between 1 and 3 years, and 39.4% matures between 3 and 5 years.

As of June 30, 2020, the weighted average maturity of the investments contained in the Fresno County Treasury Investment Pool is 1.91 years. 36.6% of the portfolio matures within 12 months, 31.5% matures between 1 and 3 years, and 31.9% matures between 3 and 5 years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Fresno County Treasury Investment Pool does not have a rating provided by a nationally recognized statistical rating organization. However, the assets of the portfolio held by the pool as of June 30, 2021 and June 30, 2020 had an average dollar weighted quality rating of "AA+."

Concentration of Credit Risk

There are no investments in any one issuer that represents 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government 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 a 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.

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 the Fresno County Treasury Investment Pool).

As of June 30, 2021 and 2020, none of the District's deposits in excess of FDIC limits were held in uncollateralized accounts.

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Investment in Fresno County Treasury Investment Pool

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

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 3,569,165	\$	\$	\$ 3,569,165
Construction in progress	6,094,832	5,079,213		11,174,045
Property rights	11,475			11,475
Other properties	154,307			154,307
Total capital assets, not being depreciated	9,829,779	5,079,213		14,908,992
Capital assets, being depreciated:				
Sewage collection facilities	9,386,640	35,514	(371,087)	9,051,067
Sewage treatment facilities	44,304,942	21,409	(255,784)	44,070,567
Sewage disposal facilities	3,324,646			3,324,646
General administrative	5,746,994	10,256	(267,376)	5,489,874
Total capital assets, being depreciated	62,763,222	67,179	(894,247)	61,936,154
Accumulated depreciation and amortization:				
Sewage collection facilities	(7,674,027)	(289,518)	363,817	(7,599,728)
Sewage treatment facilities	(21,812,827)	(1,795,903)	255,784	(23,352,946)
Sewage disposal facilities	(2,480,311)	(125,805)		(2,606,116)
General administrative	(3,044,367)	(158,608)	267,376	(2,935,599)
Total accumulated depreciation and amortization	(35,011,532)	(2,369,834)	886,977	(36,494,389)
Total capital assets, being depreciated, net	27,751,690	(2,302,655)	(7,270)	25,441,765
Total capital assets, net	\$ 37,581,469	\$ 2,776,558	\$ (7,270)	\$ 40,350,757

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Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 3,569,165	\$	\$	\$ 3,569,165
Construction in progress	655,785	5,577,649	(138,602)	6,094,832
Property rights	11,475			11,475
Other properties	154,307			154,307
Total capital assets, not being depreciated	<u>4,390,732</u>	<u>5,577,649</u>	<u>(138,602)</u>	<u>9,829,779</u>
Capital assets, being depreciated:				
Sewage collection facilities	9,368,274	18,366		9,386,640
Sewage treatment facilities	44,127,258	177,684		44,304,942
Sewage disposal facilities	3,324,646			3,324,646
General administrative	5,546,030	200,964		5,746,994
Total capital assets, being depreciated	<u>62,366,208</u>	<u>397,014</u>		<u>62,763,222</u>
Accumulated depreciation and amortization:				
Sewage collection facilities	(7,401,182)	(272,845)		(7,674,027)
Sewage treatment facilities	(20,070,484)	(1,742,343)		(21,812,827)
Sewage disposal facilities	(2,372,349)	(107,962)		(2,480,311)
General administrative	(2,910,279)	(134,088)		(3,044,367)
Total accumulated depreciation and amortization	<u>(32,754,294)</u>	<u>(2,257,238)</u>		<u>(35,011,532)</u>
Total capital assets, being depreciated, net	<u>29,611,914</u>	<u>(1,860,224)</u>		<u>27,751,690</u>
Total capital assets, net	<u>\$ 34,002,646</u>	<u>\$ 3,717,425</u>	<u>\$(138,602)</u>	<u>\$ 37,581,469</u>

In 2020-21 and 2019-20, major capital asset additions included Operations and Maintenance building roof refurbishment, refurbishment of 18th Ave Lift Station, MLSS Line Refurbishment and RAS Line Replacement, and Clarifier improvements. Depreciation charged to income for the years ended June 30, 2021 and 2020 was \$2,369,834 and \$2,257,238, respectively.

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NOTE 4 – LONG-TERM DEBT:

Changes in long-term debt activity for the years ended June 30, 2021 and 2020 were as follows:

2021

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2017 Installment Sales Agreement (Taxable NCREB Direct Subsidy)	\$ 8,915,000	\$	\$ 435,000	\$ 8,480,000	\$445,000
Clean Water State Revolving Fund	<u>6,078,713</u>	_____	<u>158,262</u>	<u>5,920,451</u>	<u>157,275</u>
Total Long-Term Debt	<u>\$14,993,713</u>	<u>\$</u>	<u>\$ 593,262</u>	<u>\$14,400,451</u>	<u>\$602,275</u>

2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2017 Installment Sales Agreement (Taxable NCREB Direct Subsidy)	\$ 9,345,000	\$	\$ 430,000	\$ 8,915,000	\$435,000
Clean Water State Revolving Fund	1,760,191	4,318,522		6,078,713	158,262
Grant Anticipation Note and Loan Agreement	<u>984,984</u>	<u>1,177,580</u>	<u>2,162,564</u>	_____	_____
Total Long-Term Debt	<u>\$12,090,175</u>	<u>\$5,496,102</u>	<u>\$2,592,564</u>	<u>\$14,993,713</u>	<u>\$593,262</u>

2017 Installment Sale Agreement

In March 2017, the District entered into an installment sale agreement with Municipal Finance Corporation to provide funding in the amount of \$9,765,000 for the purchase and installation of a solar photovoltaic system. Under the terms of the agreement, Municipal Finance Corporation will sell the completed project to the District in consideration for the payment by the District of installment payments as the purchase price of the project. The installment sale debt qualifies as new clean renewable energy bonds (NCREB) under Section 54C of the Internal Revenue Code. The debt payments are secured by a pledge of and lien on the net revenues derived from operations of the District. The installment payments bear interest at 5.10% and are payable semi-annually in March and September, beginning March, 2018. Because the installment agreement constitutes NCREB debt, the District is eligible for federal subsidy credits equal to 70% of the applicable credit rate of 4.4%, reduced by a sequestration rate which is revised annually by the federal government. The principal payments on the debt mature annually at various amounts through March, 2037. The outstanding balance of the installment sale agreement as of June 30, 2021 was \$8,480,000. The debt service requirements to maturity are as follows:

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Year Ending June 30,	2017 Installment Sale Agreement				Total Debt Service
	Principal	Gross Interest	Estimated NCREB Subsidy	Net Interest	
2022	\$ 445,000	\$ 432,480	\$ 246,296	\$ 186,184	\$ 631,184
2023	455,000	409,785	233,372	176,413	631,413
2024	465,000	386,580	220,156	166,424	631,424
2025	480,000	362,865	206,650	156,215	636,215
2026	490,000	338,385	192,670	145,715	635,715
2027-2031	2,610,000	1,306,620	684,118	622,502	3,232,502
2032-2036	2,915,000	610,980	347,952	263,028	3,178,028
2037	<u>620,000</u>	<u>31,620</u>	<u>18,008</u>	<u>13,612</u>	<u>633,612</u>
	<u>\$8,480,000</u>	<u>\$3,879,315</u>	<u>\$2,149,222</u>	<u>\$1,730,093</u>	<u>\$10,210,093</u>

Clean Water State Revolving Fund

In July, 2018, the District entered into a loan agreement with the California State Water Resources Control Board to finance the McCall Avenue Sewer & Replacement project. Under the terms of the agreement, the State Water Board will finance up to \$6,642,000 of project costs. The District has pledged the net revenues and the restricted reserve fund established under the agreement as collateral. The loan has an interest rate of 1.8% and will mature in December, 2049. The District received the first drawdown of the loan in October, 2018. The outstanding balance of the loan as of June 30, 2021 was \$5,920,451. The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2022	\$ 157,275	\$ 106,568	\$ 263,843
2023	160,106	103,737	263,843
2024	162,988	100,855	263,843
2025	165,922	97,921	263,843
2026	168,909	94,935	263,844
2027-2031	891,258	427,960	1,319,218
2032-2036	974,412	344,806	1,319,218
2037-2041	1,065,324	253,895	1,319,219
2042-2046	1,164,717	154,502	1,319,219
2047-2050	<u>1,009,540</u>	<u>45,835</u>	<u>1,055,375</u>
	<u>\$5,920,451</u>	<u>\$1,731,014</u>	<u>\$7,651,465</u>

Grant Anticipation Note and Loan Agreement

In June, 2019, the District Entered into a loan agreement with the Rural Community Assistance Corporation in the amount of \$3,777,000. The purpose of the loan was to allow the District to continue with the McCall Avenue Sewer & Replacement project due to disbursement delays from the California State Water Resources Control Board. The agreement has an interest rate of 5.25% and matures no later than July, 2021. To secure the loan, a lien was placed on the loan proceeds to be received from the State Water Board. The entire loan balance was paid off in September, 2019.

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NOTE 5 – PENSION PLAN:

General Information

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years total service are eligible to retire at age 50 to 52 years with statutory reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for each plan are applied as specified by the Public Employees’ Retirement Law.

Effective January 1, 2013, CalPERS instituted a new pension plan as a result of the Public Employee Pension Reform Act (PEPRA). Employees hired from that date on are subject to the new 2% at 62 benefit formula.

Rate Plan	Miscellaneous		
	Classic	Classic 2 nd Tier	PEPRA
Hire Date	Prior to 1/1/2013	On or after 1/1/2013	On or after 1/1/2013
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2%	2%	2%
Required employee contribution rates	7.000%	7.000%	6.750%
Required employer contribution rates	11.269%	10.484%	7.732%
Unfunded liability payment	\$534,747	\$2,146	\$5,398

Contributions

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

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For the year ended June 30, 2021, the contributions for the measurement period were as follows:

	<u>Miscellaneous</u>
Contributions – employer	\$701,896

At June 30, 2021 the District reported a net pension liability of \$6,207,940 for its' proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of the June 30, 2020 and 2019 measurement dates was as follows:

	<u>Measurement Date</u>	
	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Net Pension Liability - District	\$ 6,207,940	\$ 5,892,711
Total Miscellaneous Risk Pool Pension Liability	\$4,218,076,343	\$4,004,500,996
District's Portion of the Total Liability	.15%	.15%

For the year ended June 30, 2021, the District recognized pension expense of \$919,545. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 772,968	\$
Difference between expected and actual expenses	319,913	
Net difference between projected and actual earnings on pension plan investments	184,417	
Change of assumptions		44,278
Total	<u>\$1,277,298</u>	<u>\$ 44,278</u>

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The \$772,968 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows of Resources
2021	\$ 71,136
2022	167,219
2023	133,248
2024	<u>88,449</u>
	<u>\$460,052</u>

For the year ended June 30, 2020, the District recognized pension expense of \$1,113,016. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2020 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
Pension contributions subsequent to measurement date	\$ 701,896	\$
Difference between expected and actual expenses	325,384	25,211
Net difference between projected and actual earnings on pension plan investments		81,906
Change of assumptions	<u>223,396</u>	<u>79,192</u>
Total	<u>\$1,250,676</u>	<u>\$186,309</u>

The \$701,896 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) of Resources
2020	\$344,718
2021	(37,587)
2022	38,790
2023	<u>16,550</u>
	<u>\$362,471</u>

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Actuarial Assumptions

The total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2019, actuarial accounting valuation to June 30, 2020. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies

- (1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries WScale 90% of scale MP 2016.

Discount Rate

The discount rate used to measure the total pension liability for PERF C 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 statutory required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

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

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 ₂	Real Return Years 11 ₊₃
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets		0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00		(0.92)

- (1) In the System’s CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (2) An expected inflation of 2.00% used for this period.
- (3) An expected inflation of 2.92% used for this period.

Amortization of Deferred Outflows and Deferred Inflows of Resources

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 in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions should be amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for the June 30, 2020 measurement date is 3.8 years.

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Sensitivity of the District’s 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 as of the June 30, 2020 and 2019 measurement dates calculated using the discount rate of 7.15 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1-percentage point higher (8.15 percent) than the current rate:

2020 Measurement Date

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District’s proportionate share of the net pension plan liability	\$9,913,575	\$6,207,940	\$3,146,090

2019 Measurement Date

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District’s proportionate share of the net pension plan liability	\$9,452,917	\$5,892,711	\$2,954,590

Pension Fund Fiduciary Net Position

Detailed information about each pension fund’s fiduciary net position is available in the separately issued CalPERS CAFR.

Payable to Pension Plan

At June 30, 2021 and 2020, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2021 and 2020.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

Following is a description of the current retiree benefit plan. These benefits apply only to those employees hired before July, 2012. Employees hired after are eligible only for statutory minimum employer contributions in accordance with Section 22892 of the California Government Code.

	General Employees	Unrepresented Employees
Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	5 years	5 years
Minimum Age	50	50
Dependent Coverage	No	No
District Contribution %	100%	100%
District Cap	Single Basic Other Southern California Blue Shield rate	Single Basic Other Southern California Blue Shield rate

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Employees covered by benefit terms. At the valuation date June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>31</u>
	<u>54</u>

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 as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including the measurement, unless otherwise specified:

Inflation	2.63 percent
Salary increases	2.75 percent per year
Investment rate of return	6.5 percent, net of OPEB plan investment expense
Healthcare cost trend rates	4.0 percent per year

Mortality rates were based on the 2014 CalPERS Retiree Mortality Tables for Miscellaneous Employees.

The actuarial assumptions used in the June 30, 2020 valuation were based on studies using the 2009 CalPERS 2.0% @ 55 and 2.0% @ 60 retirement table rates for miscellaneous employees and the 2009 CalPERS Turnover Table for Miscellaneous Employees.

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

Asset Class	Target Allocation	Assumed Gross Return
All Equities	40%	7.675%
All Fixed Income	43%	4.380%
Real Estate Investment Trusts	8%	7.380%
All Commodities	4%	7.675%
Treasury Inflation Protected Securities (TIPS)	5%	3.130%
Total	<u>100%</u>	

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NOTES TO FINANCIAL STATEMENTS
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2020 Measurement Date

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions would be sufficient to fully fund the obligation over a period not to exceed 25 years was determined using historic 24 year real rates of return for each asset class along with an assumed long-term inflation assumption of 2.63%.

Changes in the Net OPEB Liability

		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2019	<u>\$1,383,287</u>	<u>\$ 992,168</u>	<u>\$ 391,119</u>
Service Cost	18,233		18,233
Interest on TOL	87,900		87,900
Expected Investment Income		74,860	(74,860)
Employer Contributions		185,749	(185,749)
Administrative Expense		(505)	505
Benefit Payments	(80,645)	(80,645)	
Experience Gains	<u>457</u>		<u>457</u>
Net Change during 2019-20	<u>25,945</u>	<u>179,459</u>	<u>(153,514)</u>
Balance at June 30, 2020	<u>\$1,409,232</u>	<u>\$1,171,627</u>	<u>\$ 237,605</u>

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB 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 discount rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB liability	\$394,048	\$237,605	\$106,318

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Net OPEB liability	\$ 89,856	\$237,605	\$410,959

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CalPERS financial report.

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$113,906. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$179,381	\$
Differences between expected and actual experience	390	535,638
Differences between projected and actual return on assets	<u> </u>	<u>6,682</u>
Total	<u>\$179,771</u>	<u>\$542,320</u>

The \$179,381 reported as deferred outflows of resources 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 of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$(110,591)
2022	(110,593)
2023	(111,845)
2024	(110,641)
2025	(98,315)
Thereafter	<u>55</u>
	<u>\$(541,930)</u>

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NOTES TO FINANCIAL STATEMENTS
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2019 Measurement Date

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions would be sufficient to fully fund the obligation over a period not to exceed 25 years was determined using historic 25 year real rates of return for each asset class along with an assumed long-term inflation assumption of 2.75%. The expected investment returns were reduced by expected investment expenses of .25%.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2018	<u>\$2,069,380</u>	<u>\$824,231</u>	<u>\$1,245,149</u>
Service Cost	16,356		16,356
Interest on TOL	132,152		132,152
Employer Contributions		185,439	(185,439)
Expected Investment Income		56,985	(56,985)
Investment Gain/Losses		6,032	(6,032)
Administrative Expense		(184)	184
Benefit Payments	(88,898)	(80,335)	(8,563)
Experience Gains	<u>(745,703)</u>		<u>(745,703)</u>
Net Change during 2018-19	<u>(686,093)</u>	<u>167,937</u>	<u>(854,030)</u>
Balance at June 30, 2019	<u>\$1,383,287</u>	<u>\$992,168</u>	<u>\$ 391,119</u>

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB 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 discount rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB liability	\$547,122	\$391,119	\$260,288

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Net OPEB liability	\$257,363	\$391,119	\$546,860

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CalPERS financial report.

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$167,882. As of fiscal year ended June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$185,749	\$
Differences between expected and actual experience		644,952
Differences between projected and actual return on assets		<u>1,056</u>
Total	<u>\$185,749</u>	<u>\$646,008</u>

The \$185,749 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognize as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) of Resources
2020	\$(109,264)
2021	(109,264)
2022	(109,266)
2023	(110,518)
2024	(109,314)
Thereafter	<u>(98,382)</u>
	<u>\$(646,008)</u>

Payable to the OPEB Plan

At June 30, 2021 and 2020, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the years then ended.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020
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NOTE 7 – RESTRICTED AND DESIGNATED ASSETS:

Restricted and designated assets are comprised of Cash in County Treasury at June 30, 2021 and 2020:

	2021	2020
Designated for refurbishment or replacement of member city-owned collection and pumping facilities:		
Selma	\$ 2,086,379	\$ 2,303,566
Kingsburg	2,948,693	2,833,908
Fowler	1,614,363	1,827,391
Designated for refurbishment or replacement of District treatment plant or interceptor facilities	2,916,930	4,369,877
Restricted for expansion or capacity increase of District treatment plant or interceptor Facilities and solar project	3,355,774	3,712,401
	<u>\$12,922,139</u>	<u>\$15,047,143</u>

Designated assets are unrestricted. The Board of Directors has specified certain intended sources and uses for the designated assets, which are at the discretion of the Board.

NOTE 8 – JOINT VENTURES:

The District participates in joint ventures for workers’ compensation, liability, and property insurance under a joint powers agreement (JPA) with the California Sanitation Risk Management Authority (CSRMA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

CSRMA arranges for, and provides insurance for the members who participate in four different insurance pools. CSRMA is governed by a board consisting of a representative from each member district. The Board controls the operations of the CSRMA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the CSRMA. Any surpluses or deficits are charged to income or expense in the period they are made.

CSRMA prepares separate annual financial statements which may be obtained from Alliant Insurance Services, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

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NOTE 9 – DESIGNATED CAPITAL CONTRUCTION EXPENSES FOR
SELMA-KINGSBURG-FOWLER:

Designated expenses charged to the Operating Expenses for Sewage Collection for member city owned collection and pumping facilities were as follows at June 30, 2021 and 2020:

	2021	2020
Selma	\$ 560,200	\$ 970,780
Kingsburg	139,335	41,592
Fowler	472,484	22,784
	<u>\$1,172,019</u>	<u>\$1,035,156</u>

NOTE 10 - PRIOR PERIOD ADJUSTMENTS:

The actuary for the OPEB plan provided new information for deferred outflows/inflows related to Experience gains/losses and Investment gain/losses, resulting in an increase in deferred inflow of resources of \$646,008 as of June 30, 2020 and a decrease in operating income of \$755,272 for the year ending June 30, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 FISCAL YEARS*

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California Public Employees Retirement System (CalPERS) – Schedule of the District’s Proportionate Share of the Net Pension Liability

Measurement Period	June 30,						
	2020	2019	2018	2017	2016	2015	2014
District’s proportion of the net pension liability (asset)	.14718%	.14715%	.14730%	.14492%	.14569%	.14998%	.16281%
District’s proportionate share of the net pension liability (asset)	\$6,207,940	\$5,892,711	\$5,551,233	\$5,712,970	\$5,060,945	\$4,114,694	\$4,023,732
District’s covered-employee payroll	\$2,289,578	\$2,220,094	\$2,146,087	\$2,033,473	\$1,990,107	\$1,957,978	\$1,802,205
District’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	271.14%	265.43%	258.67%	280.95%	254.31%	210.15%	223.27%
District’s fiduciary net position as a percentage of the total pension liability	71.94%	71.99%	72.36%	75.39%	72.71%	78.30%	78.96%

California Public Employees Retirement System (CalPERS) – Schedule of the District’s Contributions

	June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 772,968	\$ 701,896	\$ 612,857	\$ 540,611	\$ 523,385	\$ 476,526	\$ 326,907
Contributions in relation to the actuarially determined contribution	<u>(772,968)</u>	<u>(701,896)</u>	<u>(612,857)</u>	<u>(540,611)</u>	<u>(523,385)</u>	<u>(476,526)</u>	<u>(326,907)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District’s covered-employee payroll	\$2,289,578	\$2,220,094	\$2,146,087	\$2,033,473	\$1,990,107	\$1,957,978	\$1,802,205
Contributions as a percentage of covered-employee payroll	33.76%	31.62 %	28.56%	26.59%	26.30%	24.34%	18.139%

*Historical information is required only for measurement periods for which GASB 68 is applicable.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 FISCAL YEARS*

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Notes to Schedule

The actuarial methods and assumptions used to determine contribution rates for fiscal year ended June 30, 2021 was from the June 30, 2018 valuation date.

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.0%
Inflation	2.50%
Salary Increases	Varies ⁽¹⁾
Payroll growth	2.75%
Investment Rate of Return	7.00% ⁽²⁾
Mortality ⁽³⁾	CalPERS' Membership Data
Post Retirement Benefit Increases	Up to 2.75% ⁽⁴⁾

- ⁽¹⁾ Depending on age, service and type of employment
- ⁽²⁾ Net of pension plan investment and administrative expenses, including inflation
- ⁽³⁾ The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.
- ⁽⁴⁾ Contract COLA up to 2.75% until Purchasing Power Protective Allowance Floor on Purchasing Power applies.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 FISCAL YEARS*

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	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 18,233	\$ 16,356	\$ 15,918	\$ 15,492
Interest	87,900	132,152	128,271	125,078
Benefit payments	(80,188)	(88,898)	(80,507)	(103,233)
Experience gains measurement period		(745,703)		
Net change in total OPEB liability	25,945	(686,093)	63,682	37,337
Total OPEB liability – beginning	<u>1,383,287</u>	<u>2,069,380</u>	<u>2,005,698</u>	<u>1,968,361</u>
Total OPEB liability – ending (a)	<u>\$1,409,232</u>	<u>\$1,383,287</u>	<u>\$2,069,380</u>	<u>\$2,005,698</u>
 Plan fiduciary net position				
Contributions - employer	\$ 185,749	\$ 185,439	\$ 185,611	\$ 248,568
Net investment income	67,890	63,017	41,237	38,026
Benefit payments	(80,645)	(80,335)	(80,507)	(103,233)
Investment gains	6,970			
Administrative expense	(505)	(184)	(1,259)	(273)
Net change in plan fiduciary net position	179,459	167,937	145,082	183,088
Plan fiduciary net position – beginning	<u>992,168</u>	<u>824,231</u>	<u>679,149</u>	<u>496,061</u>
Plan fiduciary net position – ending (b)	<u>\$1,171,627</u>	<u>\$ 992,168</u>	<u>\$ 824,231</u>	<u>\$ 679,149</u>
 District's net OPEB liability – ending (a) – (b)	<u>\$ 237,605</u>	<u>\$ 391,119</u>	<u>\$1,245,149</u>	<u>\$1,326,549</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	83.14%	71.73%	39.82%	33.86%
 Covered-employee payroll	<u>\$2,220,094</u>	<u>\$2,146,087</u>	<u>\$2,033,473</u>	<u>\$1,990,107</u>
 District's net OPEB liability as a percentage of covered-employee payroll	10.70%	18.22%	61.23%	66.66%

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

There were no benefit changes for the June 30, 2019 valuation.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 FISCAL YEARS*

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	2021	2020	2019	2018
Actuarially determined contribution	\$ 179,381	\$ 185,439	\$ 184,834	\$ 145,335
Contributions in relation to the actuarially determined contribution	<u>\$ 179,381</u>	<u>(185,439)</u>	<u>(184,834)</u>	<u>(145,335)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$2,220,094	\$2,146,087	\$2,033,473	\$1,990,107
Contributions as a percentage of covered-employee payroll	8.08%	8.64%	9.09%	7.31%

Notes to Schedule

Valuation date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Inflation	2.63 percent
Healthcare cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent, net of OPEB plan investment expense, including inflation
Retirement age	Expected retirement ages based on the 2009 CalPERS 2.0% at 55 and 2.0% at 60 retirement table rates for miscellaneous employees.
Mortality	Mortality rates were based on the 2014 CalPERS retiree mortality tables for miscellaneous employees.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

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ADDITIONAL INFORMATION

SUMMARY NO. 1 – O&M
SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FUNCTION #1 (OPERATION AND MAINTENANCE) – ACTIVITY SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT
01/12/22

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
<u>Revenue</u>					
Residential, Commercial and Institutional Service Charges	\$5,195,983	\$5,195,983	\$ 5,287,891	\$ 91,908	101.77%
Industrial Service Charges	2,895,833	2,895,833	3,480,082	584,249	120.18%
Fixed Capital Service Charge	1,214,613	1,214,613	1,249,848	35,235	102.90%
IRS Tax Credit (CREB)	257,558	257,558	255,189	(2,369)	99.08%
Interest Earnings	88,888	88,888	57,910	(30,978)	65.15%
Septic Hauler Fees	138,629	138,629	139,404	775	100.56%
Rental of Property	62,356	62,356	51,657	(10,699)	82.84%
Plan Check and Inspection Fees	16,130	16,130	95,747	79,617	593.59%
Sale of Fixed Assets			8,000	8,000	N/A
Misc. Other Revenue			28,777	28,777	N/A
Total Revenue	9,869,990	9,869,990	10,654,505	784,515	107.95%
<u>Expenditures</u>					
Salaries and Employee Benefits	3,928,032	3,928,032	3,826,522	101,510	97.42%
Services and Supplies	2,464,215	2,464,215	2,275,682	188,533	92.35%
OPEB CalPERS Contribution	105,104	105,104	105,104		100.00%
Cities' Franchise Fees	425,000	425,000	482,179	(57,179)	113.45%
Solar Lease Principal Payments	435,000	435,000	435,000		100.00%
Solar Lease Interest Payments	454,665	454,665	447,797	6,868	98.49%
Subtotal Expenditures	7,812,016	7,812,016	7,572,284	239,732	96.93%
Transfer to Function #2 Refurbishment and Replacement	2,056,652	2,056,652	2,056,652		100.00%
Total Expenditures	9,868,668	9,868,668	9,628,936	239,732	97.57%
Change in Net Position (Budget Basis)			1,025,569		
Adjustment: OPEB CalPERS Contribution			105,104		
Adjustment: Reduction in Liability Principal Payments			435,000		
Adjustment: Depreciation			(2,369,834)		
Adjustment: GASB 68 Retirement			(146,576)		
Adjustment: GASB 74/75 OPEB			146,120		
Change in Net Position (GAAP Basis)			\$ (804,617)		

Note: The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.

SUMMARY NO. 2 – DISTRICT EXPANSION
SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FUNCTION #2 (DISTRICT CAPITAL EXPANSION) – ACTIVITY SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT
01/12/22

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
Revenue					
Capacity Fees	\$ 476,776	\$ 476,776	\$1,020,302	\$ 543,526	214.00%
Annexation Fees	21,124	21,124	23,573	2,449	111.59%
Interest Earnings	58,547	58,547	55,676	(2,871)	95.10%
Total Revenue	556,447	556,447	1,099,551	543,104	197.60%
Expenditures					
*MLSS Line Refurb & RAS Line Replacement	234,780	234,780	347,648	(112,868)	148.07%
*District Lift Station Refurb-D4 (18 th Street)	650,273	650,273	607,713	42,560	93.46%
*Clarifiers ½	648,368	648,368	347,647	300,721	53.62%
*Asset Management Software	15,400	15,400	44,750	(29,350)	290.58%
Total Expenditures	1,548,821	1,548,821	1,347,758	201,063	87.02%
Transfer to Function #2 Refurbishment and Replacement	(119,194)	(119,194)	(119,194)		100.00%
Change in Net Position (Budget Basis)			(367,401)		
Capitalization of Expenditure Adjustment			1,347,758		
Change in Net Position (GAAP Basis)			\$ 980,357		

**Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2)*Asterisks denotes the item is a multiple years project.**

SUMMARY NO. 3 – DISTRICT R&R
 SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
 FUNCTION #3 (DISTRICT CAPITAL REFURBISHMENT & REPLACEMENT) – ACTIVITY SUMMARY
 FOR THE YEAR ENDED JUNE 30, 2021

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	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
Revenue					
Annual Transfer from General					
O&M Function #1	\$2,056,652	\$2,056,652	\$2,056,652	\$	100.00%
Interest Earnings	77,289	77,289	43,189	(34,100)	55.88%
Capacity Fee Offset	119,194	119,194	119,194		100.00%
Total Revenue	2,253,135	2,253,135	2,219,035	(34,100)	98.49%
Expenditures					
*MLSS Line Refurb & RAS Line Replacement	939,120	939,120	1,390,590	(451,470)	148.07%
*District Lift Station Refurb-D4 (18 th Street)	975,412	975,412	911,586	63,826	93.46%
*Clarifiers 1/2	2,593,473	2,593,473	1,390,590	1,202,883	53.62%
*North Street PS Panel Replacement	140,000	140,000	38,689	101,311	27.64%
Total Expenditures	4,648,005	4,648,005	3,731,455	916,550	80.28%
Change in Net Position (Budget Basis)			(1,512,420)		
Capitalization of Expenditure Adjustment			3,731,455		
Change in Net Position (GAAP Basis)			\$ 2,219,035		

Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
 2)*Asterisks denotes the item is a multiple years project.

SUMMARY NO. 4 – COLLECTION SYSTEM R&R (SELMA)
SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FUNCTION #4 (DISTRICT COLLECTION SYSTEM CAPITAL REFURBISHMENT & REPLACEMENT) – ACTIVITY SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

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	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
<u>Revenue</u>					
Service Charges – Residential, Commercial, Institutional	\$ 563,203	\$ 563,203	\$ 565,373	\$ 2,170	100.39%
Service Charges – Industrial	1,253	1,253	629	(624)	50.20%
Interest Earnings	38,013	38,013	34,021	(3,992)	89.50%
Total Revenue	602,469	602,469	600,023	(2,446)	99.59%
<u>Expenditures</u>					
SRF Loan Debt Service (McCall Ave R&R)	232,090	232,090	265,647	(33,557)	114.46%
Miscellaneous Repairs	75,000	75,000	64,716	10,284	86.29%
*CCTV Inspection and Review	100,000	100,000	65,400	34,600	65.40%
*Sewer Improvement: Willow/Thomp & Floral/Chandler	400,000	400,000	31,637	368,363	7.91%
*Sewer Improvement: Logal/McCall & Floral/Chsnt			367,148	(367,148)	N/A
N/Awer Improvement: Tucker/E.Front & 2 nd /Center	450,000	450,000	31,298	418,702	6.96%
Total Expenditures	1,257,090	1,257,090	825,846	431,244	65.70%
Change in Net Position (Budget Basis)			(225,823)		
Adjustments: SRF Principal Payment			158,262		
Change in Net Position (GAAP Basis)			\$ (67,561)		

**Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2)*Asterisks denotes the item is a multiple years project.**

SUMMARY NO. 5 – COLLECTION SYSTEM R&R (KINGSBURG)
SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FUNCTION #5 (DISTRICT COLLECTION SYSTEM CAPITAL REFURBISHMENT & REPLACEMENT) – ACTIVITY SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT
@1/12/22

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
<u>Revenue</u>					
Service Fees – Residential, Commercial, Institutional	\$171,362	\$171,362	\$173,904	\$ 2,542	101.48%
Service Fees - Industrial	45,084	45,084	44,806	(278)	99.38%
Interest Earnings	<u>53,536</u>	<u>53,536</u>	<u>44,996</u>	<u>(8,540)</u>	<u>84.05%</u>
Total Revenue	<u>269,982</u>	<u>269,982</u>	<u>263,706</u>	<u>(6,276)</u>	<u>97.68%</u>
<u>Expenditures</u>					
Miscellaneous Repair	45,000	45,000	34,280	10,720	76.18%
*CCTV Inspection & Review	75,000	75,000	85,991	(10,991)	114.66%
*Tulare Street Alley Improvements	<u>200,000</u>	<u>200,000</u>	<u>19,065</u>	<u>180,935</u>	<u>9.53%</u>
Total Expenditures	<u>320,000</u>	<u>320,000</u>	<u>139,336</u>	<u>180,664</u>	<u>43.54%</u>
Change in Net Position			<u>\$124,370</u>		

**Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2)*Asterisks denotes the item is a multiple years project.**

SUMMARY NO. 6 – COLLECTION SYSTEM R&R (FOWLER)
SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FUNCTION #6 (DISTRICT COLLECTION SYSTEM CAPITAL REFURBISHMENT & REPLACEMENT) – ACTIVITY SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT
8/1/22

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
Revenue					
Service Charges – Residential, Commercial, Institutional	\$126,172	\$126,172	\$135,513	\$ 9,341	107.40%
Service Charges – Industrial	87,688	87,688	85,769	(1,919)	97.81%
Interest Earnings	<u>33,125</u>	<u>33,125</u>	<u>27,931</u>	<u>(5,194)</u>	<u>84.32%</u>
Total Revenue	<u>246,985</u>	<u>246,985</u>	<u>249,213</u>	<u>2,228</u>	<u>100.90%</u>
Expenditures					
Miscellaneous Repair	35,000	35,000		35,000	0.00%
*CCTV Inspection and Review	65,000	65,000	23,993	41,007	36.91%
Adams Ave Sewer Improvements		220,580	433,096	(212,516)	196.34%
*East Fresno Street Alley Sewer Improvements	<u>175,000</u>	<u>175,000</u>	<u>15,395</u>	<u>159,605</u>	<u>8.80%</u>
Total Expenditures	<u>275,000</u>	<u>495,580</u>	<u>472,484</u>	<u>23,096</u>	<u>95.34%</u>
 Change in Net Position (GAAP Basis)			 <u>\$(223,271)</u>		

**Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2)*Asterisks denotes the item is a multiple years project.**