VALLEY
SANITARY
DISTRICT

FISCAL YEAR ENDING
JUNE 30, 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT

"Giving Water Another Chance"

PRESENTED BY

The Administration Department

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VALLEY SANITARY DISTRICT

Annual Comprehensive Financial Report

Year ended June 30, 2021

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INTRODUCTORY SECTION
(UNAUDITED)

Introduction

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October 29, 2021

To: The Board of Directors

Subject: Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Valley Sanitary District (District) for the fiscal year ended June 30, 2021. This report was prepared by the District's Administration Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and in accordance with Generally Accepted Accounting Principles (GAAP). State law requires that all special-purpose local governments publish these basic financial statements within six (6) months of the close of the agency's fiscal year. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

Management assumes full responsibility for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. To ensure completeness and reliability of the information contained in this report, management uses established internal controls that have been adopted for effectiveness, reliability, and compliance. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Davis Farr, LLP, a firm of licensed certified public accountants. The independent firm audited the accompanying financial statements of the business-type activities and the fiduciary fund of the 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. The audit was conducted 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. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2021, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The District's MD&A can be found immediately after the Independent Auditors' Report and provides an overview and analysis of the basic financial statements.

District Structure and Leadership

Mission Statement: Valley Sanitary District serves and benefits Indio and the surrounding communities by collecting, treating, and recycling wastewater to ensure a healthy environment and sustainable water supply.

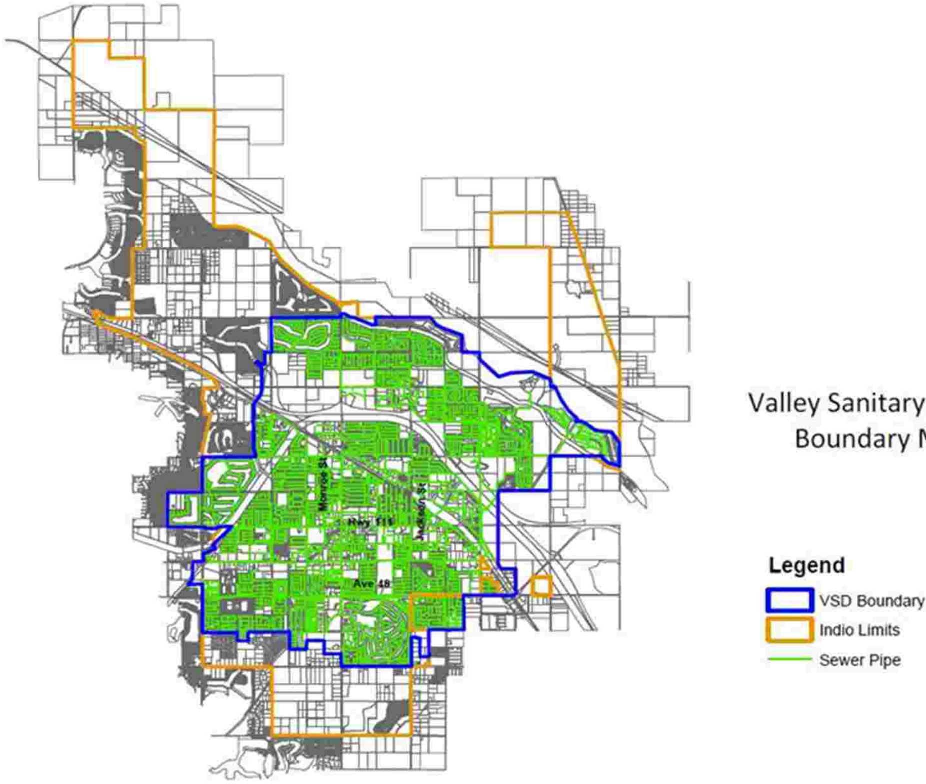
District Governance

Valley Sanitary District is a California special district, which operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, § 6400 et seq. The District was formed June 1, 1925 and is governed by a five (5) member Board of Directors. Each Director is elected through a ward-based election system. Each Director represents a specific geographic area within the District known as a ward. Under California law the Board of Directors establishes and implements policies for the operation of the District. The Board of Directors establishes goals and objectives, manages sound fiscal policy and control, sets rates and fees, approves the annual operating and capital budget, approves capital improvement plans, maintains strong communication between the Board of Directors and the General Manager, and advocates for the District. The Board of Directors makes decisions to serve the best interests of the community. The District's Board of Directors meet on the second and fourth Tuesday each month. Meetings are publicly noticed and citizens are encouraged to attend.

The U.S. Environmental Protection Agency, the California Regional Water Quality Control Board, the California Health Service Department, as well as other regulatory agencies provide the permits and standards that the District must meet to collect, treat, recycle, reuse, and dispose of wastewater.

District Services

Valley Sanitary District is in Indio, California located in the eastern desert area of Riverside County. As the largest city in the Coachella Valley, Indio has a population of approximately 89,551. The District provides sanitary sewer services to approximately 28,028 connections within its 19.5 square mile service area. The District encompasses portions of the City of Indio, the City of Coachella, and adjacent unincorporated areas of Riverside County, California. Residential customers represent approximately 97% of the District's customer base and produce an estimated 81% of the sewage flow. The District operates and maintains approximately 254 miles of sanitary sewer line that delivers over 6 million gallons per day of wastewater to its wastewater reclamation facility. The reclamation facility has the capacity to treat 12.5 million gallons per day. The treated wastewater is discharged into the Whitewater Storm Channel and becomes a source of freshwater replenishment to the Salton Sea.



Valley Sanitary District
Boundary Map

Budget Process

The District's budget conforms to Generally Accepted Accounting Principles as applicable to local governments. While it is an enterprise agency, the accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. The District prepares its annual budget on a fund accounting basis, which segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial related legal and contractual provisions. The District maintains the minimum number of funds consistent with legal and managerial requirements. The District reports the following funds in its annual budget:

- Operating Fund: This is the general operating fund of the District. The primary revenue source for this fund is derived from rates charged to customers for services provided and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and maintenance costs not paid through other funds are paid from this fund.

- Special Revenue Funds: These funds receive support from various sources, mainly in the form of grants, loans and other aid and are restricted to expenditures for particular purposes. Currently, the District has two (2) special revenue funds:

    - 2015 Wastewater Revenue Refunding Bonds

    - State Water Resources Control Board Revolving Fund Loan

- Fiduciary Fund: The District reports an Agency Fund. The Agency Fund is purely custodial in nature (assets equal liabilities), and thus does not involve measurement of results of operations. The Agency Fund is used to account for assets for the Assessment District No. 2004 (Shadow Hills Interceptor) for which the District acts as an agent for its debt service activities.

- Capital Improvement Fund: Indicates the amount allocated for capital expenditures for identified projects.

- Restricted CIP Fund: Indicates the current fiscal year resource allocation and amount allocated for capital expenditures for increased capacity-related projects.

Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how activities are controlled. The overview of each fund provides a detailed explanation of the purpose of the fund and its planned budget for each fiscal year.

The budget process for the District is a collaborative effort among all departments that is based on sound financial management and longevity. The operating budget focuses on allocating and using resources within the framework of the strategic plan to ensure long term success and development of the District as a whole. The capital budget incorporates key projects to further advance the District's Capital Improvement Program (CIP) and for capital projects that are necessary to meet regulatory requirements, system reliability, repair, and replacement of District assets.

The District strives to maintain formal policies and/or procedures that reflect "best practices" for budget development and adjustments. The District uses established budgetary preparation procedures and guidelines, calendar of events, planning models by fund, budget adjustment procedures, establishment of rates and fees, indirect costs, and interest income. The budget is scheduled to allow sufficient review and input by the Board of Directors and constituents. The budget document reflecting all final actions as adopted by the Board of Directors, on or before June 30th of each year, is made available within 30 days of such adoption in both hard copy at the District office and on the District's web site.

Budgetary Control

The District's Board of Directors annually adopt an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

If actual costs are expected to be higher than what was budgeted, these options are available within the requirements of existing policies:

1. Cancel the project or reduce the scope of the project.

2. Transfer funds from another project with lower priority or excess funds available.

3. Appropriate funds from reserves, with Board approval.

4. Re-budget the project, with additional funding, in the following fiscal year.

5. Board approval is required for any new projects added during the fiscal year.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Economic Condition and Outlook

To summarize the impact COVID-19 had on the City of Indio and the Coachella Valley, one can quote the Coachella Valley Economic Partnership (CVEP) economic report, "One year ago. Have those words ever meant more?" (P. 5).[1] The past year has been a true test to economic resiliency, not just for the Coachella Valley, but the State of California as a whole. State mandated shutdowns pushed many businesses to close temporarily or permanently. However, according to the UCLA Anderson Forecast 2021 quarterly report, as county and state restrictions begin to be lifted California's economy is expected to recover faster than the rest of the US, post pandemic.

- GDP is expected to have 6.3% growth in 2021, 4.6% growth in 2022, and 2.7% growth in 2023.
- Unemployment is expected to be at 5.2% in Q4 of 2021, 4.2% in Q4 2022, and 3.7 in Q4 2023.
- Core Personal Consumption Expenditures (PCE) inflation is projected at 1.9% in 2021, 2% in 2022, and stabilize at 1.9% in 2023.[2]

A combination of COVID-19 economic relief packages and increased vaccinations contribute to the growth forecast for California. Government action through Paycheck Protection Program (PPP) loan, extended unemployment insurance, and direct checks provided financial assistance and relief to many. The number of people who have already received the vaccination and those that have recovered from COVID-19 implies that most of the state has some protection from COVID-19 (UCLA Anderson Forecast, 2021).[2] According to COVID19.CA.GOV as of April 11, 2021, 22.9M doses have been administered statewide in California.[3]

The California budget assumed the state would face an estimated 15% revenue decline from the three (3) largest taxes; personal income, corporate, and sales tax (Legislative Analyst's Office, 2021).[4] However, according to the Legislative Analyst's Office (2021) website, "actual collections in recent months have been much better than anticipated. Between August and October, collections from the three (3) largest taxes were 9% higher than the prior year. As a result, actual collections so far in 2020-21 are 22% ($11 billion) ahead of budget act assumptions" (Para 15).[4]

The economy in Indio, unincorporated Riverside County, and Coachella continues to face challenges due to the COVID-19 pandemic. According to CVEP (2020), 76% of total employment losses from March 2020 to April 2020 were in the five (5) sectors of; Leisure and Hospitality, Education and

Health Services, Professional and Business Services, Retail Trade, and Other Services.[1] There are now signs of recovery as the unemployment in Riverside County decreased to 8.0% as of February 2021, down from its peak of 15.9% in May 2020.[5] The decrease in the unemployment rate is mainly attributed to many restaurants and businesses reopening.

At the March 3, 2021, City Council Meeting, the Indio City Manager, Mark Scott, delivered the fiscal year 2020/21 Midyear Budget update. In his update, the City Manager confirmed that the revenue and expenditure trends are better than initially anticipated in June of 2019. According to the City Manager the favorable trends are attributed to "robust sales citywide, which have generated more sales tax and Measure X use tax revenues, in spite of the economic pressures placed on businesses by the pandemic".[6] However, the increase in projected revenue is offset by the loss of revenue caused by the cancelation of the Coachella Valley Music and Arts Festival and Stagecoach Country Music Festival.

The City of Indio has continued to find opportunities amongst the COVID-19 Pandemic. The city has seen an increase in home building, new shopping centers have opened, and more are scheduled to open within the coming fiscal year. Additionally, the city spent $47 million in infrastructure and capital improvements. The City of Indio also released $2.2 million in Community Development Block Grant funds to assist the community needs due to COVID-19. There is also momentum in the College of the Desert Indio Campus Expansion and the remodeling and redesign of Indio Fashion Mall into the Indio Market Place. The new Indio Market Place will feature a "community mall with shopping, dining, entertainment, one large or two small hotels, and apartment housing".[7] This new development is expected to act as a catalyst for future development. In summary the City of Indio is taking full advantage of the opportunities to rebuild and implement strategic planning to actualize its goals. These initiatives benefit the District because they encourage residential and commercial development within the service area which in turn leads to an increase in sewer connections. The District, like the City of Indio will build on the current momentum to take full advantage of the opportunities and realize goals through strategic ~~planning.~~

1. CVEP. (2020). Greater Palm Springs Economic Report. https://cvep.com/wp-content/uploads/2021/02/CVEP-2020-Economic-Report_02-01-21.pdf
2. Feler, L. (2021, March). Robust Economic Growth and Recovery After a Dreadful Year. UCLA Anderson Forecast, (), 1-13.
3. CA.GOV. (2021). Vaccines. https://covid19.ca.gov/vaccines/#California-vaccines-dashboard
4. Legislative Analyst's Office. (2021). California's Fiscal Outlook. https://lao.ca.gov/Publications/Report/4297
5. YCHARTS. (2021). Riverside County, CA Unemployment Rate. https://ycharts.com/indicators/riverside_county_ca_unemployment_rate#:~:text=Riverside%20County%2C%20CA%20Unemployment%20Rate%20is%20at%208.00%25%2C%20compared,month%20and%204.10%25%20last%20year.
6. Scott, M. (2021). Budgets and Quarterly Reports. https://www.indio.org/civicax/filebank/blobdload.aspx?t=51086.23&BlobID=31725
7. Vision 2020-2021. (2021, November). Vision 2020-2021, (), 44-47. https://flipbook.pub/vision/2020-2021/#

Major Initiatives

During fiscal year 2021, the District completed or initiated several significant projects:

- **Collections System Maintenance Program** – The District operates and maintains approximately 254 miles of sanitary sewer line that delivers over six (6) million gallons per day of wastewater to its wastewater reclamation facility. To keep up with an aging and expanding infrastructure, the District is working with Harris and Associates to develop a multimillion-dollar maintenance program that will span over the next several years. The District has begun the first sewer main rehabilitation project consisting of Cured In Place Pipe (CIPP) lining and manhole rehabilitation along Indio Boulevard from Highway 111 to Dr. Carreon Boulevard.
- **Sewer Siphon Replacement Design** – A new sewer siphon crossing the Coachella Stormwater channel at Westward Ho Drive is in the design phase after being damaged by flooding that occurred on February 14, 2019. The District is working with Carollo Engineers to complete the final design and obtain the estimated construction cost to begin the bidding process for a qualified contractor.
- **Reclaimed Water Project, Phase 1** – This project will replace an aging and capacity restricting grit chamber and provide redundancy by adding a second digester and expanding the bar screens. This project will also include the addition of a biofilter, a sludge holding tank, and a sludge thickener building. Schneider Electric and Stantec were selected as the design-build entities for this project. The preliminary design phase is estimated at 460 days and once complete, construction will begin.
- **Influent Pump Station Rehabilitation Project** – Stantec is assisting the District as an Owner's Representative for the rehabilitation of the influent pump station structure which is showing significant signs of deterioration. The District is in the process of selecting the design-build entities for this project who will handle the design and construction of the repairs.
- **New Training and Office Building Project** – The District is planning to construct a new building at the District's wastewater reclamation facility. The new facility will provide space for new offices for District personnel, as well as a new training area for company events and meetings. The District selected SGH Architects for the initial design of the new building which includes a schematic layout of the building and the estimated construction cost.
- **Van Buren Slope Protection Project** – The slope along the south end of the District's property is being eroded by flooding events which is causing the posts of the chain link fence to become exposed and weakened. The District has awarded the project to Desert Concepts who will grade the existing slope and install filter fabric and rock material to prevent erosion from future rain events.

Sewer Rates and District Revenues

The District receives revenue from limited sources with the Sewer Use Charge (SUC) being the primary source of both operating and capital improvement revenue. In fiscal year 2020/21 the District hired NBS, an independent consultant, to complete a Comprehensive Wastewater Rate Study. The study addressed three (3) key issues:

- The development of net revenue requirements from FY22 to FY41
- The establishment and maintenance or reserve funds and targets
- The funding of the District's Capital Improvement Program (CIP)

The findings of the completed study showed a significant funding shortfall in coming years if no rate adjustment is implemented. In other words, the District will not be able to fund both operating and maintenance costs as well as the planned capital improvements if it does not implement rate increases to generate the additional revenue needed to fund these obligations.

The CIP identifies approximately $139 million in capital improvements over the next five (5) years. A new SUC rate and connection fee structure was proposed and presented to the Board of Directors for review.

The public had opportunities to comment on the proposed rate increases during the Board meetings on January 5, January 19, February 16, and March 9, 2021. At its meeting on March 9, 2021, the Board approved the proposed SUC rates to be published for public comment, to become effective July 1, 2021, and set the public hearing for May 11, 2021. Following all Prop 218 mandates, the District mailed out notices to its customers that it would be considering an increase of the SUC rates each year for the next five (5) years.

The schedule below illustrates the proposed rate schedule.

Proposed Annual Sewer Rate Schedule Starting July 1, 2021 through June 30, 2026

Annual Sewer Rate Schedule / Programa Annual de Tarifas de Alcantarillado	Current / Ahora	July 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Fixed Service Charge (Cargo Por Servicio Fijo)						
	Per EDU	Rates per EDU (Tarifas por EDU)				
Single Family (Unifamiliar)	$330.00	$ 342.72	$ 385.56	$ 433.76	$ 487.98	$ 497.74
Multi-Family (Multifamilia)	$330.00	$ 150.00	$ 168.75	$ 189.84	$ 213.57	$ 217.84
Mobile Home (Casas Moviles)	$330.00	$ 181.28	$ 203.94	$ 229.43	$ 258.11	$ 263.27
RV Park (Parque RV)	$330.00	$ 141.25	$ 158.91	$ 178.77	$ 201.12	$ 205.14
	Per EDU	Rates per Account (Tarifas por Cuenta)				
Commercial-Low/Med Strength (Baja Resistencia)	$330.00	$ 199.03	$ 223.91	$ 251.90	$ 283.39	$ 289.06
Commercial-High Strength (Alta Resistencia)	$330.00	$ 607.00	$ 682.88	$ 768.24	$ 864.27	$ 881.56
Volumetric Rate (Tasa Volumetrica)						
		$ per hcf average winter water consumption ($ por hcf consumo medio de agua en invierno)				
Single Family (Unifamiliar)	-	$ 0.98	$ 1.10	$ 1.24	$ 1.40	$ 1.43
Multi-Family (Multifamilia)	-	$ 0.98	$ 1.10	$ 1.24	$ 1.40	$ 1.43
Mobile Home (Casas Moviles)	-	$ 0.98	$ 1.10	$ 1.24	$ 1.40	$ 1.43
		$/hcf annualized water consumption ($/hcf del consume de agua anualizado)				
RV Park (Parque RV)	-	$ 1.10	$ 1.23	$ 1.38	$ 1.55	$ 1.58
Commercial-Low/Med Strength (Baja Resistencia)	-	$ 0.88	$ 0.99	$ 1.11	$ 1.25	$ 1.28
Commercial-High Strength (Alta Resistencia)	-	$ 2.00	$ 2.25	$ 2.53	$ 2.85	$ 2.91

The proposed rates are needed to maintain operating service levels, fund critical, high-risk projects identified in the 20-Year District-Wide Master Plan and to meet debt service requirements. In addition to using the additional SUC revenue, the District plans to finance $165 million through various loan programs to bridge the gap.

Fiscal Year 2021/22 Budget Overview

This budget is based on the services, goals, and objectives outlined by the Board of Directors in the Strategic Plan. For fiscal year 2021/22, the anticipated total operating revenue is $15.8 million. The proposed operating and capital budgets are $10.9 million and $15.9 million, respectively.

	FY21 Budget	FY22 Budget	Budget Change	Percent Change
Operating Budget	$ 9,151,339	$ 10,967,155	$ 1,815,816	19.8%
Capital Budget	10,395,887	15,912,465	5,516,578	53.1%
Total Budget	**$ 19,547,226**	**$ 26,879,620**	**$ 7,332,394**	**37.5%**

The increase in operating expenditures is due to:

- regulatory changes requiring new or increased treatment processes;
- increasing utilities, supplies, and contract service costs;
- increasing staff to meet changing needs;
- wage changes to be more competitive with other agencies in the region to address recruitment and retention issues;
- allocating funds to replace and repair equipment as it reaches the end of its useful life; and
- reserves to meet debt service requirement

The increase in capital improvement program expenditures is due to:

- replacing and repairing collection system main lines;
- upgrading existing treatment equipment and infrastructure to meeting changing regulatory requirements;
- additional treatment equipment and infrastructure to provide redundancy and service continuity; and,
- implementing a recycled water program to recharge the Coachella Valley aquifer.

The fiscal year 2021/22 budget reflects 36 full time employees, an increase of three (3) budgeted full-time positions compared to fiscal year 2020/21. The budget also includes a fund transfer from the Operating Fund to the Capital Improvement Fund of $1.0 million toward projects identified in the 5-Year Capital Improvement Plan. The budget demonstrates the District's ability to meet debt service requirements by maintaining a debt ratio of no less than 1.25.

Strategic Plan

The District, with the support of the Board of Directors, will continue to focus its energy and resources towards actualizing the established goals of the strategic plan. The following six (6) goals encompass the District's objectives that will that will support the mission and assure success of the vision of the District.

Goal 1: Fully Staffed with a Highly Trained and Motivated Team
Goal 2: Increase Recycling, Reuse, and Sustainability

Goal 3: Excellent Facilities
Goal 4: Increase Community Understanding and Support
Goal 5: Long-Term Financial Strength
Goal 6: Improve Planning, Administration, and Governance

Challenges Facing the District

The District is not immune to increasing costs in key areas including utility rates, aging infrastructure and replacement needs, mandatory retirement benefit contributions, health care premiums, post-employment benefits, and regulatory changes. The District has addressed these challenges through implementation of efficiency methods, installation of a 1 Mega Watt solar power system, and replacement of high-energy use equipment with more efficient equipment.

The District's biggest current challenge is to address its aging infrastructure and changing regulatory requirements. The 20-Year Master Plan indicates a need for over $260 million in improvements and replacement of assets. The District's rate analysis reflects that the District will need to borrow approximately $165 million with a 30-year repayment schedule for each loan at a 2.5% interest rate.

The District continues to look for other revenue sources, such as grants and partnerships with private companies, to offset the cost of both operations and capital improvements.

Financial Stability

The key to financial stability is the ability to successfully maintain services and functions, efficiently manage expenses, and withstand and adapt to external changes. In fiscal year 2020/21, the COVID-19 Pandemic impacted the economy at a national and global level. Businesses, schools, entertainment venues, and other services deemed non-essential were forced to close as public health policies were enforced to reduce the spread of the virus. The executive team with the support of the Board of Directors, brought their diverse insights to effectively and efficiently allocate resources to maintain essential services. We acknowledge that this economic atmosphere has higher levels of uncertainty than years passed. However, the District has a solid history of sound financial management and planning. The financial stability of the District is stable despite the external economic stressors the pandemic has created. As previously mentioned, the District is not without challenges including increases in costs of supplies, services, premiums, and CIP rehabilitation, replacement, and expansion. Fiscal year 2021/22 is a year of planning and strategy to ensure the continuity and success of the organization. The District's quick ability to adapt to situations is the reason we have been successful and continue to be successful.

Awards and Recognition

During the past year, the District received the following awards:

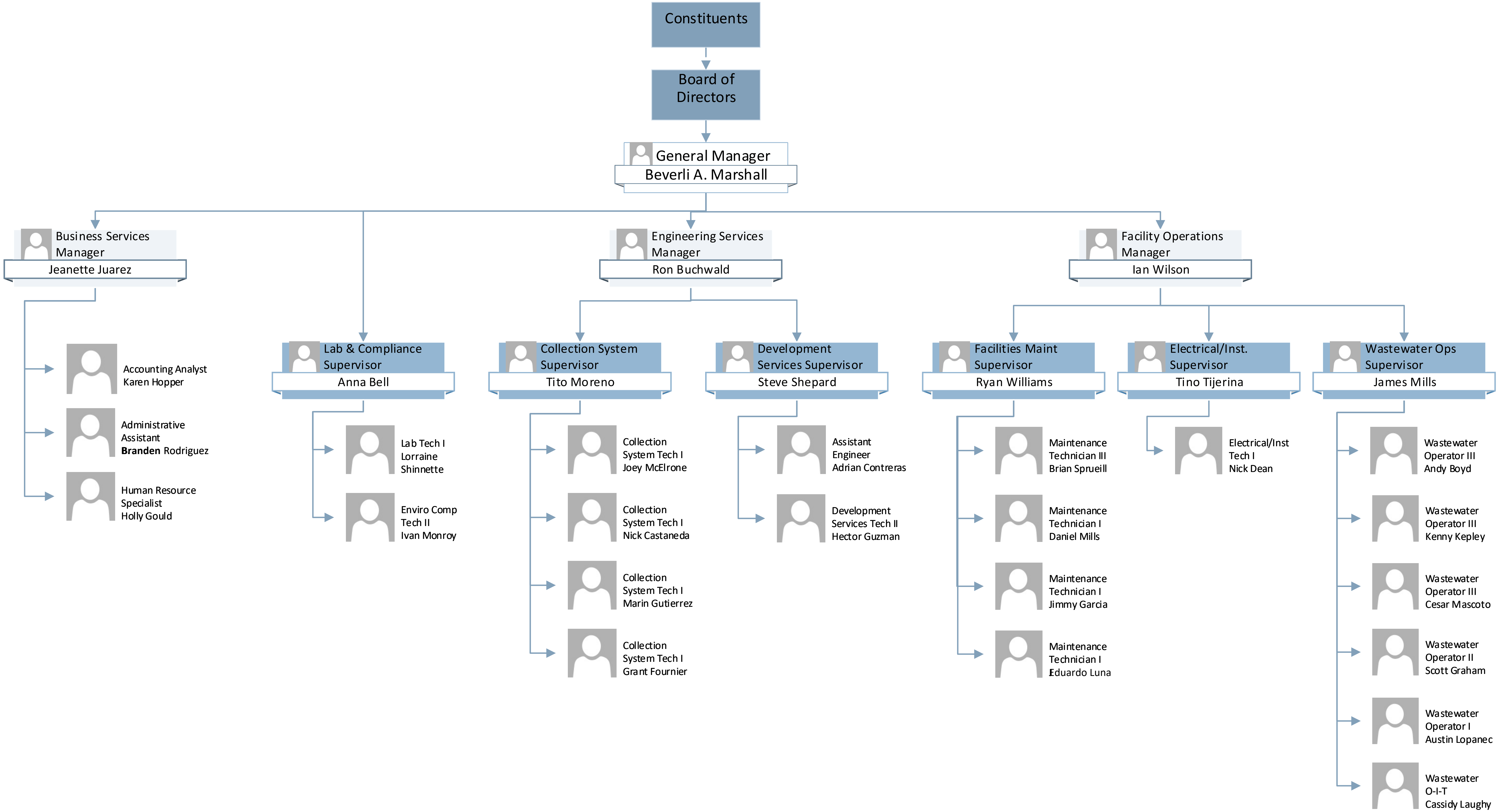
- ❖ California Water Environmental Association (CWEA) Colorado River Basin Section Maintenance Person of the Year – Daniel Mills
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Sanitary District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the ninth consecutive year that the District received this prestigious award. To award a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgments

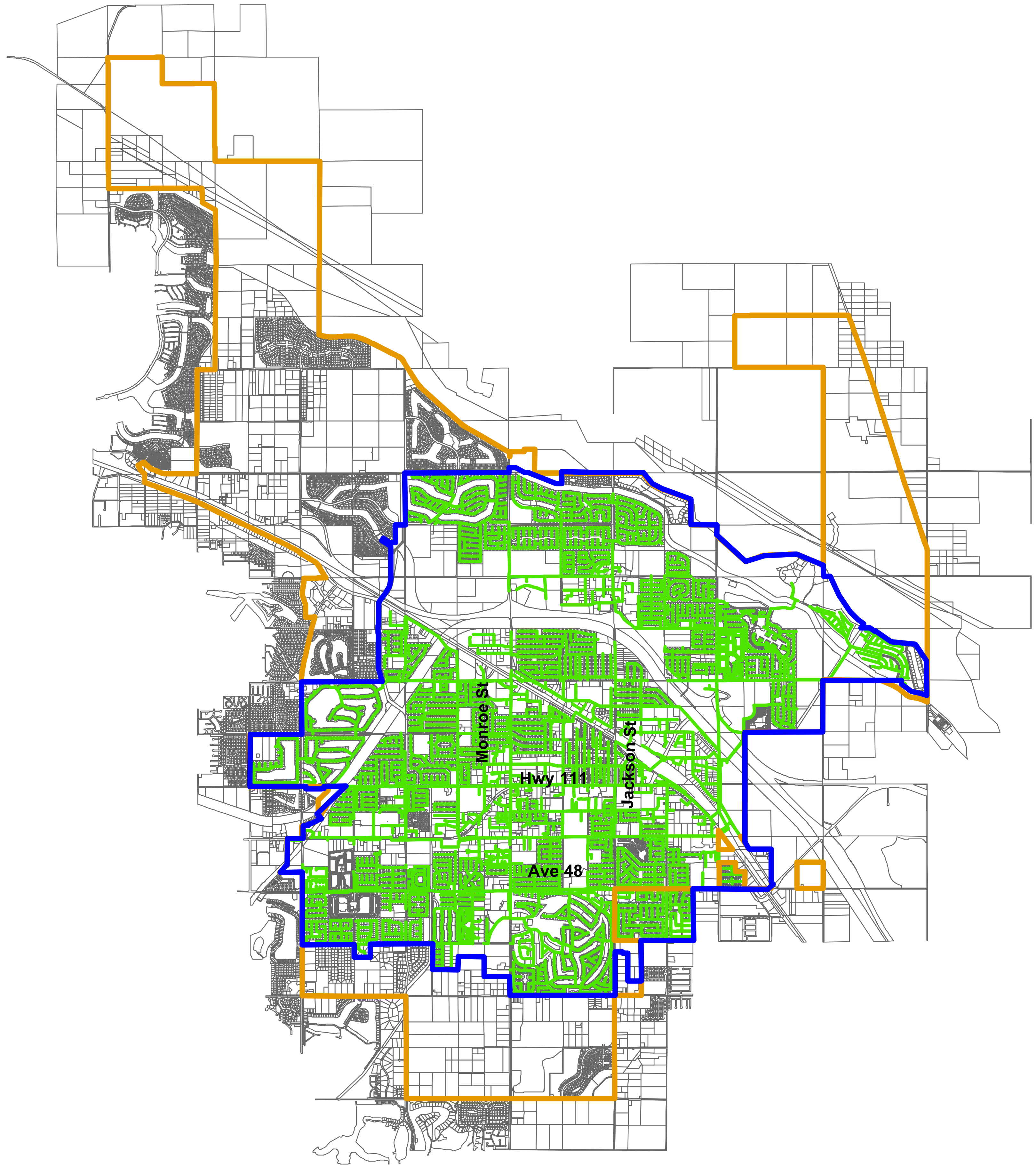
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation of the District's fiscal policies.

Beverli A. Marshall, ICMA-CM, CSDM
General Manager


Constituents
Board of Directors
General Manager
Beverli A. Marshall
Business Services Manager
Jeanette Juarez
Accounting Analyst
Karen Hopper
Administrative Assistant
Branden Rodriguez
Human Resource Specialist
Holly Gould
Lab & Compliance Supervisor
Anna Bell
Lab Tech I
Lorraine Shinnette
Enviro Comp Tech II
Ivan Monroy
Engineering Services Manager
Ron Buchwald
Collection System Supervisor
Tito Moreno
Collection System Tech I
Joey McElrone
Collection System Tech I
Nick Castaneda
Collection System Tech I
Marin Gutierrez
Collection System Tech I
Grant Fournier
Development Services Supervisor
Steve Shepard
Assistant Engineer
Adrian Contreras
Development Services Tech II
Hector Guzman
Facility Operations Manager
Ian Wilson
Facilities Maint Supervisor
Ryan Williams
Maintenance Technician III
Brian Sprueill
Maintenance Technician I
Daniel Mills
Maintenance Technician I
Jimmy Garcia
Maintenance Technician I
Eduardo Luna
Electrical/Inst. Supervisor
Tino Tijerina
Electrical/Inst Tech I
Nick Dean
Wastewater Ops Supervisor
James Mills
Wastewater Operator III
Andy Boyd
Wastewater Operator III
Kenny Kepley
Wastewater Operator III
Cesar Mascoto
Wastewater Operator II
Scott Graham
Wastewater Operator I
Austin Lopanec
Wastewater O-I-T
Cassidy Laughy

VSD

Valley Sanitary District Boundary Map



Legend

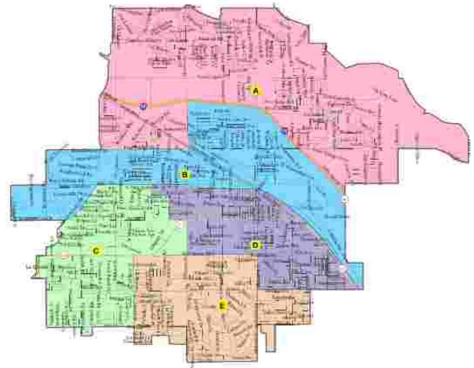
VSD Boundary

Indio Limits

Sewer Pipe

Board of Directors

Annual Comprehensive Financial Report



SCOTT SEAR

BOARD PRESIDENT
WARD C

DENNIS COLEMAN

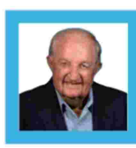
BOARD VICE PRESIDENT
WARD A

DEBRA CANERO

SECRETARY/TREASURER
WARD B

MIKE DURAN

DIRECTOR
WARD D



WILLIAM TEAGUE

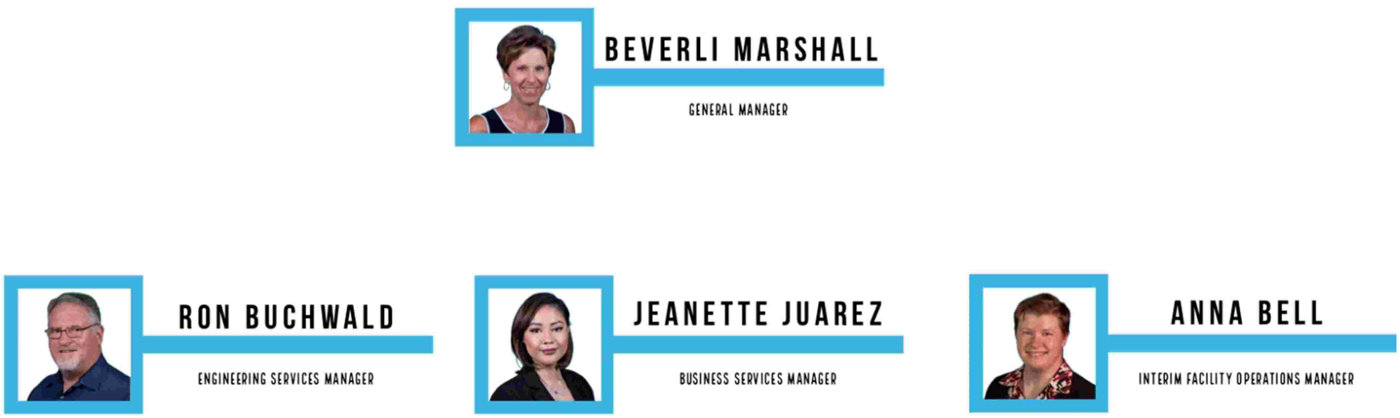
DIRECTOR
WARD E

Mission Statement

Valley Sanitary District serves and benefits Indio and the surrounding communities by collecting, treating, and recycling wastewater to ensure a healthy environment and sustainable water supply.

Senior Management Team

Annual Comprehensive Financial Report



Contact Us
Valley Sanitary District
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Presented to

Valley Sanitary District
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

Financial Section

Financial Section

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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
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Independent Auditor's Report

Board of Directors
Valley Sanitary District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund of the Valley Sanitary District (the "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.

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 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 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 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 and the fiduciary fund financial statements of the Valley Sanitary District as of June 30, 2021, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note 14 to the financial statements, during the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84: Fiduciary Activities and recorded certain prior period adjustments resulting in restatements of net position. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the Valley Sanitary District for the year ended June 30, 2020 were audited by other auditors whose report dated November 4, 2020 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, schedule of the district's proportionate share of the net pension liability and related ratios, schedule of contributions – pensions, schedule of changes in other postemployment benefits liability and related ratios and schedule of contributions – other postemployment benefits* 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 District's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of operating expenses* is 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 *schedule of operating expenses* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *introductory section* and the *statistical section* 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 October 29, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
October 29, 2021

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The management of the Valley Sanitary District (District) presents the District's financial statements with a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by $103 million for the year ended June 30, 2021. Of this amount, $52.3 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's total net position increased $2.3 million or 2.3% for the year ended June 30, 2021, from $100.7 million to $103.0 million. The variance is primarily due to an increase in sewer service revenue. In fiscal year 2020/21, after properly conducting a noticed public hearing and as allowed by Proposition 218, the District adopted a rate increase. The sewer service rate increased from $313 per Equivalent Dwelling Unit (EDU) to $330 per EDU.

- Current assets increased $2.5 million or 4.%. The variance for the year ended June 30, 2021 is due to an increase in cash and investments, inventory of materials, and prepaid items.

- Noncurrent assets decreased $310,574 or 4.8% as of June 30, 2021. The variance is attributed to a decrease in capital assets being depreciated. There is an increase to capital assets not being depreciated primarily due to construction in progress. Once the construction in progress is complete for various projects, the capital assets being depreciated will increase.

- The District's total liabilities decreased $484,738 or 2.3% as of June 30, 2021. The variance is attributed to debt repayment and a decrease in pension liabilities.

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the District's financial statements. The District's financial statements comprise of two components: 1) fund financial statements and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The business-type activity for the District is the provision of sanitary services to the community.

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

Fiduciary Funds**.** Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the *statement of net position* or the *statement of revenue, expenses, and changes in net position* because the resources of the funds are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The fiduciary fund financial statement can be found on page 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

Required Supplementary Information. The Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios are presented as required supplementary information and can be found starting on page 47 of this report.

Supplementary Information. The Schedule of Operating Expenses presents the functional expenses by activity and is presented as supplementary information beginning on page 54 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $103.0 million for the year ended June 30, 2021.

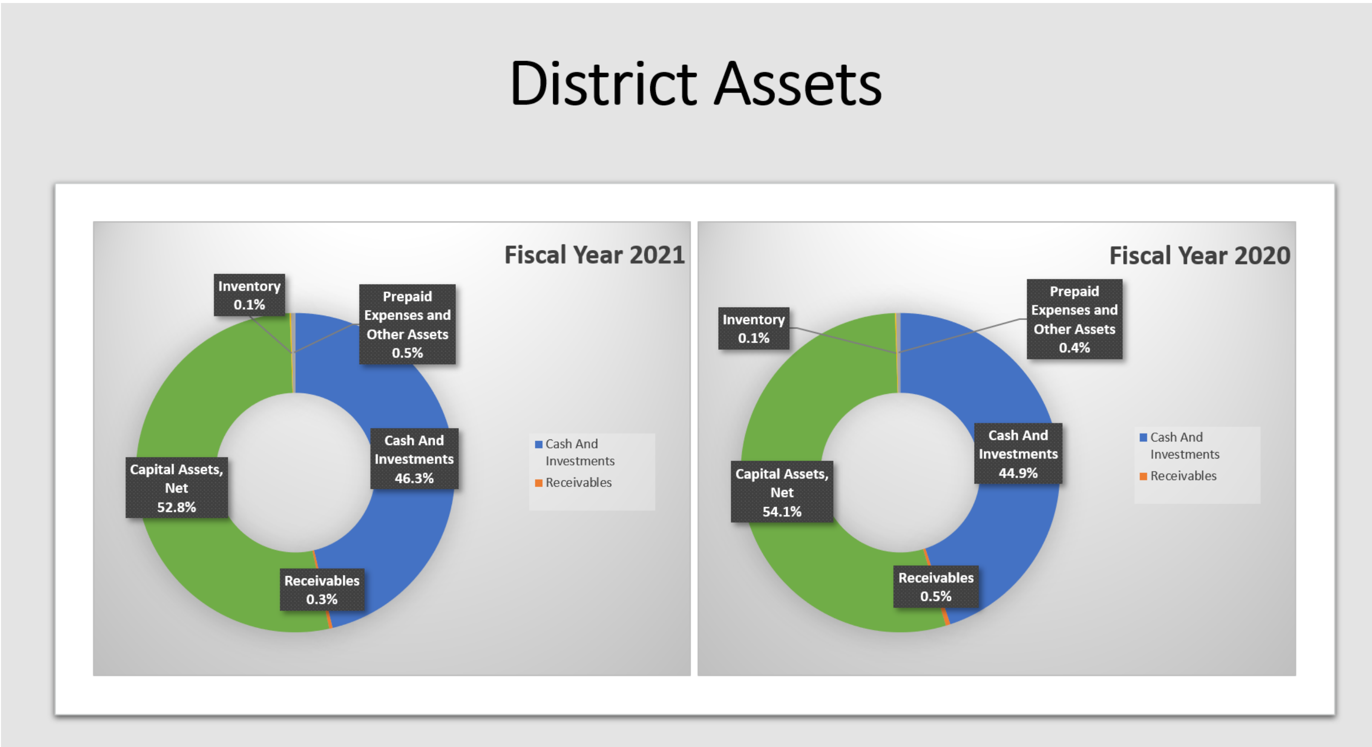
The largest portion of the District's net position as of June 30, 2021, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) 47.3%; less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

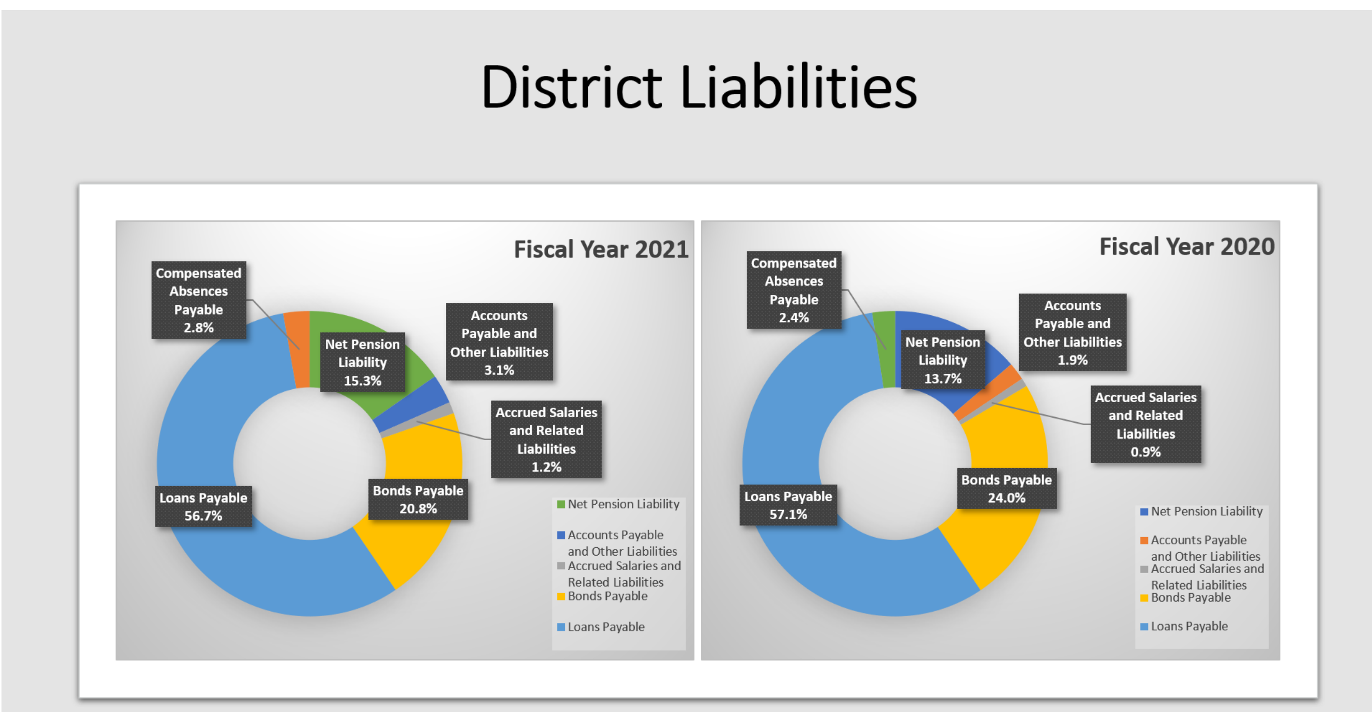
DISTRICT'S NET POSITION

At the end of the year ending June 30, 2021, the District can report positive balances in all three (3) categories of net position. The same situation held true for the prior fiscal year.

Table I
Valley Sanitary District
Condensed Statement of Net Position
As of June 30, 2021

	2021	2020
Current Assets	$ 57,706,134	$ 55,201,934
Capital Assets	64,822,313	65,164,815
Noncurrent Assets	186,928	155,000
Total Assets	122,715,375	120,521,749
Deferred Outflows of Resources	1,560,230	1,776,971
Current Liabilities	2,337,483	1,941,827
Noncurrent Liabilities	18,643,576	19,523,970
Total Liabilities	20,981,059	21,465,797
Deferred Inflows of Resources	252,391	131,956
Net Position:		
Net Investment in Capital Assets	48,752,135	48,005,841
Restricted	2,005,722	2,005,722
Unrestricted	52,284,298	50,689,404
Total Net Position	$ 103,042,155	$ 100,700,967


District Assets
Fiscal Year 2021
Inventory 0.1%
Prepaid Expenses and Other Assets 0.5%
Cash And Investments 46.3%
Capital Assets, Net 52.8%
Receivables 0.3%
Cash And Investments
Receivables
Fiscal Year 2020
Inventory 0.1%
Prepaid Expenses and Other Assets 0.4%
Cash And Investments 44.9%
Capital Assets, Net 54.1%
Receivables 0.5%
Cash And Investments
Receivables


District Liabilities
Fiscal Year 2021
Compensated Absences Payable 2.8%
Net Pension Liability 15.3%
Accounts Payable and Other Liabilities 3.1%
Accrued Salaries and Related Liabilities 1.2%
Bonds Payable 20.8%
Loans Payable 56.7%
Net Pension Liability
Accounts Payable and Other Liabilities
Accrued Salaries and Related Liabilities
Bonds Payable
Loans Payable
Fiscal Year 2020
Compensated Absences Payable 2.4%
Net Pension Liability 13.7%
Accounts Payable and Other Liabilities 1.9%
Accrued Salaries and Related Liabilities 0.9%
Bonds Payable 24.0%
Loans Payable 57.1%
Net Pension Liability
Accounts Payable and Other Liabilities
Accrued Salaries and Related Liabilities
Bonds Payable
Loans Payable

Changes in the District's net position reflect an increase of $2.3 million or 2.3% for the year ended June 30, 2021. The District's total revenues decreased during the fiscal year 2020/21 by $569,407. The variance is attributed to a decrease in nonoperating revenue, specifically a decrease in investment income due to lower interest earned. The District's total expenses increased by $507,155 due to an increase in materials and supply expenditures, higher utility costs, pension related adjustments, and wages. Also the starting net position at the beginning of fiscal year 2020/21 had to be restated (See Note 14) to include a $32,779 prior period adjustment to Other Post Employee Benefits (OPEB). The adjustment was made to reconcile to the adjusted actuarial report that includes the implied rate subsidy.

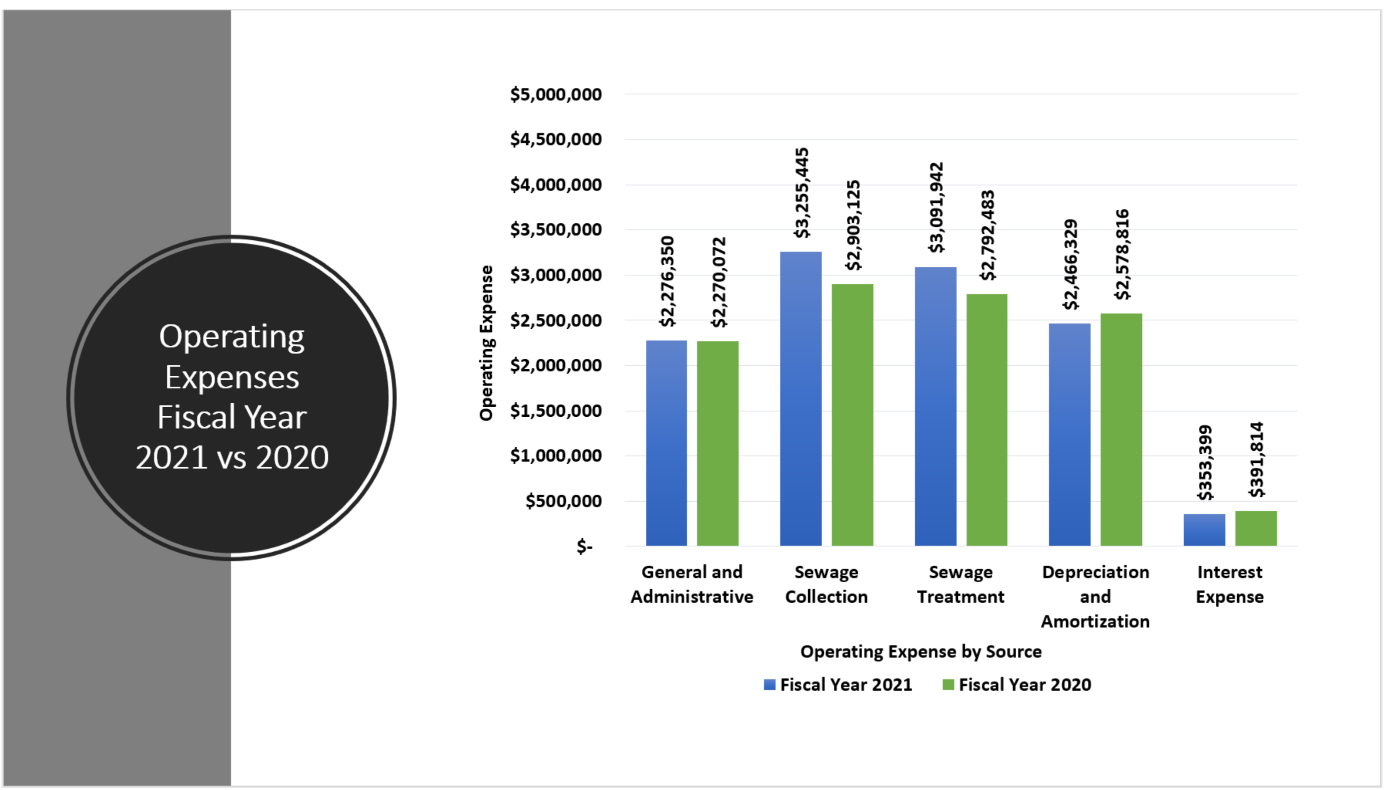
DISTRICT'S CHANGES IN FUND NET POSITION

Table II
Valley Sanitary District

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
As of June 30, 2021

	2021	2020
Revenues:		
Sewer Service Charges	$ 11,872,945	$ 11,198,100
Connection Fees	831,978	832,348
Permits & Inspections	37,270	21,225
Other Operating	13,275	13,640
Nonoperating	1,061,964	2,321,526
Total Revenues	$ 13,817,432	$ 14,386,839
Expenses:		
Depreciation & Nonoperating	$ 2,819,728	$ 2,970,630
Administrative	2,276,350	2,270,072
Sewage Collection	3,255,445	2,903,125
Sewage Treatment	3,091,942	2,792,483
Total Expenses	$ 11,443,465	$ 10,936,310
Increase In Net Position	$ 2,373,967	$ 3,450,529
Beginning Net Position, (As Restated) (Note 14)	100,668,188	97,250,438
Ending Net Position	$ 103,042,155	$ 100,700,967

Operating Revenues Fiscal Year 2021 vs 2020
Revenue
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
$11,872,945
$11,198,100
$831,978
$832,348
$50,545
$34,865
Sewer Service Charges
Connection Fees
Permit, Inspection Fees, and Other Services
Revenue by Source
Fiscal Year 2021
Fiscal Year 2020



Operating Expenses Fiscal Year 2021 vs 2020
Operating Expense
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
$2,276,350
$2,270,072
$3,255,445
$2,903,125
$3,091,942
$2,792,483
$2,466,329
$2,578,816
$353,399
$391,814
General and Administrative
Sewage Collection
Sewage Treatment
Depreciation and Amortization
Interest Expense
Operating Expense by Source
Fiscal Year 2021
Fiscal Year 2020

Capital Asset Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2021 were $64.8 million. This includes land, buildings, system improvements, machinery, and equipment. The decrease in the District's capital assets is due to the disposal of capital assets that have met their useful life (e.g., dump truck, telehandler, phone system) and the annual depreciation expense for all capital assets.

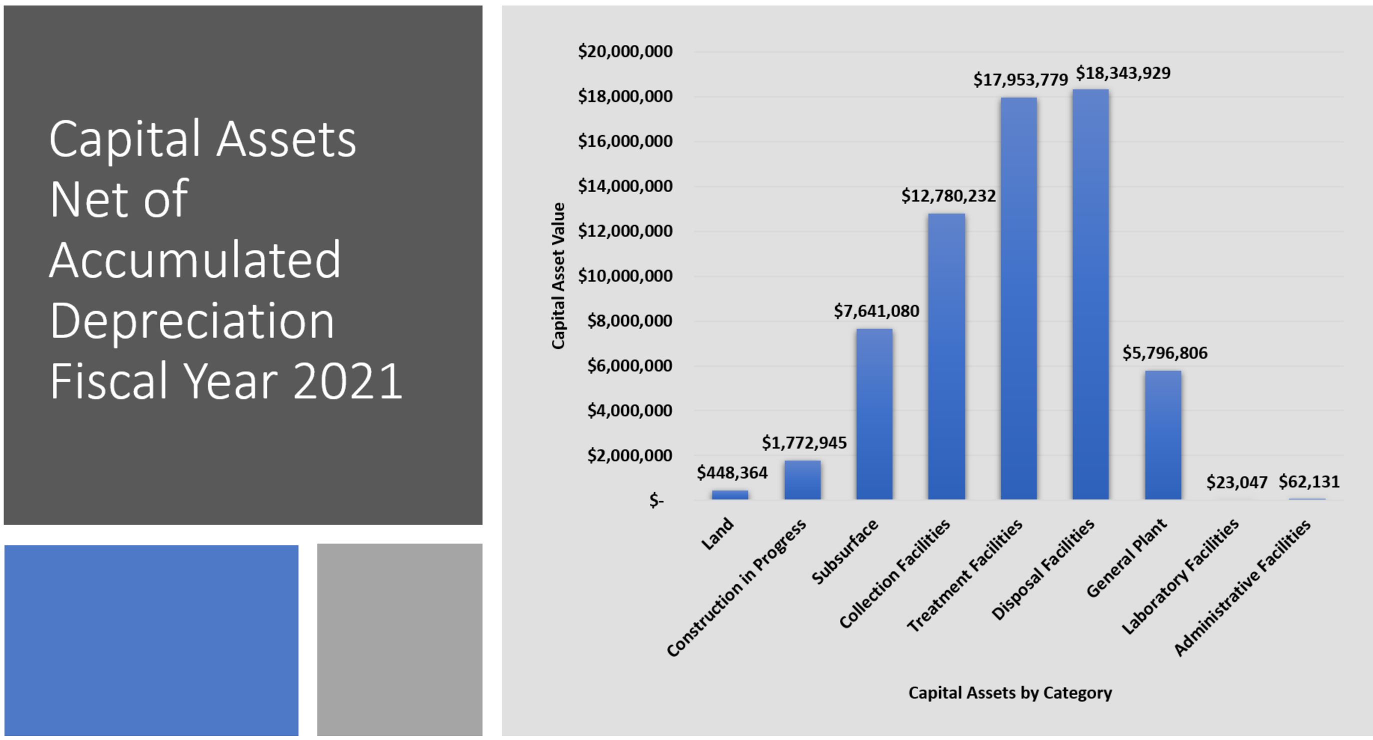
Major capital asset events during the current fiscal year included the following:

- **Purchase of Caterpillar Telehandler for the General Plant Facility January 2021**
- **Purchase of a new Ford F550 for the Collection Systems March 2021**
- **Van Buren / Cabazon Slope Protection February 2021**
- **Indio Blvd Trunk Sewer Rehabilitation April 2021**

DISTRICT'S CAPITAL ASSETS

Table III
Valley Sanitary District
Capital Assets Net of Accumulated Depreciation
As of June 30, 2021

	June 30, 2021	June 30, 2020
Land	$ 448,364	$ 448,364
Construction in progress	1,772,945	718,456
Subsurface	7,641,080	7,690,083
Collection facilities	12,780,232	13,155,905
Treatment facilities	17,953,779	18,257,395
Disposal facilities	18,343,929	18,942,666
General plant	5,796,806	5,872,052
Laboratory facilities	23,047	19,970
Admin facilities	62,131	59,923
Total	$ 64,822,313	$ 65,164,815



Additional information on the District's capital assets can be found on page 31, Note 5, of this report.

Long-term Debt Administration

At the end of June 30, 2021, the District had total long-term debt of $16.2 million. The Certificates of Participation (COPs) was debt incurred to help fund Phase I of the District's Treatment Plant Expansion and Renovation in 2006. On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of $7,540,000, refinancing the COPs and reducing payments by approximately $1,596,780 over the term of the certificates which runs through 2026. Repayment of the debt is funded through sewer use fees of the District.

The District received a Clean Water State Revolving Fund (CWSRF) loan in May 2018 for $12.9 million to construct the Requa Avenue Sewer Interceptor Project. The $12.9 million loan for 30 years at 1.7% interest results in an estimated payment of $553,360 annually. The first payment will be due one (1) year after the completion date of the Requa Avenue Sewer Interceptor Project, and payable thereafter on June 1st, per the 2015 Wastewater Refunding Revenue Bonds parity requirements. A restricted reserve fund has also been established, equal to one (1) year's debt service, prior to the construction completion date of the project and shall be maintained for the full term of the Agreement.

DISTRICT'S OUTSTANDING DEBT

Table IV
Valley Sanitary District
Outstanding Debt
As of June 30, 2021

	2021	2020
Revenue refunding bond	$3,880,000	$4,565,000
Bond premium	494,185	594,697
CWSRF loan	11,901,885	12,247,046
Total	$ 16,276,070	$ 17,406,743

Additional information on the District's long-term debt can be found on page 32, Note 8, of this report.

Economic Factors and Next Year's Budget

In fiscal year 2020/21, the COVID-19 Pandemic impacted the economy at a national and global level. Businesses, schools, entertainment venues and other services deemed non-essential were forced to close as public health policies were enforced to reduce the spread of the virus. The COVID-19 Pandemic created a unique economy, according to the Employment Development Department, California's unemployment rate rose to a record high of 15.5% in April 2020. The Leisure & Hospitality industry posted the largest job loss at 866,200.[1] Given that the City of Indio's two (2) main contributions to the local economy are year-round agriculture and tourism the state mandated shut down resulted in an economic atmosphere with high levels of uncertainty. The last year has been a true test to economic resiliency, not just for the City of Indio and the Coachella Valley, but the State of California as a whole. However, Government action through Paycheck Protection Program (PPP) loan, extended unemployment insurance, and direct checks provided financial assistance and relief to many.

At the March 3, 2021, City Council Meeting, the Indio City Manager Mark Scott delivered the fiscal year 2020/21 Midyear Budget update. In his update, the City Manager confirmed that the revenue and expenditure trends are better than initially anticipated in June of 2019. According to the City Manager the favorable trends are attributed to "robust sales citywide, which have generated more sales tax and Measure X use tax revenues, in spite of the economic pressures placed on businesses by the pandemic".[2] Analysts at the state level are also projecting that California will recover faster than the rest of the nation due to a combination of COVID-19 economic relief packages and increased vaccinations. Tourism is also expected to increase in California due to international travel restrictions.

There are now signs of recovery as the unemployment in Riverside County decreased to 8.0% as of February 2021.[3] Locally, the City of Indio has seen an increase in home building, new shopping centers have opened, and more are scheduled to open within the coming fiscal year. The City has also spent $47 million in infrastructure and capital improvements.[4] The city has large capital projects programmed for fiscal year 2021/22 that will encourage new commercial development. These initiatives benefit the District because they encourage residential and commercial development within the service area which in turn leads to an increase in sewer connections. The District, like the City of Indio will build on the current momentum to take full advantage of the opportunities and realize goals through strategic planning.

In fiscal year 2021/2022 the financial planning process focused on prioritizing resources and aligning with the core strategic goals. The operating budget for the fiscal year 2021/22 is $10.4 million and is supplemented with $15.9 million in the capital budget, to produce a total financial program of $26.8 million. This represents an increase of $1.8 million over the fiscal year 2020/2021 operating budget and an increase of $5.5 million over the capital budget. The operating budget encompasses costs such as administrative wages, materials, supplies, insurance premiums, and the overhead costs required to run day to day operations. The capital budget incorporates key projects to help further advance the District's Capital Improvement Program (CIP) as well as the rehabilitation and replacement of assets that have met their useful life.

Also, as discussed in the letter of transmittal the Board of Directors approved a new rate schedule for the next five (5) years. The new rates are needed to maintain operating service levels, fund critical, high-risk projects identified in the 20-Year District-Wide Master Plan, and to meet debt service requirements. In addition to using the additional Sewer Use Charge (SUC) revenue, the District plans to finance $165 million through various loan programs to bridge the gap.

The executive team along with the Board of Directors were proactive, reviewed, and adjusted resources to maintain essential services. The fiscal year 2021/2022 operating and capital budget will ensure that the District can continue with its mission of serving the City of Indio and the surrounding communities by collecting, treating, and recycling wastewater to ensure a healthy environment and sustainable water supply.

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1. Feler, L. (2021, March). Robust Economic Growth and Recovery After a Dreadful Year. *UCLA Anderson Forecast*, (), 1-13.
2. Scott, M. (2021). Budgets and Quarterly Reports. https://www.indio.org/civicax/filebank/blobdload.aspx?t=51086.23&BlobID=31725
3. YCHARTS. (2021). *Riverside County, CA Unemployment Rate*. https://ycharts.com/indicators/riverside_county_ca_unemployment_rate#:~:text=Riverside%20County%2C%20CA%20Unemployment%20Rate%20is%20at%208.00%25%2C%20compared,month%20and%204.10%25%20last%20year.
4. CVEP. (2020). Greater Palm Springs Economic Report. https://cvep.com/wp-content/uploads/2021/02/CVEP-2020-Economic-Report_02-01-21.pdf

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, Valley Sanitary District, 45500 Van Buren Street, Indio, California, 92201, or by calling (760) 238-5400.

Basic Financial Statements

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VALLEY SANITARY DISTRICT
Statement of Net Position
June 30, 2021
(with comparative totals for June 30, 2020)

	2021	2020
Assets		
Current assets:		
Cash and investments (note 3)	$ 56,768,349	54,150,457
Accounts receivable, net (note 4)	380,348	383,581
Interest receivable	41,538	177,659
Inventories of materials	149,715	128,557
Prepaid items	366,184	361,680
Total current assets	57,706,134	55,201,934
Noncurrent assets:		
Capital assets, not being depreciated (note 5)	2,221,309	1,166,821
Capital assets, being depreciated (note 5)	62,601,004	63,997,994
Investment in joint venture (note 6)	186,928	155,000
Total noncurrent assets	65,009,241	65,319,815
Total assets	122,715,375	120,521,749
Deferred outflows of resources		
Deferred loss on refunding, net	205,892	247,769
Deferred outflows of resources related to pensions (note 10)	891,477	1,486,255
Deferred outflows of resources related to OPEB (note 11)	462,861	42,947
Total deferred outflows of resources	1,560,230	1,776,971
Liabilities		
Current liabilities:		
Accounts payable	637,793	388,476
Accrued payroll and related liabilities	255,332	190,485
Interest payable	14,370	17,224
Compensated absences, due within one year (note 7)	363,959	315,481
Bonds payable, due within one year (note 8)	715,000	685,000
Loans payable, due within one year (note 8)	351,029	345,161
Total current liabilities	2,337,483	1,941,827
Noncurrent liabilities:		
Compensated absences, due in more than one year (note 7)	219,769	199,017
Bonds payable, due in more than one year (note 8)	3,659,185	4,474,697
Loans payable, due in more than one year (note 8)	11,550,856	11,901,885
Net pension liabilities (note 10)	2,574,246	2,772,698
Net OPEB liabilities (note 11)	639,520	175,673
Total noncurrent liabilities	18,643,576	19,523,970
Total liabilities	20,981,059	21,465,797
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions (note 10)	250,101	131,956
Deferred inflows of resources related to OPEB (note 11)	2,290	-
Total deferred inflows of resources	252,391	131,956
Net Position		
Net investment in capital assets	48,752,135	48,005,841
Restricted for debt service	2,005,722	2,005,722
Unrestricted	52,284,298	50,689,404
Total net position	$ 103,042,155	100,700,967

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021	2020
Operating Revenues:		
Sewer service charges	$ 11,872,945	11,198,100
Connection fees	831,978	832,348
Permit and inspection fees	37,270	21,225
Other services	13,275	13,640
Total operating revenues	12,755,468	12,065,313
Operating Expenses:		
General and administrative	2,276,350	2,270,072
Sewage collection	3,255,445	2,903,125
Sewage treatment	3,091,942	2,792,483
Depreciation	2,466,329	2,578,816
Total operating expenses	11,090,066	10,544,496
Operating Income	1,665,402	1,520,817
Nonoperating Revenues (Expenses):		
Property taxes	1,018,280	902,872
Homeowners' tax relief	5,669	6,203
Investment income	32,137	1,166,202
Interest expenses	(353,399)	(391,814)
Other revenues	1,804	239,253
Gain on disposal of assets	4,074	6,996
Total nonoperating revenues (expenses)	708,565	1,929,712
Change in net position	2,373,967	3,450,529
Net Position:		
Beginning of year, (as restated) (note 14)	100,668,188	97,250,438
End of year	$ 103,042,155	100,700,967

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Cash Flows
For the year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers	$ 12,758,701	12,375,676
Cash payments to suppliers and vendors for goods and services	(3,051,104)	(3,243,145)
Cash payments to employees for services	(4,668,969)	(4,198,509)
Net cash provided by operating activities	5,038,628	4,934,022
Cash flows from noncapital financing activities:		
Property taxes	1,018,280	902,872
Homeowners' tax relief	5,669	6,203
Net cash provided by noncapital financing activities	1,023,949	909,075
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,173,055)	(693,130)
Proceeds from sale of assets	37,089	30,170
Principal paid on bonds payable	(685,000)	(650,000)
Interest paid on bonds and loans payable	(414,888)	(453,157)
Principal paid on loans payable	(345,161)	(339,391)
Net cash (used in) capital and related financing activities	(3,581,015)	(2,105,508)
Cash flows from investing activities:		
Interest received	168,258	1,245,311
Cash payment to joint venture	(31,928)	(25,000)
Net cash provided by investing activities	136,330	1,220,311
Net increase in cash and cash equivalents	2,617,892	4,957,900
Cash and cash equivalents:		
Beginning of year	54,150,457	49,192,557
End of year	$ 56,768,349	54,150,457

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Cash Flows (Continued)
For the year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021	2020
Reconciliation of operating income to net cash provided by operating activities		
Net operating income	$ 1,665,402	1,520,817
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,466,329	2,578,816
Other nonoperating revenues	18,017	239,253
Changes in operating assets and liabilities:		
Accounts receivable	3,233	310,363
Inventories of materials	(21,158)	(4,824)
Prepaid items	(4,504)	(43,556)
Pension related deferred outflows of resources	998,005	(235,710)
OPEB related deferred outflows of resources	(419,914)	(28,811)
Accounts payable	249,317	80,011
Accrued payroll and related liabilities	64,847	22,652
Compensated absences	69,230	75,727
Net pension liabilities	(198,452)	282,668
Net OPEB liabilities	27,888	40,421
Pension related deferred inflows of resources	118,145	96,258
OPEB related deferred inflows of resources	2,243	(63)
Net cash provided by operating activities	$ 5,038,628	4,934,022
Noncash items from capital and related financing activities:		
Amortization of deferred loss on refunding	$ 41,877	41,877
Amortization of premium	$ (100,512)	(100,512)

VALLEY SANITARY DISTRICT
Statement of Fiduciary Net Position
June 30, 2021

	Custodial Fund
Assets:	
Cash and investments	$ 711,943
Cash with fiscal agent	618,249
Assessment receivable	3,555
Interest receivable	539
Total assets	1,334,286
Net Position	$ 1,334,286

See accompanying notes to the basic financial statements.

VALLEY SANITARY DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2021

	Custodial Fund
Additions:	
Special tax assessments	$ 22,397
Interest income	17,117
Total additions	39,514
Deductions:	
Administrative fees	3,387
Interest Expense	18,327
Principal Payments	15,000
Total deductions	36,714
Changes in net position	2,800
Net Position, beginning of year, as restated (note 14)	1,331,486
Net Position, end of year	$ 1,334,286

See accompanying notes to the basic financial statements.

Note 1 – Reporting Entity

Valley Sanitary District (the "District") was formed on June 1, 1925 under the Health and Safety Code, Sanitary District Act of 1923, Section 6400 et. seq., for the purpose of operation and maintenance of sewer collection, transmission and treatment facilities, and serving a population of approximately 89,000 in the City of Indio, portions of the City of Coachella, and adjacent unincorporated areas of the County of Riverside. The District is a municipal corporation governed by a 5-member elected board of directors.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

Valley Sanitary District Wastewater Facilities Corporation (the "Corporation") was activated in 2006 by the District. The Corporation was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, being Part 2 of Division 2 of Title 1 of the California Corporation Code. It was formed for the purpose of providing financial assistance to the District by acquiring, constructing, improving and developing certain real and personal property, together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The District's Board of Directors sits as the Corporation's Board of Directors. The Corporation's activities are blended with those of the District in these financial statements. There was no activity in the Corporation until the fiscal year 2007-2008. Separate financial statements of the Corporation are not issued.

Note 2 – Summary of Significant Accounting Policies

<u>Basis of Presentation</u>

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

<u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

<u>Business-Type Activities</u>

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Fiduciary Fund Financial Statements

The District reports a custodial fund. The Custodial Fund is used to account for assets for the Assessment District No. 2004 (Shadow Hills Interceptor) for which the District acts as an agent for its debt service activities.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at amortized cost, which approximates fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool approximates the fair value of the pool shares. The District also participates in CalTrust Medium Term Fund.

Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

Inventory of Materials

Inventories consist of expendable supplies, spare parts and fittings and are valued at cost using first-in first-out basis.

Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at acquisition value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at $5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Subsurface Lines	40 years
General Plant	10-40 years
Machinery and Equipment	5-10 years
Collection, Treatment and Disposal Facilities	10-40 years

Major outlays for capital assets are capitalized as projects are constructed, and repairs and maintenance costs are expensed.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources, and deferred inflows of resources.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time. The District has three items that qualify for reporting this category: deferred loss on refunding, deferred outflows of resources related to pensions and deferred outflows related to OPEB.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time. The District has two items that qualify for reporting this category: deferred inflows of resources related to pensions and deferred inflows related to OPEB.

Compensated Absences

District policy permits its employees to accumulate not more than two (2) times their current annual vacation. Employees are compensated twelve (12) days of sick leave per year with a maximum accrual not to exceed 120 days. The combined unused vacation and sick pay will be paid to employee or his/her beneficiary upon leaving the District’s employment. The amount due will be determined using salary/wage rate in effect at the time of separation.

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

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

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

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits ("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 plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

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

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Note 2 – Summary of Significant Accounting Policies (Continued)

Long-Term Debt

Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

Arbitrage Rebate Requirement

The District is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2021.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

> Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets, net of deferred outflows/inflows of resources related to the debt.
>
> Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
>
> Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California ("County") bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property taxes are recognized in the fiscal year for which the taxes have been levied. No allowance for doubtful accounts was considered necessary.

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

Note 3 – Cash and Investments

At June 30, 2021, cash and investments are classified in the accompanying statements of net position as follows:

	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	$ 56,768,349	711,943	57,480,292
Cash and investments with fiscal agent	-	618,249	618,249
	$ 56,768,349	1,330,192	58,098,541

At June 30, 2021, cash and investments consisted of the following:

Cash on hand	$ 500
Demand deposits	790,181
Investments	57,307,860
Total cash and investments	$ 58,098,541

Demand Deposits

At June 30, 2021, the carrying amount of cash deposit was $790,180, which was fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

Note 3 – Cash and Investments (Continued)

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Investments Authorized by the California Code and The District's Investment Policy

Under the provisions of the District's investment policy and in accordance with California Government Code, the District is authorized to invest or deposit in the following:

- Local Agency Investment Fund (LAIF) established by the State Treasurer
- Bonds issued by the District with a 5-year maximum maturity
- United States Treasury Bills, Notes and Bonds with a 5-year maximum maturity
- Federally Insured Certificates of Deposit with a 5-year maximum maturity
- Collateralized bank deposits with a 5-year maximum maturity
- Fixed income instruments with an average maturity of one (1) year or less including: Mortgage-backed securities; asset-backed securities; banker's acceptances; commercial paper; certificates of deposits; repurchase agreements backed by 102% U.S. agency securities and U.S. Treasury obligations; medium-term notes; and rated money-market funds. All securities must be rated A- or better at the time of purchase
- United States Government Agency Notes & Bonds with a 5-year maximum maturity
- Shares of Beneficial Interest issued by joint powers authority

Local Agency Investment Fund

The District's investments with Local Agency Investment Fund ("LAIF") include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

> Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
>
> Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. As of June 30, 2021, the District had $55,594,551 invested in LAIF, which had invested 1.10% of the pooled investment funds in Structured Notes and Medium-term Asset-Backed Securities. LAIF is reported at amortized costs, which approximates fair value.

CalTrust Medium Term Fund

As of June 30, 2021, the District had $1,095,060 invested in CalTrust Medium Term Fund. CalTrust Medium Term Fund is reported at amortized costs, which approximates fair value.

Note 3 – Cash and Investments (Continued)

Money Market Fund

As of June 30, 2021, the District had $618,249 invested in money market fund and held by the bond trustee. The District's investments in money market fund are considered cash equivalents as they are short-term, highly liquid investments that are readily convertible to known amounts of cash that they present insignificant risk of changes in value because of changes in interest rates.

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 is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the District does not have a formal policy regarding interest rate risk.

As of June 30, 2021, all of the District's investments had maturity dates of twelve (12) months or less.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments 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).

As of June 30, 2021, the District had the following investments with the following ratings:

	Minimum Legal Rating	AAA	Not Rated	Total
Local Agency Investment Fund	N/A	$ -	55,594,551	55,594,551
CalTrust Medium Trust Fund	N/A	-	1,095,060	1,095,060
Held by bond trustee:				
Money market fund	AAA	618,249	-	618,249
Total investments		$ 618,249	56,689,611	57,307,860

Note 4 – Accounts Receivable

Accounts receivable primarily consists of sewer use fees - direct billings, connection fees, and reimbursements as well as the District's allocation of property taxes and sewer use charges collected but not remitted by the County of Riverside.

As of June 30, 2021, the accounts receivable were as follows:

Direct billing, connection fee and reimbursement receivables	$ 185,381
Property taxes and sewer use receivable from County of Riverside	188,890
Workers' comp receivable	6,077
Total accounts receivables	$ 380,348

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not depreciated				
Land	$ 448,364	-	-	448,364
Construction in progress	718,457	1,458,512	(404,024)	1,772,945
Total capital assets, not depreciated	1,166,821	1,458,512	(404,024)	2,221,309
Capital assets, being depreciated				
Subsurface	20,431,393	245,921	-	20,677,314
Sewage collection facilities	16,598,864	11,191	-	16,610,055
Wastewater treatment facilities	35,465,160	389,375	-	35,854,535
Sludge disposal facilities	24,711,950	-	(30,086)	24,681,864
General plant facilities	8,671,547	384,692	(167,217)	8,889,022
Laboratory facilities	22,726	8,469	-	31,195
Administrative facilities	128,231	31,091	(7,936)	151,386
Total capital assets, being depreciated	106,029,871	1,070,739	(205,239)	106,895,371
Less accumulated depreciation				
Subsurface	(12,741,311)	(295,953)	-	(13,037,264)
Sewage collection facilities	(3,442,960)	(416,046)	-	(3,859,006)
Wastewater treatment facilities	(17,207,763)	(689,934)	-	(17,897,697)
Sludge disposal facilities	(5,769,283)	(598,716)	30,086	(6,337,913)
General plant facilities	(2,799,496)	(431,474)	167,217	(3,063,753)
Laboratory facilities	(2,756)	(5,392)	-	(8,148)
Administrative facilities	(68,308)	(28,814)	6,536	(90,586)
Total accumulated depreciation	(42,031,877)	(2,466,329)	203,839	(44,294,367)
Total capital assets, being depreciated, net	63,997,994	(1,395,590)	(1,400)	62,601,004
Total capital assets, net	$ 65,164,815	62,922	(405,424)	64,822,313

Note 6 – Investment in Joint Venture

On December 18, 2013, the District entered into a joint powers agreement with the City of Indio (the "City") to form the East Valley Reclamation Authority (the "JPA") to plan, program, finance, design and operate a reclaimed water facility to bring a sustainable water supply and manage the water resources for the customers of the Indio Water Authority (a blended component unit of the City) and the District. The costs and expenses of the JPA are generally shared equally by the City and the District unless otherwise determined by the JPA's Board of Directors, except that the District is responsible for 100% of the costs and expenses associated with the design and construction of facilities for the District's compliance with any permit terms. During the year ended June 30, 2021, the District made a contribution to the JPA in the amount of $31,928. As of June 30, 2021, the District reported investments in joint venture in the amounts of $186,928. Copies of the annual financial report for the JPA may be obtained from the finance department of the City of Indio.

	June 30, 2021*
Total Asset	$ 195,360
Total Liabilities	585
Total Net Position	$ 194,775
Operating Loss	$ (130,862)
Nonoperating Revenues	$ 65,784

*Unaudited balances

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2021 is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
$ 514,498	151,216	(81,986)	583,728	363,959	219,769

Note 8 – Long-term Debt

Summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	$ 4,565,000	-	(685,000)	3,880,000	715,000	3,165,000
Bond Premium, net of amortization	594,697	-	(100,512)	494,185	-	494,185
State Water Resources Control Board Revolving Fund Loan	12,247,046	-	(345,161)	11,901,885	351,029	11,550,856
	$ 17,406,743	-	(1,130,673)	16,276,070	1,066,029	15,210,041

Note 8 – Long-term Debt (Continued)

2015 Wastewater Revenue Refunding Bonds

On August 26, 2006, the District issued the 2006 Certificates of Participation in the amount of $12,915,000. The purpose of the Certificates was to fund Phase I of the District's treatment plant expansion. Interest ranging from 3.50% to 4.375% is payable semi-annually on February 1st and August 1st commencing February 1, 2007.

On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of $7,540,000. The purpose of the bond issuance was to provide funds to defease and refund on current basis the District's outstanding 2006 Certificates of Participation (Treatment Plan Expansion) and pay the costs of issuing the bonds. The bonds are payable from and secured by a lien on net revenue of the wastewater system of the District. The aggregate difference in debt service as result of the refinancing was in the amount of $1,596,780. The economic gain on the refinancing was $500,181. Interest rate of 5% (except for 2.125% in 2023) is payable semi-annually on each December 1 and June 1 beginning December 1, 2015. The bonds are not subject to redemption prior to maturity. The outstanding balance as of June 30, 2021 was $3,880,000.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 715,000	172,437	887,437
2023	750,000	136,687	886,687
2024	765,000	120,750	885,750
2025	805,000	82,500	887,500
2026	845,000	42,250	887,250
	$ 3,880,000	554,624	4,434,624

State Water Resources Control Board Revolving Fund Loan

The District executed the installment sale agreement with the State Water Resources Control Board (the "SWRCB") for the construction of the Requa Avenue Sewer Interceptor Project. As part of the Requa Avenue Sewer Interceptor Project, the District constructed 4.2 miles of new gravity flow sewer pipeline and related utility improvements designed to collect and convey sanitary sewer flow within an existing public right-of-way through central Indio, California, to the existing District's Water Reclamation Plant. The SWRCB provided financial assistance. The total amount of the loan funded was $12,920,155 with no unused credit. There was no pledged asset as collateral. In event of default, the District upon demand by SWRCB, will immediately repay an amount equal to project funds disbursed, accrued interests, penalty assessments, and additional payments. Beginning June 2019, the District will repay the principal of the project funds, together with all interest accruing thereon, annually to the SWRCB. As of June 30, 2021, the outstanding balance of the SWRCB revolving fund loan was $11,901,885.

Note 8 – Long-term Debt (Continued)

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 351,029	202,332	553,361
2023	356,997	196,363	553,360
2024	363,065	190,296	553,361
2025	369,237	184,124	553,361
2026	375,514	177,846	553,360
2027-2031	1,975,526	791,278	2,766,804
2032-2026	2,149,252	617,551	2,766,803
2037-2041	2,338,256	428,546	2,766,802
Thereafter	3,623,009	250,516	3,873,525
	$ 11,901,885	3,038,852	14,940,737

A reserve account is required to be maintained equal to one (1) year of the SWRCB revolving fund loan debt service payments from unrestricted net revenues. The reserve requirement is $553,360 for the duration of the loan. The balances held in the reserve at June 30, 2021 in the amount of $1,106,722. Debt covenants of the SWRCB revolving fund loan require that the District have net revenues that are at least 125% of the total debt service payments (including 2015 Wastewater Revenue Refunding Bonds). Net revenue and total debt service paid during the year ended June 30, 2021 were in the amount of $4,131,731 and $1,445,048 which resulted in ratio of 286%.

Note 9 – Conduit Debt

Limited Obligation Improvement Bonds

On July 21, 2005, the District issued $8,080,000 limited obligation improvement bonds, series 2005 for Assessment District No. 2004-VSD (Shadow Hills Interceptor). Interest ranging from 3.05% to 5.20% is payable semi-annually on March 2nd and September 2nd of each year commencing from March 2, 2006. The bonds mature September 2nd commencing September 2, 2007 and continuing through 2030 with optional call dates beginning September 2, 2014.

The bonds are limited obligations of the District payable solely from the installments of assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or interest on the bonds. Therefore, the limited obligation improvement bonds are not included in the accompanying financial statements. As of June 30, 2021, the outstanding balance of the bond was in the amount of $4,670,000.

Note 10 – Pension Plans

General Information about the Pension Plan

Plan Description

The District contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2019 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2019 valuation date, the following employees were covered by the benefit terms:

	2019	
	Classic	PEPRA
Active employees	17	11
Transferred and terminated employees	18	6
Retired employees and beneficiaries	13	-
	48	17

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least five (5) years of credited service. Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least five (5) years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the highest average annual compensation during any consecutive 12 or 36-month period of employment. Retirement benefits for classic miscellaneous employees are calculated as 2.5% of the highest average annual compensation during any consecutive 12-or 36-month period of employment. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final three (3) year compensation.

Participant is eligible for non-industrial disability retirement if they become disabled and has at least five (5) years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the District to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic

Note 10 – Pension Plans (Continued)

death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2020, the active employee contribution rate for miscellaneous plan and PEPRA miscellaneous plan is 8.00% and 7.25% of annual pay, respectively, and the employer's contribution rate is 11.533% and 7.072% of annual payroll, respectively.

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2019 valuations were rolled forward to determine the June 30, 2019 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[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 Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Note 10 – Pension Plans (Continued)

Change of Assumption

In 2019, there were no changes of assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Long-term Expected Rate of Return

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

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

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

Asset Class[1]	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	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92)%

[1]In the CalPERS' 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
[3]An expected inflation of 2.92% used

Discount Rate

The discount rate used to measure the total pension liabilities was 7.15 percent. 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

Note 10 – Pension Plans (Continued)

expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 liabilities of the Plan as of the measurement date at June 30, 2020, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
Measurement Date	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
June 30, 2020	$ 4,468,927	2,574,246	1,008,731

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/19 (Valuation date)	$ 13,117,667	10,344,969	2,772,698
Balance at: 6/30/20 (Measurement date)	14,237,629	11,663,383	2,574,246
Net changes during 2019-2020	(1,119,962)	(1,318,414)	198,452

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocated based on the District's share of risk pool actuarial accrued liability at the beginning of measurement period.

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

Measurement Date	
June 30, 2019	0.02706%
June 30, 2020	0.02366%
Change - Increase (Decrease)	-0.00340%

Note 10 – Pension Plans (Continued)

For the years ended June 30, 2021, the District recognized pension expense in the amounts of $799,243.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired).

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
Pension contribution after measurement date	$ 284,596	-
Changes of assumptions	-	(18,361)
Difference between expected and actual experience	132,659	-
Projected earnings on pension plan investments under/(in excess of) actual earnings	76,472	-
Adjustment due to difference in proportions	71,041	(224,179)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	326,709	(7,561)
Total	$ 891,477	(250,101)

Deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date in the amount of $284,596 will be recognized as a reduction of the collective net pension liability in the fiscal year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 143,527
2023	144,312
2024	32,263
2025	36,678
2026	-
Thereafter	-

Note 10 – Pension Plans (Continued)

Deferred Compensation Plans

The District has made available to its employees four deferred compensation plans, whereby employees authorize the District to withhold funds from salary to be invested. Funds may be withdrawn by participants upon termination of employment or retirement. The District makes no contributions under the plans. Pursuant Internal Revenue Code ("IRC") Section 457, the plan assets are held in trust in which all assets and income of the 457 plans were placed. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are not the property of the District and, as such, are not subject to the claims of the District's general creditors. As a result, the assets of the 457 plan are not reflected in the financial statements.

Note 11 – Other Postemployment Benefits ("OPEB")

General Information about the OPEB Plan

Plan Description

The District contributes to a single employer defined benefit plan to provide post-employment medical benefits. Specifically, the District offers postretirement medical benefits to all employees who retire from the District after attaining age 50 with at least 5 years of service. The plan does not provide a publicly available financial report.

Benefit Types Provided	Medical only	
Duration of Benefits	Lifetime	
Required Services	5 years	
Minimum Age	50	
Dependent Coverage	Yes	
District Contribution %	100%	
District Cap	$133.00 per month* for measurement period 18-19	$126.35 per month* for measurement period 17-18

*This amount will increase as provided in California Government Code Section 22891

Employees Covered by Benefit Term

At June 30, 2019 valuation date, the following employees were covered by the benefit term:

Active employees	28
Inactive employees receiving benefits	6
Inactive employees entitled to but not receiving benefits	-
Total	34

Note 11 – Other Postemployment Benefits ("OPEB") (Continued)

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the District's Board of Directors. For the years ended June 30, 2020 and 2019, the average contribution rate was not applicable. Employees are not required to contribute to the plan. The District made contributions on pay-as-you-go basis.

Net OPEB Liability

The District's 2021 net OPEB liability is measured as of June 30, 2020, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

Total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate

The discount rate of 7% was used in the valuation. The District used historic 26 year real rates of return for each asset class along with the assumed long-term inflation assumption to set the discount rate. The District offset the expected investment return by investment expenses of 25 basis points. The following is the assumed asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59.00%	7.795%
All Fixed Income	25.00%	4.500%
Real Estate Investment Trusts	8.00%	7.500%
All Commodities	3.00%	7.795%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.250%
	100.00%	

The District looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. The District used geometric means.

Note 11 – Other Postemployment Benefits ("OPEB") (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (measurement date)	$ 757,110	145,478	611,632
Changes recognized for the measurement period:			
Service Cost	24,584	-	24,584
Interest on total OPEB liability	52,317	-	52,317
Difference between expected and actual experience	-	-	-
Difference in benefit payment	(2,443)	-	(2,443)
Employer contributions	-	-	-
Employee contributions	-	-	-
Actual investment income	-	5,055	(5,055)
Administrative expenses	-	(71)	71
Benefit payments	(41,586)	-	(41,586)
Net change during measurement period 2018-2019	32,872	4,984	27,888
Balance at June 30, 2020 (measurement date)	$ 789,982	150,462	639,520

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

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 (6.0 percent) or 1-percentage- point higher (8.0 percent) than the current discount rate:

	Net OPEB Liability		
Measurement Date	Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
June 30, 2020	$ 717,588	639,520	572,480

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend

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 is 1-percentage-point lower (4.0 percent decreasing to 3.0 percent) or 1-percentage- point higher (4.0 percent increasing to 5.0 percent) than the current healthcare cost trend rates:

	Net OPEB Liability		
Measurement Date	Healthcare Cost Trend Rate -1% (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	Healthcare Cost Trend Rate + 1% (5.00%)
June 30, 2020	$ 563,626	639,520	726,132

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

For the year ended June 30, 2021, the District recognized OPEB expense in the amount of $103,265. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 11 – Other Postemployment Benefits ("OPEB") (Continued)

	Deferred outflows of resources	Deferred inflows of resources
OPEB contribution after measurement date	$ 58,135	-
Changes of assumptions	370,113	-
Difference between expected and actual experience	29,727	(2,259)
Projected earnings on pension plan investments under/(in excess of) actual earnings	4,855	-
Total	$ 462,830	(2,259)

Deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date in the amount of $58,135 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 36,474
2023	36,475
2024	36,487
2025	36,223
2026	35,201
Thereafter	221,576

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the years ended June 30, 2021, the District had insurance expenses in the amounts of $308,933 in premium payments.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2021, there were no liabilities to be reported. During the past three fiscal years there have been no settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year.

Note 13 – Commitments and Contingencies

Indio Terrace Assessment District No. 2

In 1965, the District received proceeds from the sale of bonds from Indio Terrace Assessment District No. 2. Under the covenants of this assessment district, as parcels within Indio Terrace are developed and connected to the District's system, the Valley Sanitary District is required to give credits toward connection fees that are paid by the individual developers. As of June 30, 2021, the total amount of unused credits is in the amount of $41,595. Estimated future revenue from connection fees based upon the current fee in effect is approximately $162,000. Since no development occurred in the Indio Terrace Assessment District during the year, no connection fee income was reduced by these credits for the year ended June 30, 2021.

Shadow Hills Assessment District

In September 1994, the District authorized oversize credits of $343,403 against capital impact fees for developments occurring within Assessment District 90-1 that are benefiting from the sewer trunk line improvements installed in 1993. As of June 30, 2021, credits of $215,616 have been applied, leaving a balance of $139,062 to be issued.

Pending Legal Actions

The District has not been named in any lawsuit. However, there could be pending litigation. While the outcome of these lawsuits is not presently determinable, in the opinion of management of the District, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the District, or is adequately covered by insurance.

Construction Commitments

Outstanding construction commitments as of June 30, 2021:

Projects:	
Collection System Repairs / Rehab / Replace Program Mgmt	$ 70,000
Sewer Siphon Replacement at Westward Ho - Consulting	328,258
Phase 2 B/2C Plant Expansion and Design	2,200,000
Influent Pump Station Rehabilitation Design Build	3,634,476
Lab Building Design	1,000,000
New Office and Training Building	922,000
	$ 8,154,734

Note 14 – Prior Period Adjustment

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 84 related to Fiduciary Activities and recorded a prior period adjustment to OPEB. During the year ended June 30, 2021, the District restated net position as follows:

	Business-Type Activities	Fiduciary Activities
Beginning net position, as previously reported	$ 100,700,967	-
OPEB adjustment	(32,779)	-
Implementation of GASB 84	-	1,331,486
Net position, beginning of year , as restated	$ 100,668,188	1,331,486

Required Supplementary Information
(Unaudited)

Valley Sanitary District
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios
Year ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension liability	0.02185%	0.02397%	0.02461%	0.02573%	0.02584%
District's proportionate share of the net pension liability	$ 1,359,412	1,645,582	2,129,724	2,551,281	2,490,030
District's covered payroll	$ 1,805,145	1,980,191	2,004,667	2,279,280	2,059,259
District's proportionate share of the net pension liability as a percentage of covered payroll	75.31%	83.10%	106.24%	111.93%	129.92%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.77%	81.08%	77.15%	77.13%	79.13%

[1] Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementation in 2013-14.

Valley Sanitary District
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
Year ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement date	June 30, 2019	June 30, 2020
District's proportion of the net pension liability	0.02706%	0.02366%
District's proportionate share of the net pension liability	2,772,698	2,574,246
District's covered payroll	2,362,608	2,427,580
District's proportionate share of the net pension liability as a percentage of covered payroll	117.36%	106.04%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.86%	81.92%

[1] Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementat
in 2013-14.

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Pensions
Year ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year end	2013-14[1]	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution[2]	$ 340,629	279,922	203,392	303,301	323,626
Contribution in relation to the actuarially determined contribution[2]	(1,126,986)	(279,922)	(203,392)	(303,301)	(323,626)
Contribution deficiency/(excess)	$ (786,357)	-	-	-	-
District's covered payroll[3]	$ 1,805,145	1,980,191	2,004,667	2,279,280	2,059,259
Contributions as a percentage of covered payroll	62.43%	14.14%	10.15%	13.31%	15.72%

[1] Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementation in 2013-14. Additional years of information will be displayed as it become available.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[3] Reportable earnings to CalPERS, closed

Notes to Schedule:
Changes of Assumptions: In 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Pensions (Continued)
Year ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year end	2018-19	2019-20	2020-21
Actuarially determined contribution[2]	$ 814,982	716,153	284,596
Contribution in relation to the actuarially determined contribution[2]	(814,982)	(716,153)	(284,596)
Contribution deficiency/(excess)	-	-	-
District's covered payroll[3]	$ 2,362,608	2,427,580	2,768,913
Contributions as a percentage of covered payroll	34.50%	29.50%	10.28%

[1] Historical information is presented only for measurement periods for which GASB 68 is available for periods after GASB 68 implementation in 2013-14. Additional years of information will be displayed as it become available.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[3] Reportable earnings to CalPERS, closed

Notes to Schedule:
Changes of Assumptions: In 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Valley Sanitary District
Required Supplementary Information
Schedule of Changes in Other Postemployment Benefits Liability and Related Ratios
Year ended June 30, 2021

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	June 30, 2017[1]	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB liability				
Service cost	$ 8,775	9,016	9,264	24,584
Interest	15,962	17,288	18,677	52,317
Difference in benefit terms	-	-	116	(2,443)
Differences between expected and actual experience	-	-	34,873	-
Changes of assumption	-	-	435,621	-
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)
Net change in total OPEB liability	18,816	20,146	491,425	32,872
Total OPEB liability, beginning	226,723	245,539	265,685	757,110
Total OPEB liability, ending (a)	245,539	265,685	757,110	789,982
OPEB fiduciary net position				
Contributions - employer	21,565	27,960	14,136	41,586
Net investment income	9,580	8,919	8,063	5,055
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)
Administrative expense	(80)	(193)	(28)	(71)
Other	-	(15,583)	-	-
Net change in plan fiduciary net position	25,144	14,945	15,045	4,984
Plan fiduciary net position, beginning	90,344	115,488	130,433	145,478
Plan fiduciary net position, ending (b)	115,488	130,433	145,478	150,462
Plan net OPEB liability - ending (a) - (b)	$ 130,051	135,252	611,632	639,520
Plan's fiduciary net position as a percentage of the total OPEB liability	47.03%	49.09%	19.21%	19.05%
Covered payroll	$ 2,279,280	2,059,259	2,362,608	2,427,580
Plan net OPEB liability as a percentage of covered payroll	5.71%	6.57%	25.89%	26.34%

[1] Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-17. Additional years of information will be displayed as it become available.

Valley Sanitary District
Required Supplementary Information
Schedule of Contributions - Other Postemployment Benefits (Continued)
For the year ended June 30, 2021

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2016-17[1]	2017-18	2018-19	2019-20	2020-21
Actuarially determined contribution[2]	$ 15,225	-	-	-	-
Contribution in relation to the actuarially determined contribution[2]	(21,565)	(27,599)	(14,136)	(9,990)	(58,135)
Contribution deficiency/(excess)	$ (6,340)	(27,599)	(14,136)	(9,990)	(58,135)
Covered payroll	$ 2,279,280	2,059,259	2,362,608	2,427,580	2,768,913
Contributions as a percentage of covered payroll	0.95%	1.34%	0.60%	0.41%	2.10%

[1] Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-17. Additional years of information will be displayed as it become available.

[2] The June 30, 2015 actuarial valuation provided the actuarially determined contributions for fiscal year ended June 30, 2017. There is no actuarially determined contribution for the years ended June 30, 2018, 2019, 2020, and 2021.

Notes to Schedule:
Valuation date: June 30, 2019
Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age actuarial cost method
Inflation:	2.75% per year
Investment return/discount rate:	7.00% per year based on assumed long-term return on plan assets assuming 100% funding through CERBT. "Building Block Method" is used.
Healthcare cost trend:	4.00% per year
Payroll increase:	2.75% per year
Mortality:	2014 CalPERS active mortality for miscellaneous employees
Retirement rates:	Hired < 1/1/2013: 2009 CalPERS 2.5%@55 rate for miscellaneous employee Hired > 12/31/12: 2009 CalPERS 2.0%@62 rate for miscellaneous employees adjusted to reflect minimum retirement age of 52

Supplementary Information

VALLEY SANITARY DISTRICT
Schedule of Operating Expenses
Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	General and Administrative	Sewage Collection	Sewage Treatment	2021	2020
Salaries and wages	$ 680,702	1,518,580	1,042,306	3,241,588	2,811,327
Employee benefits	500,613	925,433	596,795	2,022,841	1,590,574
Directors' fees	48,350	-	-	48,350	49,750
Insurance	308,396	-	-	308,396	289,120
Memberships	34,957	2,974	5,980	43,911	55,207
Office expenses	16,427	-	-	16,427	13,887
Permits	2,957	19,101	20,552	42,610	80,477
Operating supplies	35,866	42,337	115,608	193,811	127,946
Professional services	3,782	-	-	3,782	3,300
Repairs and maintenance	2,651	475,662	11,443	489,756	484,772
Travel and seminars	25,009	13,401	10,655	49,065	104,085
Utilities and telephone	20,911	10,278	636,753	667,942	633,390
Chemicals	-	-	407,342	407,342	386,474
Clothing	-	13,322	10,162	23,484	22,429
Certifications	-	3,676	754	4,430	4,666
Gas, oil and fuel	-	-	34,094	34,094	29,179
County charges	20,521	-	-	20,521	16,611
Contractual services	477,133	207,440	165,902	850,475	1,129,828
Publication/legal notices	3,673	-	-	3,673	3,717
Small tools	54,698	10,447	4,293	69,438	80,824
Other expenses	39,704	12,794	29,303	81,801	48,117
Total	$ 2,276,350	3,255,445	3,091,942	8,623,737	7,965,680

STATISTICAL SECTION
(UNAUDITED)

Statistical Section

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Valley Sanitary District
Statistical Section
(Unaudited)

This part of District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

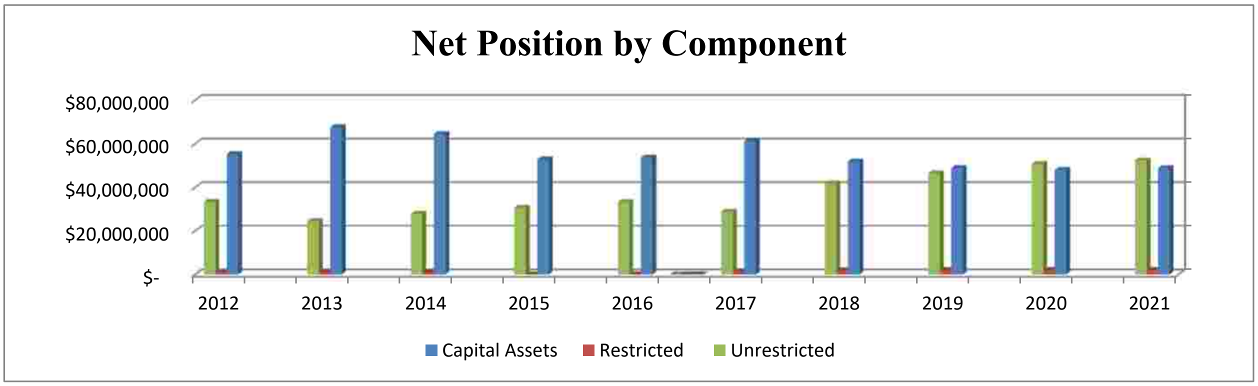
Table of Contents **Page**

Valley Sanitary District
Table of Net Position By Component
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2021	2020	2019	2018	2017
		As Restated			As Restated
NET POSITION:					
Net investment in Capital Assets	$ 48,752,135	$ 48,005,841	$ 48,843,501	$ 51,797,220	$ 61,242,162
Restricted	2,005,722	2,005,722	2,005,722	1,958,648	1,413,000
Unrestricted	52,284,298	50,689,404	46,401,215	41,754,432	28,777,592
TOTAL NET POSITION	**$ 103,042,155**	**$ 100,700,967**	**$ 97,250,438**	**$ 95,510,300**	**$ 91,432,754**

Valley Sanitary District
Table of Net Position By Component (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2016	2015	2014	2013	2012
		As Restated	As Restated	As Restated	As Restated
NET POSITION:					
Net investment in Capital Assets	$ 53,603,070	$ 52,839,192	$ 64,388,904	$ 67,535,369	$ 55,265,910
Restricted	-	-	964,900	964,900	967,394
Unrestricted	33,187,943	30,548,647	27,817,622	24,444,820	33,266,658
TOTAL NET POSITION	**$ 86,791,013**	**$ 83,387,839**	**$ 93,171,426**	**$ 92,945,089**	**$ 89,499,962**

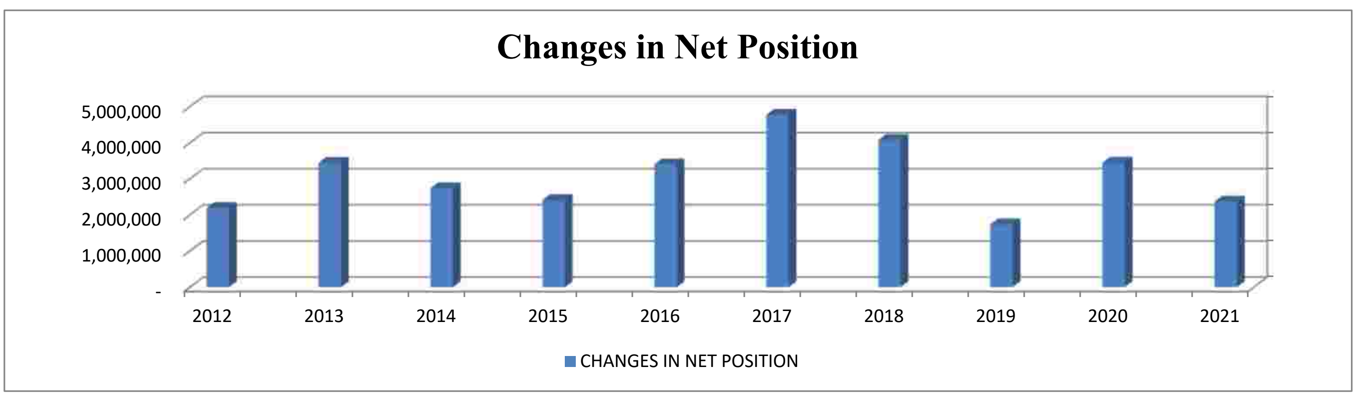


Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
Changes in Net Position

	Fiscal Year Ended June 30				
	2021	2020 As Restated	2019	2018	2017 As Restated
OPERATING REVENUES:					
Sewer service charges	$ 11,872,945	$ 11,198,100	$ 11,139,580	$ 11,004,428	$ 10,846,682
Connection fees	831,978	832,348	1,010,031	1,272,580	791,280
Permits and inspection fees	37,270	21,225	25,390	17,885	22,442
Other services	13,275	13,640	10,950	10,139	11,300
TOTAL OPERATING REVENUES	12,755,468	12,065,313	12,185,951	12,305,032	11,671,704
OPERATING EXPENSES:					
General and administrative	2,276,350	2,270,072	2,089,490	1,652,714	1,297,345
Sewage collection	3,255,445	2,903,125	3,082,175	2,604,267	2,091,041
Sewage treatment	3,091,942	2,792,483	2,361,681	2,413,567	2,048,207
Sewage disposal	-	-	-	-	-
Total administrative and plant	8,623,737	7,965,680	7,533,346	6,670,548	5,436,593
Other Operating Expenses					
Depreciation	2,466,329	2,578,816	2,451,371	2,444,764	1,980,043
TOTAL OPERATING EXPENSES	11,090,066	10,544,496	9,984,717	9,115,312	7,416,636
NET OPERATING INCOME	1,665,402	1,520,817	2,201,234	3,189,720	4,255,068
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	1,018,280	902,875	862,297	794,367	761,756
Homeowner's tax relief	5,669	6,203	5,873	5,978	6,203
Investment income	32,137	1,143,026	1,193,840	479,862	170,869
Bond issue cost	-	-	-	-	-
Interest expense	(353,399)	(391,814)	(428,612)	(412,602)	(267,220)
Amortization	-	-	-	-	-
Gain (loss) on disposed assets	(12,139)	30,170	(2,120,122)	19,976	(160,033)
Other revenues	18,017	239,253	25,628	245	6,565
TOTAL NON-OPERATING REVENUES (EXPENSES)	708,565	1,929,712	(461,096)	887,826	518,140
CHANGES IN NET POSITION	**2,373,967**	**3,450,529**	**1,740,138**	**4,077,546**	**4,773,208**
NET POSITION, beginning of the year	100,700,967	97,250,438	95,510,300	91,564,221	86,791,013
Prior period adjustments	(32,779)	-	-	(131,467)	
NET POSITION, end of the year	$ 103,042,155	$ 100,700,967	$ 97,250,438	$ 95,510,300	$ 91,564,221

Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Last Ten Fiscal Years
Changes in Net Position

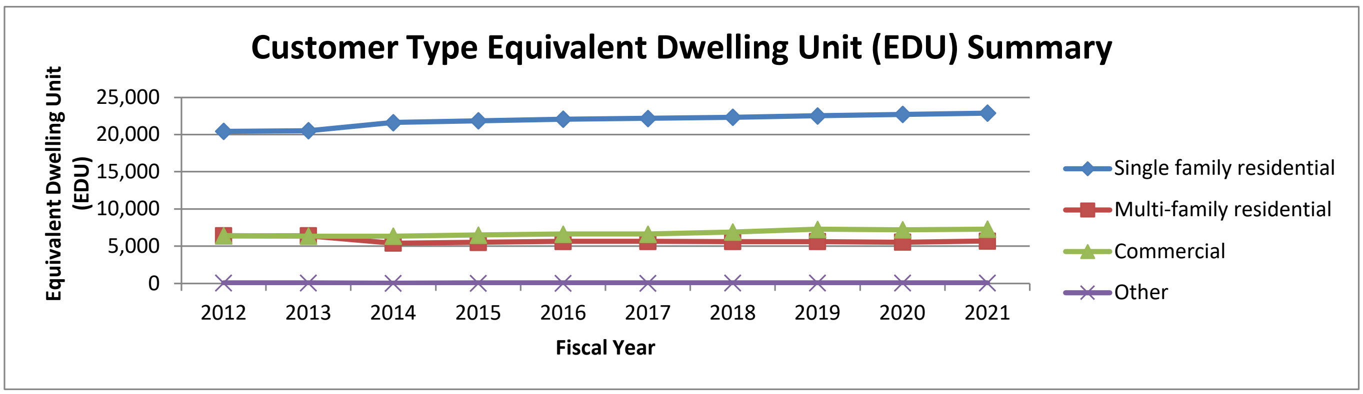
	Fiscal Year Ended June 30				
	2016	2015 As Restated	2014 As Restated	2013 As Restated	2012 As Restated
OPERATING REVENUES:					
Sewer service charges	$ 9,347,928	$ 9,218,538	$ 9,187,360	$ 9,053,022	$ 8,808,414
Connection fees	1,446,315	897,863	1,998,788	548,527	192,763
Permits and inspection fees	21,735	17,264	40,202	12,017	7,362
Other services	7,495	27,425	46,100	7,039	11,173
TOTAL OPERATING REVENUES	10,823,473	10,161,090	11,272,450	9,620,605	9,019,712
OPERATING EXPENSES:					
General and administrative	1,744,274	1,819,626	1,997,332	1,403,644	1,559,137
Sewage collection	856,871	866,622	855,884	917,799	846,598
Sewage treatment	3,104,860	3,140,480	3,631,992	2,588,299	2,147,581
Sewage disposal	-	-	-	338	317,791
Total administrative and plant	5,706,005	5,826,728	6,485,208	4,910,080	4,871,107
Other Operating Expenses					
Depreciation	2,309,350	2,334,398	2,335,264	1,841,601	1,835,054
TOTAL OPERATING EXPENSES	8,015,355	8,161,126	8,820,472	6,751,681	6,706,161
NET OPERATING INCOME	2,808,118	1,999,964	2,451,978	2,868,924	2,313,551
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	709,233	745,800	605,711	899,670	585,004
Homeowner's tax relief	6,343	6,461	6,604	6,690	6,851
Investment income	142,649	75,611	52,007	75,110	123,009
Bond issue cost	-	(193,516)	-	-	-
Interest expense	(279,125)	(175,454)	(402,257)	(422,157)	(638,155)
Amortization	-	-	-	-	(205,908)
Gain (loss) on disposed assets	12,188	(46,408)	14,176	-	-
Other revenues	3,768	310	14,735	16,890	13,632
TOTAL NON-OPERATING REVENUES (EXPENSES)	595,056	412,804	290,976	576,203	(115,567)
CHANGES IN NET POSITION	**3,403,174**	**2,412,768**	**2,742,954**	**3,445,127**	**2,197,984**
NET POSITION, beginning of the year	83,387,839	94,251,725	92,945,089	89,499,962	87,301,978
		(13,276,654)	(1,436,318)		
NET POSITION, end of the year	$ 86,791,013	$ 83,387,839	$ 94,251,725	$ 92,945,089	$ 89,499,962



Valley Sanitary District
Customer Type Equivalent Dwelling Unit (EDU) Summary
Last Ten Fiscal Years

	Fiscal Year Ended June 30									
Customer Type	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Single family residential	22,908	22,704	22,516	22,321	22,180	22,061	21,863	21,623	20,514	20,433
Multi-family residential	5,685	5,521	5,613	5,623	5,635	5,643	5,513	5,431	6,389	6,389
Commercial	7,289	7,209	7,267	6,913	6,633	6,629	6,504	6,344	6,353	6,409
Other	67	67	67	66	63	62	62	59	103	103
Total	**35,949**	**35,501**	**35,463**	**34,923**	**34,511**	**34,395**	**33,942**	**33,457**	**33,359**	**33,334**

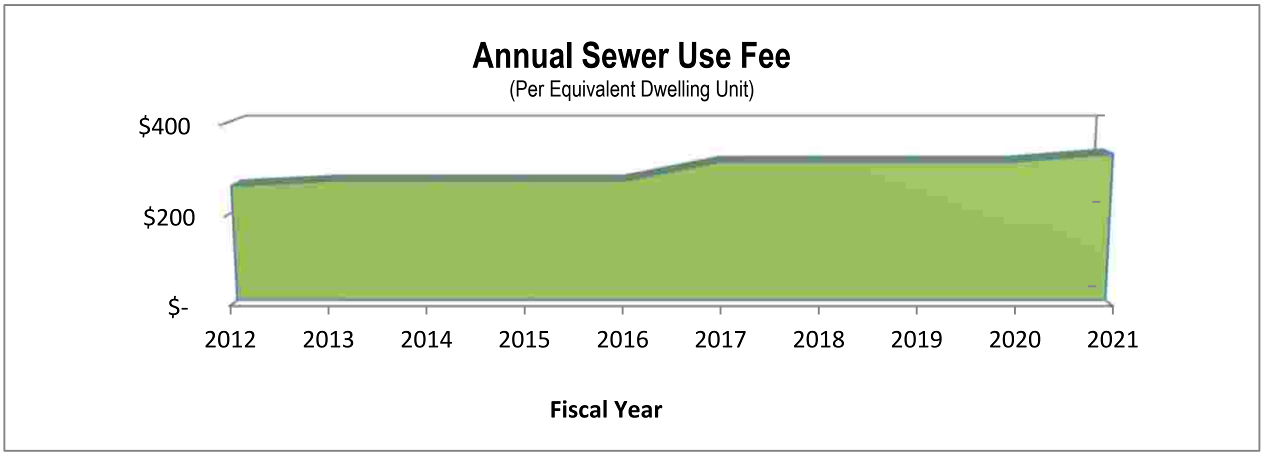
Source: Valley Sanitary District

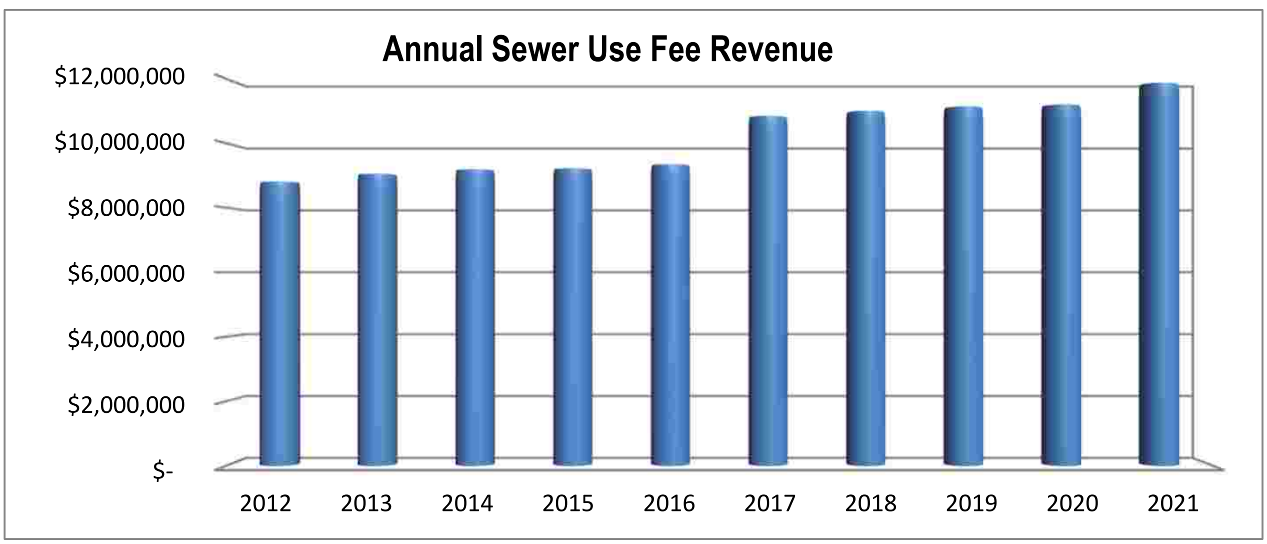


Valley Sanitary District
Annual Sewer Use Fee and Fiscal Year Revenue
Last Ten Fiscal Years

Fiscal Year Ended June 30	Annual fee / EDU	Revenue
2021	$ 330	$ 11,872,945
2020	313	11,198,100
2019	313	11,139,580
2018	313	11,004,428
2017	313	10,846,682
2016	270	9,347,928
2015	270	9,218,538
2014	270	9,187,360
2013	270	9,053,022
2012	259	8,808,414

Source: Valley Sanitary District

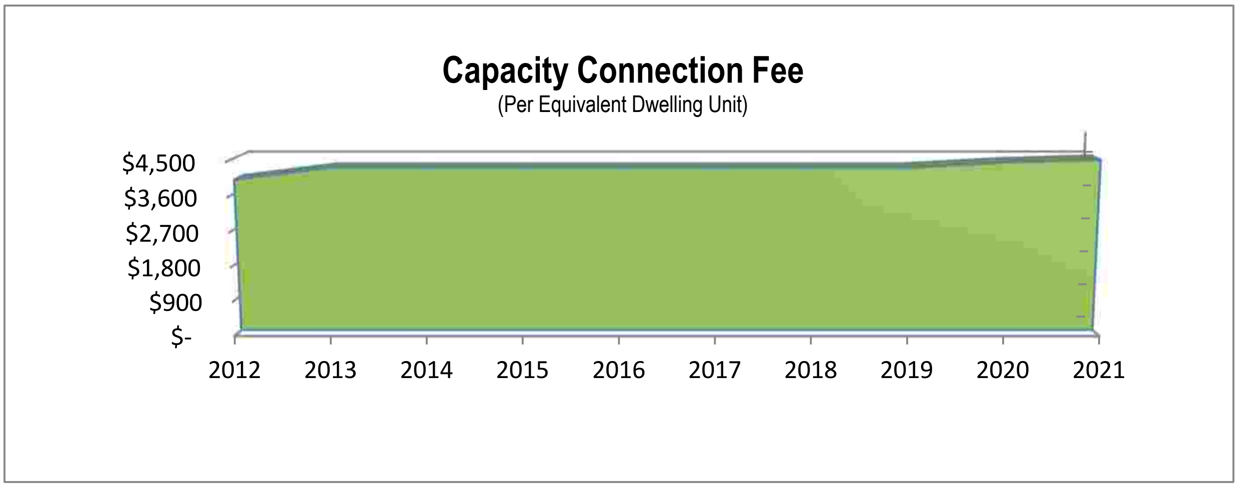


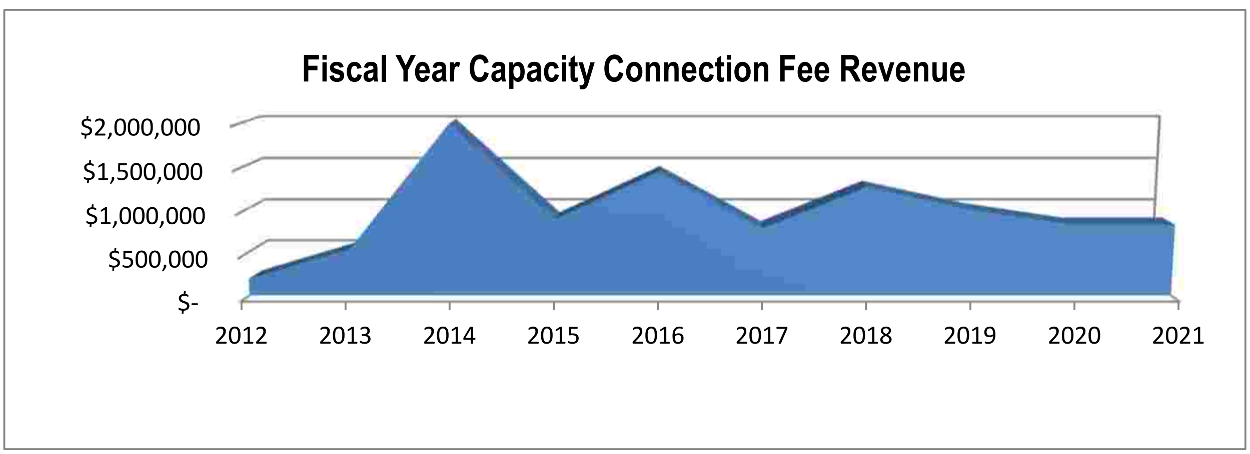


Valley Sanitary District
Capacity Connection Fee and Fiscal Year Revenue
Last Ten Fiscal Years

Fiscal Year Ended June 30	Fee / EDU	Revenue
2021	$ 4,473	$ 831,978
2020	4,400	832,348
2019	4,265	1,010,031
2018	4,265	1,272,500
2017	4,265	791,280
2016	4,265	1,446,315
2015	4,265	897,863
2014	4,265	1,998,788
2013	4,265	548,527
2012	3,957	192,763

Source: Valley Sanitary District





Valley Sanitary District
Principal Users
Current Year and Nine Years Ago

	Year Ended June 30 2021			Year Ended June 30 2012		
Principal Users	**Amount Billed**	**Rank**	**Percent of District Total $**	**Amount Billed**	**Rank**	**Percent of District Total $**
Desert Sands Unified School District	$ 245,190	1	2.07%	$ 223,258	1	2.53%
The Wells Mobile Home Association	99,000	2	0.83%	77,700	2	0.88%
Forager Project Inc	188,710	3	1.59%	-		0.00%
Smoketree Polo Club Apartments	95,040	4	0.80%	74,592	3	0.85%
Fantasy Springs Casino	93,720	5	0.79%	73,556	4	0.84%
Sunrise Point Apartments	89,760	6	0.76%	70,448	5	0.80%
Casa Monroe Apartments	74,580	7	0.63%	58,534	8	0.66%
Indio Palms Apartments	73,260	8	0.62%	60,347	7	0.69%
Del Mar Apartments	62,040	9	0.52%	48,692	9	0.55%
Arabian Gardens Mobile Estates	61,380	10	0.52%	48,174	10	0.55%
Fred Young Housing				67,599	6	0.77%
Bermuda Palms Mobile Estates						
Total	**$ 1,082,680**			**$ 802,900**		
District total customer charges	**$ 11,872,945**			**$ 8,808,414**		

Source: Valley Sanitary District

Valley Sanitary District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Business-Type Activities			Total				
Fiscal Year Ended June 30	**Certificates of Participation (1) (net of amortization)**	**Wastewater Revenue Refunding Bonds Series 2015 (2) (net of amortization)**	**State Water Resource Control Board Revolving Fund Loan**	**Debt**	**Population (3)**	**Personal Income (3)**	**Percentage of Personal Income**	**Debt Per Capita**
2021	$ -	4,374,185	$ 11,901,885	$ 16,276,070	89,551	$ 24,604	0.74%	182
2020	-	5,159,697	12,247,046	17,406,743	90,387	25,143	0.77%	193
2019	-	5,910,209	12,586,437	18,496,646	89,863	24,398	0.84%	206
2018	-	6,630,721	12,920,155	19,550,876	89,127	24,994	0.88%	219
2017	-	7,321,233	7,643,459	14,964,692	88,485	23,103	0.73%	169
2016	-	7,986,745	-	7,986,745	86,544	22,336	0.41%	92
2015	-	8,637,257	-	8,637,257	84,201	20,607	0.50%	103
2014	9,379,080	-	-	9,379,080	82,398	21,702	0.52%	114
2013	9,920,254	-	-	9,920,254	81,393	20,645	0.59%	122
2012	10,436,428	-	-	10,436,428	77,165	19,748	0.68%	135

Sources:
(1) Valley Sanitary District
(2) Valley Sanitary District - Refinancing of Certificates of Participation
(3) California Home Town Locator

Valley Sanitary District
Pledged Revenue Coverage
Last Ten Fiscal Years

		Revenue & Expenses			Debt Service			
Fiscal Year Ended June 30		**Net Revenues**	**Operating Expenses (1)**	**Net Available Revenues**	**Principal (2)**	**Interest**	**Total**	**Coverage Ratio (3)**
2021		$ 13,464,033	$ 8,623,737	4,840,296	$ 1,030,161	$ 414,888	$ 1,445,049	**3**
2020		13,995,025	7,965,680	6,029,345	989,391	453,157	1,442,548	**4**
2019		14,273,589	7,533,346	6,740,243	953,718	489,831	1,443,549	**5**
2018		13,192,858	6,670,548	6,522,310	590,000	299,688	889,688	**7**
2017		12,189,844	5,436,593	6,753,251	565,000	327,938	892,938	**8**
2016		11,418,529	5,706,005	5,712,524	550,000	338,653	888,653	**6**
2015		10,573,894	5,826,728	4,747,166	-	415,378	415,378	**11**
2014		11,563,426	6,485,208	5,078,218	570,000	402,257	972,257	**5**
2013	As Restated	10,196,808	4,910,080	5,286,728	550,000	422,157	972,157	**5**
2012	As Restated	8,904,145	4,871,107	4,033,038	525,000	440,705	965,705	**4**

Notes:
(1) Excludes Depreciation

(2) Due to refinancing of the COPs, no principal payment was due in fiscal year 2014/2015. Costs to refinance are included in interest.

(3) The coverage ratio is a measure of the District's liquidity and how many times the District's revenues will cover their annual bond/loan expense.

Source: Valley Sanitary District

Valley Sanitary District
Principal Employers
Current Year and Ten Years Ago

	Fiscal Year Ended June 30 2021			Fiscal Year Ended June 30 2012		
Employer (1) (2)	**Number of Employees**	**Rank**	**Percent of Total Employment**	**Number of Employees**	**Rank**	**Percent of Total Employment**
County of Riverside	1,135	1	2.71%	1,288	1	5.67%
Fantasy Springs Casino	1,083	2	2.58%	1,200	2	5.29%
Desert Sands Unified School District	952	3	2.27%	913	3	4.02%
John F. Kennedy Memorial Hospital	690	4	1.65%	681	4	3.00%
Walmart Supercenter	356	5	0.85%	-	-	0.00%
City of Indio	248	7	0.59%	241	6	1.06%
Granite Construction	220	6	0.53%	324	5	1.43%
Riverside Superior Court	166	8	0.40%	218	7	0.96%
Indio Nursing and Rehab Center	161	9	0.38%	-	-	0.00%
Cardena's Market	151	10	0.36%	-	-	0.00%
Mathis Brothers	-	-	0.00%	-	-	0.00%
Home Depot	-	-	0.00%	137	9	0.60%
Ralphs	-	-	0.00%	-	-	0.00%
Super Targer	-	-	0.00%	175	8	0.77%
Jackalope Ranch	-	-	0.00%	125	10	0.55%
Total Employment Listed	**5,162**		**12.32%**	**5,302**		**23.36%**
Total City Employment (2)	**41,900**			**22,700**		

"Total Employment" as used above represents the total employment of all employers located within the District.

Sources: (1) City Indio 2020 ACFR
(2) Valley Sanitary District

Valley Sanitary District
Total Customers and Number of Permits Issued
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Customers	Number of Permits Issued
2021	28,239	75
2020	28,028	67
2019	27,849	67
2018	27,668	71
2017	27,535	87
2016	27,417	86
2015	27,164	69
2014	26,908	83
2010	26,807	45
2012	26,762	44

Source: Valley Sanitary District

Valley Sanitary District
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Median Age (2)	Average Household Size (1)	Median Household Income (1)	Per Capita Personal Income (1)	Unemployment Rate (3)
2021	89,551	42.50	3.16	$ 58,132	$ 24,604	8.70%
2020	90,387	44.70	3.18	57,645	25,143	17.80%
2019	89,863	43.50	3.19	56,961	24,398	5.40%
2018	89,127	40.50	3.19	56,571	24,994	5.80%
2017	88,485	35.90	3.30	54,179	23,103	5.10%
2016	86,544	34.00	3.25	53,183	22,336	7.20%
2015	84,201	32.70	3.25	50,068	20,607	6.50%
2014	82,398	34.10	3.25	50,528	21,702	10.70%
2013	81,393	34.30	3.60	47,642	20,645	11.10%
2012	77,165	29.60	3.23	41,082	19,748	14.00%

Sources: (1) California Home Town Locator
(2) City of Indio 2020 ACFR
(3) U.S. Bureau of Labor Statistics

Valley Sanitary District
Operating Indicators
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2021	**2020**	**2019**	**2018**	**2017**
Equivalent Dwelling Units (EDU)	35,949	35,501	35,463	34,923	34,511
Rainfall (inches) (1)	0.62	5.42	6.14	2.19	6.46
Flow (MGD) (2)	5.70	5.60	5.49	5.44	5.31
CBOD (mg/L)	280.10	256.50	280.00	281.00	289.00
CBOD (PE) (3)	78,326	70,468	75,413	74,993	75,285
Suspended solids (mg/L)	252.80	252.30	279.00	266.00	262.00
Suspended solids (PE) (4)	60,088	58,917	63,872	60,342	68,252
Tonnage of biosolids produced	1,278	853	805	1,411	1,362
Tonnage of biosolids applied to land	934	950	1,438	0	1,162
Total waste treated (million gallons/year)	**2,210**	**2,211**	**2,169**	**2,081**	**2,080**

Notes:
(1) Annual rainfall for the Coachella Valley from www.desertweather.com
(2) Million gallons per day
(3) Carbonaceous Biochemical Oxygen Demand (CBOD) Population Equivalent (PE) based on a conversion factor of 0.17
(4) Suspended solids population equivalent based on a conversion factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Operating Indicators (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2016	**2015**	**2014**	**2013**	**2012**
Equivalent Dwelling Units (EDU)	34,395	33,942	33,457	33,359	33,334
Rainfall (inches) (1)	2.90	2.70	0.92	2.02	1.75
Flow (MGD) (2)	5.30	5.57	5.97	6.18	6.10
CBOD (mg/L)	257.40	246.92	219.75	215.66	213.50
CBOD (PE) (3)	66,928	68,446	63,706	65,385	63,892
Suspended solids (mg/L)	234.2	192.08	188.25	219.83	171.66
Suspended solids (PE) (4)	51,755	45,096	47,083	57,263	44,937
Tonnage of biosolids produced	468	1,440	1,505	1,882	1,849
Tonnage of biosolids applied to land	0	1,440	1,200	718	2,007
Total waste treated (million gallons/year)	**2,022**	**2,034**	**2,254**	**2,257**	**2,227**

Notes:
(1) Annual rainfall for the Coachella Valley from www.desertweather.com
(2) Million gallons per day
(3) Carbonaceous Biochemical Oxygen Demand (CBOD) Population Equivalent (PE) based on a conversion factor of 0.17
(4) Suspended solids population equivalent based on a conversion factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Capital Assets and Operating Information
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2021	**2020**	**2019**	**2018**	**2017**
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	35,949	35,501	35,463	34,923	34,511
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	173	170	167	165	161
Permit limitation (dry weather)	12.50	12.50	12.50	12.50	12.50
Annual rainfall (inches) (1)	0.62	5.42	6.14	2.19	6.46
Collection System Operations					
Sewer lines					
Length (ft)	943,548	1,341,120	1,341,120	1,351,680	1,335,840
Inspected (ft)	245,652	167,913	158,940	174,030	135,472
Cleaned (ft)	697,896	610,629	741,600	728,314	731,159

Notes:
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Capital Assets and Operating Information (Continued)
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2016	**2015**	**2014**	**2013**	**2012**
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	34,395	33,942	33,457	33,359	33,334
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	161	170	182	188	186
Permit limitation (dry weather)	12.50	13.50	13.50	11.00	11.00
Annual rainfall (inches) (1)	2.90	2.70	0.92	2.02	1.75
Collection System Operations					
Sewer lines					
Length (ft)	1,336,682	1,323,035	1,298,880	1,288,320	1,276,660
Inspected (ft)	175,178	136,838	106,350	95,040	56,203
Cleaned (ft)	796,840	708,071	562,472	776,160	538,569

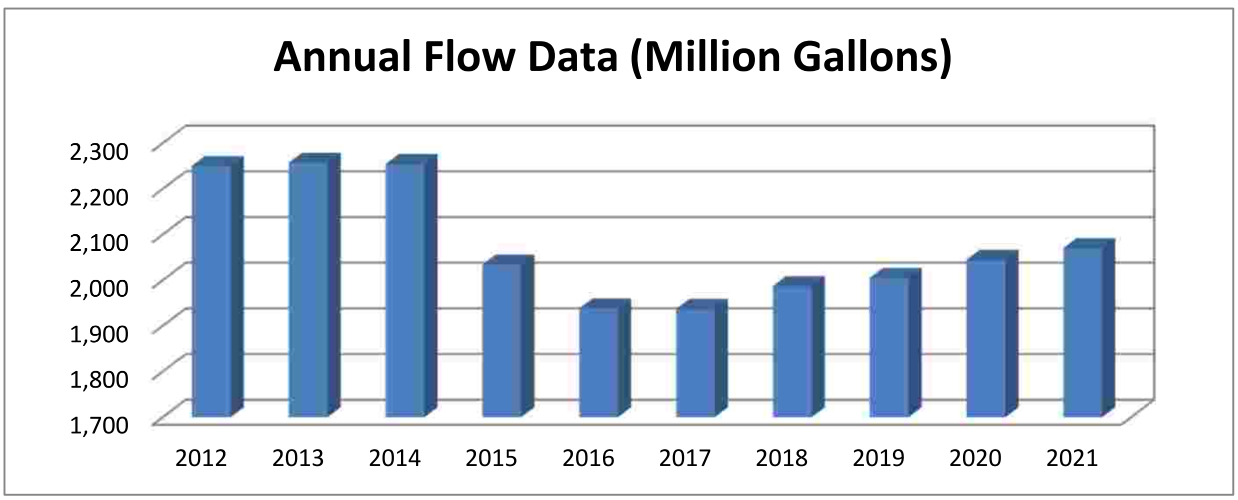
Notes:
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Annual Flow Data (Million Gallons)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Annual Flow
2021	2,070
2020	2,045
2019	2,005
2018	1,987
2017	1,937
2016	1,938
2015	2,034
2014	2,254
2013	2,257
2012	2,250

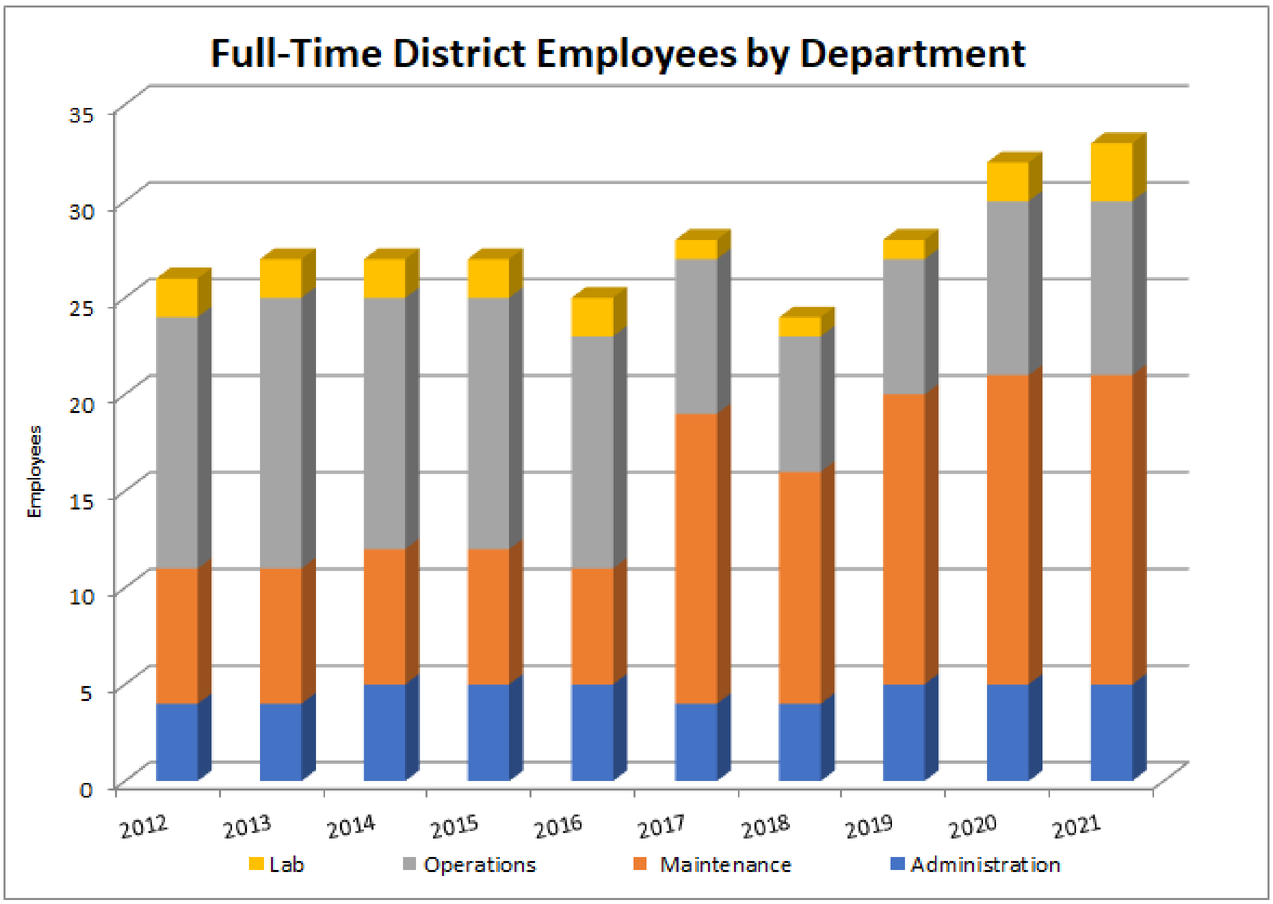
Source: Valley Sanitary District



Valley Sanitary District
Full-Time District Employees by Department
Last Ten Fiscal Years

Fiscal Year Ended June 30	Administration	Engineering & Maintenance	Operations	Lab	Total
2021	5	17	9	3	33
2020	5	17	8	2	32
2019	5	15	7	1	28
2018	4	12	7	1	24
2017	4	15	8	1	28
2016	5	6	12	2	25
2015	5	7	13	2	27
2014	5	7	13	2	27
2013	4	7	14	2	27
2012	4	7	13	2	26

Source: Valley Sanitary District



2021

Valley Sanitary District