San Rafael, California

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2019 and 2018

Primary clarifier sludge pump facilities

Las Gallinas
VALLEY SANITARY DISTRICT
San Rafael, California

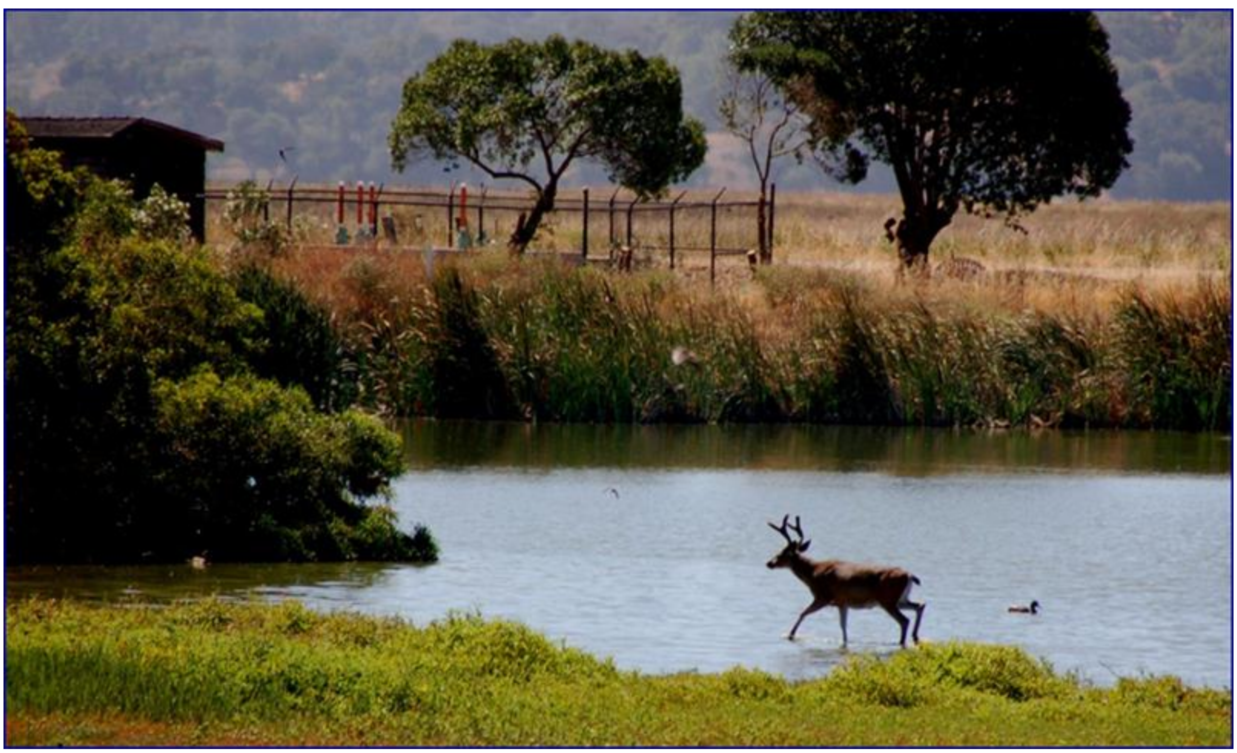
Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2019 and 2018

Mike Prinz, PE – General Manager

Prepared by:

Robert D. Ruiz, CPA – Administrative Services Manager



Descanso pump station wet well upgrade project

Secondary clarifier

Las Gallinas Valley Sanitary District

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Las Gallinas Valley Sanitary District

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Statistical Section

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INTRODUCTORY SECTION

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DISTRICT BOARD
Megan Clark
Rabi Elias
Craig K. Murray
Judy Schriebman
Crystal J. Yezman

DISTRICT ADMINISTRATION
Mike Prinz,
General Manager
Michael Cortez,
District Engineer
Mel Liebmann,
Plant Manager
Greg Pease,
Collection System/Safety Manager
Robert Ruiz
Administrative Services Manager

January 31, 2020

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

It is our pleasure to submit this Comprehensive Annual Financial Report (CAFR) of the Las Gallinas Valley Sanitary District (the District) for the fiscal year ended June 30, 2019 (FY2019). This report was prepared by the District staff that collected and analyzed the financial statements and other information presented herein.

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

California law requires that every local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

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

The District's basic financial statements have been audited by Cropper Accountancy Corporation, a registered public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP and are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors have issued an unmodified ("clean") opinion on the Las Gallinas Valley Sanitary District's financial statements for the fiscal year ended June 30, 2019. Their audit report is presented as the first component of the financial section of this report.

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

FINANCIAL CONTROLS AND ACCOUNTING SYSTEMS

Internal Controls

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

Budgetary Controls

The District is not required by statute to adopt a budget; however, in its commitment to maintain fiscal responsibility, the District adopts an annual budget prior to June 30th each year. In preparation for drafting a budget, management staff meets with the District's Board of Directors (the Board) to update the Strategic Plan to determine the strategic goals and vision for the upcoming year. The budget outlines and reflects the major elements of the upcoming fiscal year operating and capital plans, from which management allocates funds that are necessary for specific departmental activities and capital projects. In June 2015, the Board adopted a five-year capital improvement budget for 2016 through 2020, which includes a significant upgrade to the wastewater treatment plant and expansion of the recycled water treatment facility. Management integrates these priorities into the annual budget. Budgetary control is maintained at the detailed line item level. The General Manager (GM) may approve expenditures in excess of budgeted amounts up to $15,000; items in excess of this must be approved by the Board. For consultant contracts the GM's signature authority is up to $45,000.

Accounting System

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

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

HISTORY AND PROFILE OF THE DISTRICT

The District was established on April 6, 1954 pursuant to the California Health and Safety Code, Division 6 – Sanitary District Act of 1923. It is located approximately two miles northeast of the City of San Rafael and 20 miles north of San Francisco. It covers an area of about sixteen square miles in the northern part of the City of San Rafael and surrounding unincorporated areas in Marin County, California, including the communities of Lucas Valley, Marinwood, Santa Venetia and Terra Linda. The District's boundaries are Hamilton Field (a former air force base) to the north, San Pablo Bay to the east, and central San Rafael to the south. The District serves a population of approximately 30,000 people. The District is primarily residential and built out, resulting in a fairly stable customer base. As of July 1, 2019, the connections are 97.4% residential (12,948 units) and 2.6% commercial/industrial (348 units); however, the revenue from these connections is 77.45% residential and 22.55% commercial.

Financing Activities

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

Sewage Collection

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

Sewage Treatment

- The District operates a sewage treatment plant with a permitted dry weather average capacity of 2.92 million gallons per day (MGD).
- The District treated an average daily flow of 3.05 MGD of sewage per day in FY 2018-19.
- The District's treatment plant uses primary treatment to separate the solids from the wastewater; trickling filters and deep bed filters to provide secondary treatment. Treated effluent is disposed of through discharge pipes into Miller Creek which flows to San Pablo Bay during discharge season, November through May. Discharge coincides with wet weather when treated effluent can be diluted by higher levels of bay water due to rain.
- All readily settable solids and grit are removed from the wastewater stream; grit is then disposed of in a landfill. The solids are treated by gravity thickening and anaerobic digestion, and then pumped to one or more of three storage ponds, where they are typically retained for one year prior to surface disposal. The treatment plant produced 420 dry weight tons or 381 metric tons of biosolids during the calendar year 2018.

Reuse of Treated Wastewater

- The District is producing recycled water year-round to meet increasing demand during the dry months of summer and fall. In the past, recycled water was predominately used during the summer months, which aligned with the District's non discharge period of June through October.
- The District has a water reclamation project on 385 acres of diked bay lands located to the northeast of the treatment plant. This project includes a 20-acre wildlife marsh pond, 40 acres of storage ponds, 200 acres of irrigated pasture, and 3.5 miles of public trails which are part of the San Francisco Bay Trail. During 2018, 82.3 million gallons were diverted to the District's water reclamation project.
- The District delivers effluent to Marin Municipal Water District (MMWD), which further treats it so that it can be used for irrigation of landscapes, including golf courses and playing/ recreation fields, dual plumbing for toilet flushing, cooling water uses, and car washes within the District's boundaries. During FY 2018, 186.6 million gallons were delivered to MMWD. The District is no longer produce effluent for MMWD until the plant upgrade has been completed.
- During 2017, the District reached an agreement with MMWD to expand the District's recycled water treatment plant to provide tertiary treated wastewater which can then be distributed to MMWD's customers. MMWD decommissioned its existing plant which is located on the District's site. This site is needed by the District for the treatment plant upgrade. As part of the agreement, MMWD made a capital contribution towards the existing facility and makes payments towards outstanding debt which was issued to build the existing facility and for the expansion. The expansion began construction in December 2018 and be completed by early 2022.
- The District's recycled water treatment facility, online since September 2012, has a capacity of 0.7 mgd with redundant systems to produce up to 1.4 mgd. The District is planning an expansion of the facility to provide for an additional 4 mgd of capacity. The facility takes the plant effluent not utilized by MMWD and treats it to recycled water standards so that it can be

distributed by North Marin Water District (NMWD). The District produced 28.9 million gallons for NMWD during FY 2018-19.

Lab and Public Outreach

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

Solid Waste (Garbage) Services and Recycling

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

ECONOMIC CONDITIONS AND OUTLOOK

The District is comprised primarily of residential units with commercial and some light industrial areas. It is substantially built out with in-fill developments in pockets of undeveloped land and redevelopment of commercial areas that were built over twenty years ago. The District does not expect significant number of or large new, customers in the near future. A capital facilities charge study was performed during 2015. The study reviewed the capital facilities plan developed by staff and the Board during 2015. The capital facilities charge is $6,056 effective July 1, 2019 and will be adjusted by the Engineering News Record Construction Cost Index for San Francisco each July.

The Board adopted a five-year rate review and capital improvement plan in June 2015, which provides for an annual sewer user charge rate of $732 effective July 1, 2015 up to $927 as of July 1, 2019. The adopted rate as of July 1, 2019 was $927 per equivalent sewer unit (or single-family dwelling). This rate, when combined with the average property tax revenue received by the District per single family dwelling unit, is below the average for neighboring agencies in Marin County. Each year, the Board reviews the operating and capital needs of the District to determine the revenue requirements in setting the upcoming rate.

Compared to neighboring jurisdictions, the District's customers in the unincorporated area enjoy one of the lowest garbage and recycling rates. As of January 1, 2019, residential customers pay a monthly service fee of $32.13 for a 20-gallon cart and $37.79 for a 32-gallon cart. This is below the Marin County average of $41.23 per month for a 32-gallon cart.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Las Gallinas Valley Sanitary District for its CAFR for the year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

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

Mike Prinz, PE
General Manager

Robert D. Ruiz, CPA
Administrative Services Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Las Gallinas Valley Sanitary District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Las Gallinas Valley Sanitary District

Comprehensive Annual Financial Report

Mission Statement

Our Mission

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

Vision

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

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

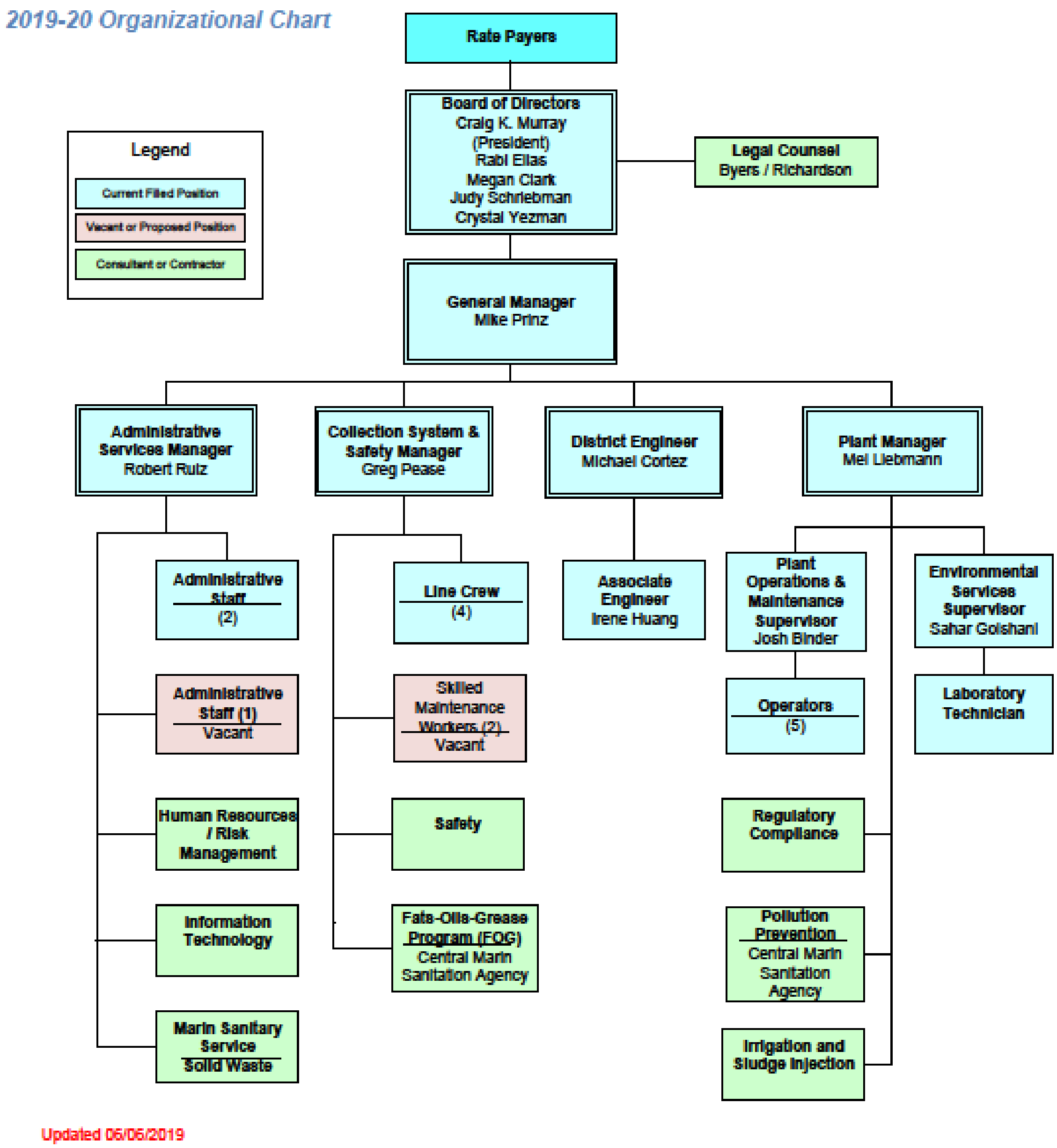
- manage our treatment and collection systems in a planned and sustainable way to reduce impact on natural resources;
- strive for zero spills;
- meet or exceed regulatory requirements for treatment (effluent, emissions and biosolids);
- strive toward beneficial recycling of wastewater, biosolids and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

Our Core Values

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

Las Gallinas Valley Sanitary District

Comprehensive Annual Financial Report



Las Gallinas Valley Sanitary District

Comprehensive Annual Financial Report

Directory of Officials

Board of Directors

Craig K. Murray	Director	12/10/2015 – 12/12/2020[1]
Rabi Elias	Director	12/13/2018 – 12/13/2022[1]
Megan Clark	Director	12/13/2018 – 12/13/2022[1]
Judy Schriebman	Director	12/10/2015 – 12/12/2020[1]
Crystal Yezman	Director	12/10/2018 – 12/12/2022[1]

Administration

Mike Prinz, P.E.	General Manager
Michael P. Cortez, P.E.	District Engineer
Teresa Lerch	District Secretary
Mel Liebmann	Plant Manager
Greg Pease	Collection System/Safety Manager
Robert D. Ruiz, CPA	Administrative Services Manager

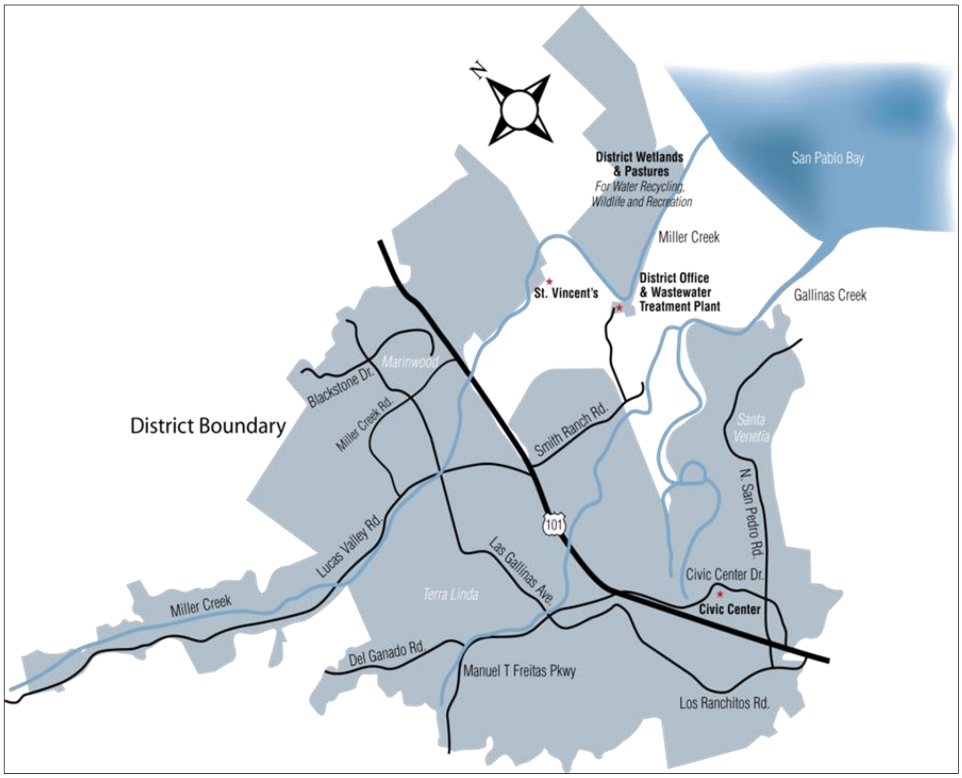
[1] The California Voter Participation Rights Act amended the Elections Code to prohibit the District from holding its elections in years other than when a statewide election occurs. The law also allowed Board members to extend their terms by one year to coincide with the next statewide election date.

Walkers in reclamation

Las Gallinas Valley Sanitary District

Comprehensive Annual Financial Report

District Service Area



FINANCIAL SECTION

Deep Bed Filter Inlet Valve Replacement Project

Operations Staff and Sewer Services Contractor Cleaning the Plant Headworks Channels

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Las Gallinas Valley Sanitary District

We have audited the accompanying financial statements of the business-type activities of the Las Gallinas Valley Sanitary District as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Las Gallinas Valley Sanitary District as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Pension Plan Contributions, Schedule of Changes in the Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions 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.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
December 31, 2019

Las Gallinas Valley Sanitary District

Management's Discussion and Analysis

Fiscal Years Ended June 30, 2019 and 2018

The following discussion and analysis of the Las Gallinas Valley Sanitary District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the District financial statements and accompanying notes, which follow this section.

HIGHLIGHTS

Financial Highlights

- Operating revenues increased by approximately $598,000 over the previous year. This increase was due to a 4.4% increase in the sewer service revenue. Recycled water revenue was relatively flat in 2019 due to UV piping repair, which failed during the last quarter of the previous year.
- Operating expenses, net of depreciation, decreased by approximately $450,000 or 4.9%. The primary component of the increase was outside consultants, which decreased by $387,000 due to fewer consultant fees on construction and design projects.
- Nonoperating expenses are comprised primarily of interest expense in the amount of $856,897. In prior years accounting standards required interest to be capitalized as part of capital project costs; however, a new accounting pronouncement implemented in fiscal 2018 no longer requires this practice.
- Capital contributions from Connection Fees are dependent on the level of development within the District. In recent years, the development has consisted of the expansion of existing facilities rather than new housing. The Intergovernmental contributions are from MMWD for its allocation of capacity in the existing recycled water treatment facility and for its proportionate share of the expanded facility began construction in 2019. State grants are invoiced as construction proceeds on the funded projects.

District Highlights

- The District treated 935.7 million gallons of wastewater during the year. Marin Municipal Water District (MMWD) does not currently take recycled water from us but will resume in late 2020. In 2019 the North Marin Water District (NMWD) used 28.87 million gallons of recycled water for distribution.
- The District has two photovoltaic solar cell systems which contribute power to the reclamation pump station and the treatment plant. These systems generate power to offset the District's demand for energy. In prior years, the District has been a net power generator and received credits or refunds for power exported to the power grid; however, in 2016 through 2019 more power has been used than generated primarily due to a capital improvement project which took the District's co-generation system offline in December 2015. The

project was completed during 2018 and the District has again begun producing power. During 2018 failures started occurring in the cells, which will be replaced under warranty during 2020.

- The District was awarded a $999,070 grant from the California Energy Commission in May 2015 for its Biogas Energy Recovery System (BERS) project. This closed-loop system has been installed at the treatment plant and allows the District to recover 100 percent of the methane produced from the mesophilic anaerobic digestion of wastewater sludge at the facility and condition it for on-site combined heat and power generation and transportation fuel use. In August 2015, the District received a $250,000 grant from the California Energy Commission for fueling station equipment for the BERS project. Both of these grants are reimbursement grants that require expenditure of funds by the District before any grant funds are received. In July 2015, the District was awarded a sales tax exclusion grant on the purchase of equipment for the project. The grant is based on the equipment having a maximum purchase price of $788,757, resulting in a maximum Sales and Use Tax exemption of $72,960. This grant relieves the District from paying sales tax to the seller of the equipment as part of the purchase price. The project was completed in early 2019 and all grant funds have been received.
- The District was awarded an $847,000 federal grant from the United States Bureau of Reclamation under its Title XVI program to expand the recycled water treatment facility. Construction of the facility is underway, and the funds will be requested as needed.
- The District has a Private Sewer Lateral Assistance Program which allows property owners to apply for low interest loans, currently 2% interest, to obtain up to $10,000 to replace their upper, lower or both laterals. The loans are repaid through special assessments through the property taxes over ten years. During 2019, the District advanced $61,716 to eight property owners to repair or replace their laterals.
- The District maintained its achievement of having among the lowest reported sewer overflow rate in Marin County.

Las Gallinas Valley Sanitary District

Management's Discussion and Analysis

Fiscal Years Ended June 30, 2019 and 2018

USING THIS ANNUAL REPORT

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

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE DISTRICT

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

Changes in Net Position

The District's net position increased by $7,393,747 in 2019 and $5,962,038 in 2018. The following Condensed Statements of Net Position shows these changes.

CONDENSED STATEMENTS OF NET POSITION
Fiscal years ended June 30, 2019, 2018, and 2017

	2019	2018	2017
ASSETS			
Current assets	$ 68,828,159	$ 66,984,372	$ 63,816,671
Capital assets	69,350,571	63,944,200	63,558,365
Other noncurrent assets	1,305,176	1,337,789	1,376,919
Total Assets	**139,483,906**	**132,266,361**	**128,751,955**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	62,329	71,796	81,263
Pension plan	946,858	1,147,743	1,059,383
Other post-employment benefits	371,208	350,729	-
Total deferred outflows of resources	**1,380,395**	**1,570,268**	**1,140,646**
LIABILITIES			
Current liabilities	5,758,439	3,412,401	3,822,398
Noncurrent liabilities	53,242,942	55,938,170	56,121,220
Total Liabilities	**59,001,381**	**59,350,571**	**59,943,618**
DEFERRED INFLOWS OF RESOURCES			
Pension plan	180,601	133,599	144,214
Other post-employment benefits	330,256	394,417	-
Total deferred inflows of resources	**510,857**	**528,016**	**144,214**
NET POSITION			
Net investment in capital assets	18,764,185	11,152,704	48,605,521
Restricted	37,516,009	40,971,524	873,990
Unrestricted	25,071,596	21,833,815	20,325,258
Total net position	**$ 81,351,790**	**$ 73,958,043**	**$ 9,804,769**

Analysis of Changes in Statements of Net Position

- Current assets increased by $1,843,787 in 2019 due to the buildup of cash from unused Capital Improvement Budget, grant funding reimbursements and interest earnings on investment funds. Our interest-bearing bank accounts had higher cash balances caused by a delay in starting Secondary Treatment Plant project. These excess funds were invested in the California State Treasurer's Local Area Investment Fund (LAIF). They are restricted for use to fund capital projects of the District.
- Capital assets, net of accumulated depreciation, increased by $5,406,371 in 2019 and $385,835 in 2018. During 2019, spending on projects was $8,060,987 which was offset by depreciation of $2,660,000. During 2018, spending on projects was $3,300,000 which was offset by depreciation of $2,601,000.
- Deferred outflows of resources decreased by $189,873 in 2019 and increased by $429,622 in 2018 due to the changes in the pension and other postemployment retirement benefits related items in accordance Government Accounting Standards Board No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27* (GASB No. 68) and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75).
- Current liabilities in 2019 increased by $2,346,038 related to major construction expenditures for plant improvements. Current liabilities decreased by $409,997 in 2018 due to a decrease in accounts payable related to capital projects
- Noncurrent liabilities had decreased by $2,695,228 due to scheduled long-term debt repayments. In 2018 payables decreased by $183,050 due to scheduled long-term debt repayments of $2,093,224 which was offset by increases in the pension liability of $446,554 due to changes in the assumed discount rate and by $1,716,981 due to the recognition of the other postemployment benefits (OPEB) liability.
- Deferred inflows of resources decreased $17,159 in 2019 and in 2018 it is increased by $383,802 due to scheduled amortization and changes in the actuarial assumptions related to GASBS No. 68 and 75.

Changes in Net Position

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

CONDENSED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Fiscal years ended June 30, 2019, 2018, and 2017

REVENUE	2019	2018	2017
Operating Revenue			
Sewer use charges	$ 14,228,877	$ 13,634,548	$ 13,059,850
Recycled water fees	63,463	61,081	45,548
Miscellaneous	42,905	41,198	42,016
Nonoperating Revenue			
Tax revenues	1,353,767	1,290,285	1,238,360
Interset income and other	616,625	310,651	179,860
Total Revenue	**16,305,637**	**15,337,763**	**14,565,634**
EXPENSES			
Operating expenses	8,692,030	9,142,555	8,489,100
Nonoperating expenses	856,897	1,289,398	631,397
Total Expenses	**9,548,927**	**10,431,953**	**9,120,497**
Change in net position	**6,756,710**	**4,905,810**	**5,445,137**
CAPITAL CONTRIBUTIONS			
Connection fees	-	239,138	39,580
Intergovernmental	463,143	455,057	436,837
State grants	173,894	362,033	-
Total Capital Contribution	**637,037**	**1,056,228**	**476,417**
Net Position-beginning of year, as restated	**73,958,043**	**67,996,005**	**63,883,215**
Net Position - end of year	**$ 81,351,790**	**$ 73,958,043**	**$ 69,804,769**

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

- Revenue of the District increased in 2019 and 2018 due to scheduled rate increases in the sewer user charge from $898 in 2018 to $927, 3.2% and 7.5% per year, respectively. Recycled water fees are based on production to meet demand and costs incurred by the District. During 2019, deliveries to North Marin Water District decreased due to operational issues in the last quarter of the 2018 fiscal year and into 2019. With the repairs completed revenue was up by 3.08%

- Operating expenses decreased by $450,525 in 2019. This was primary attributable to the write off of engineering expenses for Capital project 12100 – Sewer Maintenance Capacity.
- Nonoperating revenues increased by 23.08% or $369,456 in 2019 due to several factors. Property taxes paid by the County increased by $63,482 while Franchise fees for refuse collections increased by $44,491. Interest Income increased by 93% ($261,516) caused by the delay in construction. Instead of using cash to pay for construction costs, it remained invested in Interest bearing bank accounts.
- Nonoperating expenses decreased by $432,501. This was caused when interest earned on the bond funds held by LAIF were netted against the bond interest expense. Due to this interest earned increased by approximately $407,524 in 2019.
- Capital Contributions from Connection Fees are dependent on the level of development with the District. In recent years, the development has consisted of the expansion of existing facilities rather than new housing. The intergovernmental contributions are from MMWD for its allocation of capacity in the existing recycled water treatment facility and it proportionate share of the expanded facility, which will begin construction at the end of the calendar year. State grants are invoiced as construction proceeds on the funded projects.

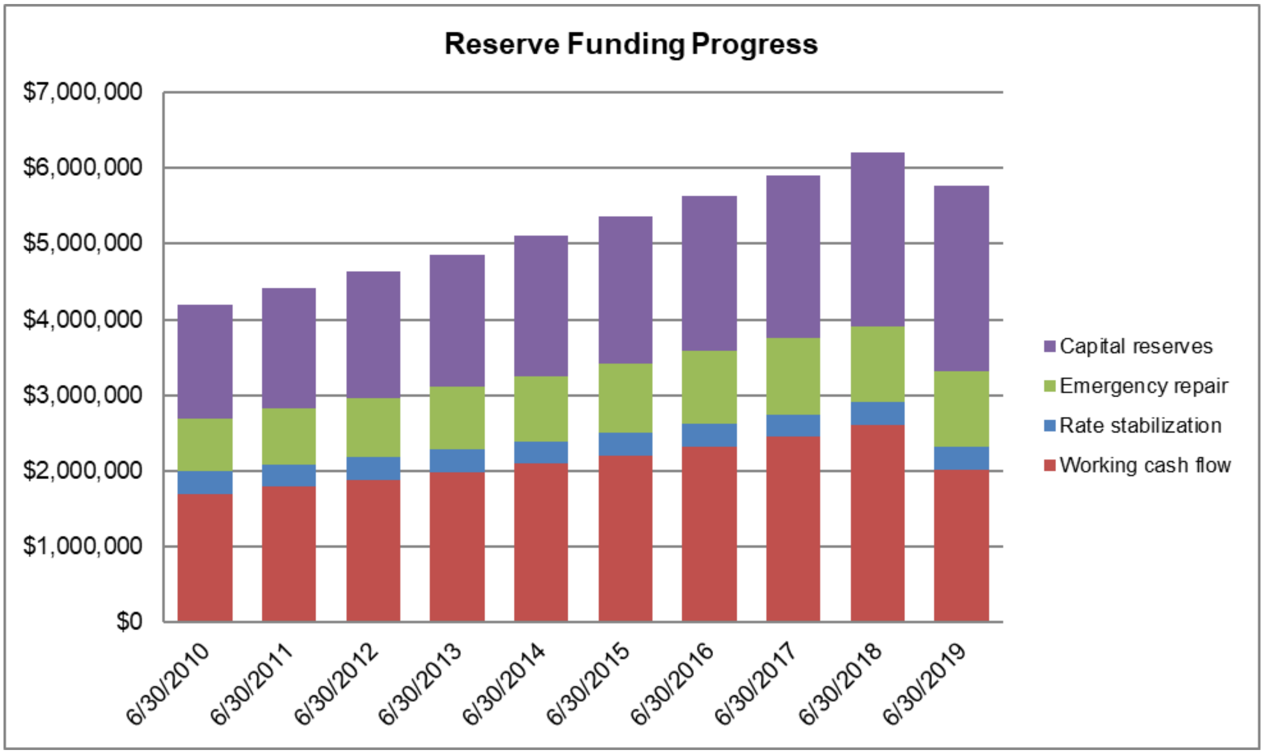
DESIGNATED RESERVES

The District's current reserve policy, as put forth in the Board Policies and Procedures in 2009, established a goal (target) of increasing the reserves. The original target, established in 2002, is also shown for reference.

Unrestricted net position was designated for the following at June 30, 2019:

	Actual June 30, 2019	Current Target	Original Target
Operating reserves:			
Working cash flow	$ 2,019,326	$ 5,930,000	$ 1,500,000
Rate stabilization	300,000	300,000	300,000
Emergency repair	1,000,000	1,000,000	700,000
Total operating reserves	3,319,326	7,230,000	2,500,000
Capital reserves	2,300,367	4,000,000	1,500,000
Total reserves	**$ 5,619,693**	**$ 11,230,000**	**$ 4,000,000**

The following chart illustrates the District's progress on meeting this goal:



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had $18,472,286 (net of accumulated depreciation) invested in capital assets. The District's cost basis of capital assets increased by $8,053,662, from $117,897,640 at the beginning of the year to $125,951,302 at the end of the year, net of $7,325 for disposal of capital assets no longer in use.

Major capital asset events during the year included the following:

- Finalization of construction work on the BERS project.
- Start of construction of the Secondary Treatment Plant Upgrades to the treatment plant.
- Progress on range of sewer system CIP projects have been made across the District.
- Purchase of vehicles and maintenance equipment, which include the GM vehicle and emergency pumps.
- Dredging of Miller Creek.

The following summarizes the District's capital assets for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Disposals/Charge off	Transfers/Reclass	Balance June 30, 2019
Land	$ 2,867,571	$ -	$ -	$ -	$ 2,867,571
Construction-in-progress	10,820,367	7,651,919	-	-	18,472,286
Subsurface lines	33,550,719	192,778	-	-	33,743,497
Facilities and equipment	70,658,983	216,290	(7,325)	-	70,867,948
	117,897,640	8,060,987	(7,325)	-	125,951,302
Less: Accumulated depreciation	(53,953,440)	(2,654,615)	7,325	-	(56,600,730)
Capital assets, net of accumulated depreciation	**$63,944,200**	**$5,406,372**	**$ -**	**$ -**	**$69,350,572**

Additional information on the capital assets can be found in Note 7 of the notes to the financial statements of this report.

Long-Term Obligations

As of June 30, 2019, the District has total long-term obligations of $55,879,614 related compensated absences for staff, the actuarially determined net pension liability, net other postemployment benefits, and debt issued for the purchase and construction of capital assets.

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Personnel Related Obligations				
Compensated Absences	$ 403,930	516,087	(472,435)	$ 447,583
Net Pension Liability	3,169,000	-	(57,763)	3,111,237
Net Other Post Employment Benefits	1,716,981	277,562	(322,464)	1,672,079
	5,289,911	793,649	(852,662)	5,230,899
Notes Payable				
Bank of Marin	4,295,781	-	(411,632)	3,884,149
Municipal Finance Corporation	4,978,800	-	(535,000)	4,443,800
State Revolving Fund Loan	3,291,572	-	(196,592)	3,094,980
2017 Revenue Bonds	37,415,000	-	(950,000)	36,465,000
Premium on 2017 Revenue Bonds	2,882,139	-	(121,353)	2,760,786
	52,863,292	-	(2,214,577)	50,648,715
Total Long-Term Obligations	**$ 58,153,203**	**$ 793,649**	**$ (3,067,239)**	**$ 55,879,614**

Additional information on the long-term debt can be found in Note 9 of the notes to the financial statements of this report.

ECONOMIC FACTORS, RATES AND BUDGETARY CONTROL

The District is a California Special District maintained as an enterprise fund. As a special district, charges to customers are made only to those who receive services. The District is not typically subject to general economic conditions such as increases or decreases in property tax values or other types of revenues that vary with economic conditions such as sales taxes. However, it does receive approximately 10% of its budget from property taxes and ERAF (Educational Revenue Augmentation Funds), which are dependent upon property tax valuations. Accordingly, the District sets its user rates and capacity charges to cover the costs of operation, maintenance and recurring capital replacement and debt financed capital improvements, plus increments for known or anticipated changes in program costs.

The District, as a wastewater collection and treatment plant operator, is subject to increasing regulatory compliance regulations. These regulations require upgrades to plant and equipment, as well as increased staff to effectively operate the system. The District reviewed its operating and capital needs during 2015 in order to establish sewer service rates for the years beginning July 1, 2015 through June 30, 2020. The majority of the rate increase is for planned capital improvements totaling $41 million, the largest of which is the upgrade to the treatment plant to improve wastewater processes to meet regulatory requirements. The District issued the 2017 Revenue Bonds to finance this upgrade.

The expected revenue from sanitary service charges is as follows:

Fiscal Year	Price per Sanitary Unit	Expected Total Revenue	Status
2015-16	$ 734	$ 11,614,992	Approved June 2015
2016-17	$ 835	$ 12,989,000	Approved June 2016
2017-18	$ 867	$ 13,438,500	Approved June 2017
2018-19	$ 898	$ 13,919,000	Approved June 2018
2019-20	$ 927	$ 14,368,500	Approved June 2019

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

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

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

Las Gallinas Valley Sanitary District

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents:		
Unrestricted	$ 31,148,209	$ 25,673,368
Restricted - bond proceeds	36,628,065	40,090,584
Receivables:		
Connection fees	27,515	7,387
User charges	10,917	83,013
Interest	407,524	284,775
Private sewer lateral assistance program	-	1,686
Grant reimbursement	-	343,784
Other	124,107	28,900
Current portion of Private Sewer Lateral Assistance program receivable	76,540	71,574
Inventory of supplies	317,723	307,773
Prepaid expenses	87,559	91,528
TOTAL CURRENT ASSETS	**68,828,159**	**66,984,372**
NONCURRENT ASSETS:		
CAPITAL ASSETS:		
Property, plant and equipment, net of accumulated depreciation	69,350,571	63,944,200
OTHER NONCURRENT ASSETS:		
Cash - restricted for debt service	887,944	880,940
Receivables		
Private Sewer Lateral Assistance Program	417,232	456,849
TOTAL NONCURRENT ASSETS	**70,655,747**	**65,281,989**
TOTAL ASSETS	**139,483,906**	**132,266,361**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	62,329	71,796
Pension plan	946,585	1,147,743
Other postemployment benefits plan	371,208	350,729
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,380,122	1,570,268
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 140,864,028**	**$ 133,836,629**

The accompanying notes are an integral part of these financial statements

Las Gallinas Valley Sanitary District

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
CURRENT LIABILITIES:		
Accounts payable	$ 2,505,760	$ 628,545
Accrued payroll	110,946	106,867
Accrued compensated absences	134,275	121,810
Accrued interest	447,293	404,187
Current portion of long-term debt	2,502,397	2,093,224
Unearned connection fees	57,768	57,768
TOTAL CURRENT LIABILITIES	**5,758,439**	**3,412,401**
NONCURRENT LIABILITIES:		
Accrued compensated absences	313,308	282,120
Notes payable, long-term	48,146,318	50,770,068
Collective net pension liability	3,111,237	3,169,000
Net other postemployment benefits liability	1,672,079	1,716,981
TOTAL NONCURRENT LIABILITIES	**53,242,942**	**55,938,169**
TOTAL LIABILITIES	**59,001,381**	**59,350,570**
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	180,601	133,599
Other post-employment benefits	330,256	394,417
TOTAL DEFERRED INFLOWS OF RESOURCES	**510,857**	**528,016**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**59,512,238**	**59,878,586**
NET POSITION		
Net investment in capital assets	18,764,185	11,152,704
Restricted for construction of capital assets	36,628,065	40,090,584
Restricted for debt service	887,944	880,940
Unrestricted	25,071,596	21,833,815
NET POSITION	**$ 81,351,790**	**$ 73,958,043**

The accompanying notes are an integral part of these financial statements

Las Gallinas Valley Sanitary District

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

Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
Sewer use charges	$ 14,228,877	$ 13,634,548
Recycled water fees	63,463	61,081
Miscellaneous	42,905	41,198
TOTAL OPERATING REVENUES	**14,335,245**	**13,736,827**
OPERATING EXPENSES:		
Sewage collection and pump stations	1,162,234	1,271,296
Sewage treatment	1,934,173	1,875,321
Sewage and solid waste disposal	197,680	128,458
Laboratory	318,732	338,513
Engineering	469,826	650,464
Recycled water	181,058	69,162
General and administrative	1,773,711	2,208,380
Depreciation and amortization	2,654,616	2,600,961
TOTAL OPERATING EXPENSES	**8,692,030**	**9,142,555**
INCOME FROM OPERATIONS	**5,643,215**	**4,594,272**
NONOPERATING REVENUES:		
Property taxes	1,353,767	1,290,285
Franchise fees	69,491	25,000
Intergovernmental fees	4,321	4,354
Interest income	542,813	281,297
TOTAL NONOPERATING REVENUES	**1,970,392**	**1,600,936**
NONOPERATING EXPENSES:		
Loss (Gain) on disposal, net	(61)	1,184
Interest expense	856,958	1,288,214
TOTAL NONOPERATING EXPENSES	**856,897**	**1,289,398**
INCOME BEFORE CONTRIBUTIONS	**6,756,710**	**4,905,810**
CAPITAL CONTRIBUTIONS:		
Connection fees	-	239,138
State grants	173,894	362,033
Intergovernmental	463,143	455,057
TOTAL CAPITAL CONTRIBUTIONS	**637,037**	**1,056,228**
CHANGE IN NET POSITION	**$ 7,393,747**	**$ 5,962,038**

The accompanying notes are an integral part of the financial statements

Las Gallinas Valley Sanitary District

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

Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
NET POSITION - BEGINNING OF YEAR, As Previously Reported	$ 73,958,043	$ 69,804,769
PRIOR PERIOD ADJUSTMENT - Change in Accounting Principle	-	(1,808,764)
NET POSITION - BEGINNING OF YEAR, As Restated	73,958,043	67,996,005
CHANGE IN NET POSITION	7,393,747	5,962,038
NET POSITION - END OF YEAR	**$ 81,351,790**	**$ 73,958,043**

The accompanying notes are an integral part of the financial statements

Las Gallinas Valley Sanitary District

Statements of Cash Flows (continued)

Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 14,388,910	$ 13,704,206
Cash payments to employers	(3,795,552)	(2,883,318)
Cash payments to suppliers	(2,049,704)	(3,511,031)
Other cash receipts	42,905	29,302
Net cash provided by operating activities	8,586,559	7,339,159
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental fees	4,321	4,354
Franchise fees	69,491	25,000
Advances for the Private Sewer Later Assistance Program	(67,345)	(43,366)
Repayment from the Private Sewer Later Assistance Program	87,057	93,293
Revenue Bond buy-in	(103,274)	-
Property taxes received	1,337,360	1,289,981
Net cash provided by noncapital financing activities	1,327,610	1,369,262
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from grants	173,894	101,525
Connection fees collected	(20,128)	228,626
Intergovernmental contributions	463,143	455,057
Proceeds from sale of capital assets	61	29,012
Acquisition and construction of capital assets	(5,912,914)	(3,612,279)
Principal payments on long-term debt	(2,093,224)	(2,063,482)
Net cash used in capital and related financing activities	(7,389,168)	(4,861,541)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	420,064	106,488
Interest expense	(925,739)	(1,289,492)
Net cash used in investing activities	(505,675)	(1,183,004)
Net increase in cash and cash equivalents	2,019,326	2,663,876
Cash and cash equivalents, July 1	66,644,892	63,981,016
Cash and Cash equivalents, June 30	$ 68,664,218	$ 66,644,892

The accompanying notes are an integral part of the financial statements

Las Gallinas Valley Sanitary District

Statements of Cash Flows (continued)

Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	5,643,215	4,594,272
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,654,616	2,600,961
Changes in assets and liabilities		
User charges receivable	72,096	(140)
Other receivables	24,474	(3,179)
Inventory of supplies	(9,950)	(35,445)
Prepaid expenses	3,969	(31,198)
Deferred outflows of resources	180,680	(439,089)
Accounts payable	89,551	(6,648)
Accrued payroll	4,079	4,331
Accrued compensation	43,653	(83,279)
Deferred inflows of resources	(17,159)	383,802
Collective Net Pension Liability	(57,763)	446,554
Net OPEB Obligation	(44,902)	(91,783)
Net cash provided by operating activities	$ 8,586,559	$ 7,339,159

The accompanying notes are an integral part of the financial statements

Wildlife in the reclamation area

1. Reporting Entity

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

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

2. Prior Period Adjustment 2018, Change in Accounting Principle

As a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), the District is restating beginning net position in the Statement of Net Position, effectively decreasing the net position by $1,808,764 as of July 1, 2017. The decrease resulted from recognizing the net other postemployment benefits liability, a noncurrent liability. See Note 13 for additional disclosures regarding this presentation.

NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	$	69,804,769
PRIOR PERIOD ADJUSTMENT: CHANGE IN ACCOUNTING PRINCIPLE		(1,808,764)
NET POSITION - BEGINNING OF THE YEAR, AS RESTATED	**$**	**67,996,005**

3. Summary of Significant Accounting Principles

Financial Reporting Entity, Measurement Focus, and Financial Statement Presentation

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

3. Summary of Significant Accounting Principles (continued)

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

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

Net Position

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

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

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

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

Budgetary Accounting

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

3. Summary of Significant Accounting Principles (continued)

payments on debt service which are included. All annual, noncapital appropriations lapse at year-end.

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

Cash and Cash Equivalents

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

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

Inventory of Supplies

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

Capital Assets

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

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

3. Summary of Significant Accounting Principles (continued)

Estimated useful lives are as follows:

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

Intangible Assets

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

Compensated Absences

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

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

Balance at June 30, 2018		$ 403,930
Accrued compensated absences earned	516,088	
Accrued compensated absences used	(472,435)	
Net change in accrued compensated absences		43,653
Balance at June 30, 2019		**$ 447,583**

Balance at June 30, 2017		$ 487,209
Accrued compensated absences earned	389,156	
Accrued compensated absences used	(472,435)	
Net change in accrued compensated absences		(83,279)
Balance at June 30, 2018		**$ 403,930**

The current portion of the noncurrent liability to be used within the next year is estimated by management to be approximately $134,275, or 30%.

3. Summary of Significant Accounting Principles (continued)

Deferred Outflows and Inflows of Resources

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

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

Pension plan – The accounting valuation for the pension plan results in deferred outflows and deferred inflows of resources from several sources. In performing the actuarial valuation for the deferred compensation plan, changes in projected and actual earning on pension plan investments and adjustments due to differences in proportions for members of cost-sharing multiple-employer plans are calculated. The difference in proportions results from the California Public Employees Retirement System (CalPERS) allocation methodology. Rather than a single proportionate share applied to all components of pension expense, the CalPERS method applies employer proportions to various pension-related items such as assets, liabilities and service cost. This adjustment reconciles the difference in proportions for these various items with the employer's change in net pension liability during the plan measurement period. The amounts will be recognized over future periods equal to the expected average remaining service lifetime of the pool or 3.8 years for the June 30, 2018 measurement date (2.8 years for June 30, 2017). In addition, since the measurement date of the pension plan is one year in advance of the financial statement reporting period (i.e. valuation of the pension plan assets has a measurement date of June 30, 2018 with the results reported in the District's June 30, 2019 financial statements) contributions by the employer for 2019 and 2018 are deferred outflows at June 30, 2019 and 2018, respectively. These amounts will be recognized in the years subsequent to payment.

Other Postemployment Benefits (OPEB) plan – The accounting valuation for the OPEB plan results in deferred outflows and deferred inflows of resources from several sources. In performing the valuation for the postemployment benefit plan, changes in projected and actual earnings on plan investments, changes in projected and actual healthcare costs, changes in participant plan utilization and participant mortality are calculated. The amounts will be recognized over future periods. In addition, since the measurement date of the OPEB plan is one year in advance of the financial statement reporting period (i.e. valuation of the OPEB plan assets has a measurement date of June 30, 2018 with the results reported in the District's June 30, 2019 financial statements) contributions by the employer for 2019 deferred outflows at June 30, 2019. These amounts will be recognized in the years subsequent to payment.

3. Summary of Significant Accounting Principles (continued)

Restricted Assets and Liabilities

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

Property Taxes

The County of Marin levies taxes and places liens on real property as of January 1st on behalf of the District. Property taxes are due on the following November 1st and March 1st and become delinquent December 10th and April 10th for the first and second installments, respectively. All taxes collected for debt service are maintained in separate funds designated for payment of the debt (see Note 9).The District receives property taxes and Education Revenue Augmentation Funds (ERAF) from the County of Marin. The ERAF allows the state legislature to reallocate property tax amounts to local governments. For the years ended June 30, 2019 and 2018, the District received $966,845 and $917,875, respectively, in property taxes and $386,922 and $372,410, respectively, in ERAF.

Grants

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

Connection Fees

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

3. Summary of Significant Accounting Principles (continued)

Pensions

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

Other Postemployment Benefits (OPEB)

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

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

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Interest

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

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

3. **Summary of Significant Accounting Principles** (continued)

Use of Estimates

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

Implemented New Accounting Pronouncements

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB No. 88). The objective of GASB No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB No. 88 will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The requirements of GASB No. 88 are effective for reporting periods beginning after June 15, 2018. The District has implemented this standard in preparing these financial statements.

In June 2018 GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB No. 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

3. Summary of Significant Accounting Principles (continued)

GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are now superseded. GASB No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of GASB No. 89 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged and the requirements of GASB No. 89 should be applied prospectively. The District implemented this standard in preparing the financial statements for the year ended June 30, 2018.

Upcoming New Accounting Pronouncements

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2018 (fiscal 2020). Earlier application is encouraged. The District does not believe this statement will have a significant impact on the financial statements.

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

3. Summary of Significant Accounting Principles (continued)

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal 2021). Earlier application is encouraged. The District anticipates that the implementation of this pronouncement will have a material effect on the financial statements.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District does not believe that there will be any financial statement effect related to GASB No. 90.

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

3. Summary of Significant Accounting Principles (continued)

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (fiscal 2022). Earlier application is encouraged. The District does not believe this statement will have a significant impact on the financial statements.

4. Cash and Cash Equivalents

At June 30, 2019 and 2018, the District maintained the majority of its cash in the Bank of Marin and the State of California LAIF pooled investment funds. Balances in the Bank of Marin are insured by the Federal Deposit Insurance Corporation up to $250,000, are collateralized by securities at 110% of the balance, and consist of checking and savings accounts.

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

Restricted Cash

Restricted cash consists of unexpended proceeds from issuing the 2017 Revenue Bonds in April 2017 and the debt service reserve funds. The majority of the unexpended Revenue Bond funds are invested at LAIF; however at June 30, 2019 and 2018 $10 and $114 was on deposit at U.S. Bank, the Trustee for the issue, in the Cost of Issuance fund. See Note 9 for additional information regarding the bonds. The debt service reserve funds are invested in certificates of deposit with Bank of Marin and have maturity dates in 2020.

Cash and cash equivalents consist of the following:

4. Cash and Cash Equivalents (continued)

	June 30, 2019	
	Reported/Fair Value	
	Unrestricted	Restricted
Cash in bank and on hand:		
Bank of Marin	$ 4,077,240	$ -
Petty cash	1,617	-
Total cash in bank and on hand	4,078,857	-
Investments:		
Certificates of Deposit	-	887,944
Local Agency Investment Fund (LAIF)	27,069,352	36,628,065
Total investments	27,069,352	37,516,009
Total cash and cash equivalents as of June 30, 2019	**$ 31,148,209**	**$ 37,516,009**

	June 30, 2018	
	Reported/Fair Value	
	Unrestricted	Restricted
Cash in bank and on hand:		
Bank of Marin	$ 4,891,387	$ -
Petty cash	700	-
Total cash in bank and on hand	4,892,087	-
Investments:		
Certificates of Deposit	-	880,940
Local Agency Investment Fund (LAIF)	20,781,281	40,090,584
Total investments	20,781,281	40,971,524
Total cash and cash equivalents as of June 30, 2018	**$ 25,673,368**	**$ 40,971,524**

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

4. Cash and Cash Equivalents (continued)

Investments Authorized by the District's Investment Policy

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

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

Debt Proceeds

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

4. Cash and Cash Equivalents (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 6 months.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of its investments at June 30, 2019 and 2018:

2019

		Maturity Date
Certificates of Deposit	$ 887,944	762 days average
LAIF	63,697,417	185 days average
	$ 64,585,361	

2018

		Maturity Date
Certificates of Deposit	$ 880,940	762 days average
LAIF	60,871,865	193 days average
	$ 61,752,805	

Credit Risk

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

4. Cash and Cash Equivalents (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits nor will it be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The State of California has no additional requirements for custodial credit risk, nor does the District.

Certificates of Deposit

The District is required to maintain cash in debt reserve funds, equal to one year’s debt service for the State Revolving Fund and for the loans from Bank of Marin. At June 30, 2019 and 2018, this equaled $887,944 and $880,940, respectively. Since these funds will not be needed until the final year of maturity of the loans, the District has invested them in certificates of deposit. These accounts pay interest at 0.792% and mature in July and August 2020, respectively.

4. Cash and Cash Equivalents (continued)

Investment in State Investment Pool

The District is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The District's proportionate share of that value was $63,806,454 and $60,757,884 as of June 30, 2019 and 2018, respectively. There are no derivatives included in the portfolio. Included in LAIF's investment portfolio are asset-backed securities totaling $997 million and $1,549 million as of June 30, 2019 and 2018, respectively. Structed notes comprised $900 million and 825 million of the portfolio as of June 30, 2019 and 2018. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The current and prior year changes in fair value were not material to the financial statements as a whole and, therefore, have not been presented.

5. Accounts Receivable

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

6. Private Sewer Lateral Assistance Program

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

As of June 30, 2019 and 2018, collections made by the County of Marin, but remitted to the District subsequently, were $0 and $1,686, respectively.

6. Private Sewer Lateral Assistance Program (continued)

The activity in the program for 2019 and 2018 is a follows:

Balance at June 30, 2017	565,862
Payments received	(89,824)
Advances made	52,406
Balance at June 30, 2018	528,444
Payments received	(96,388)
Advances made	61,716
Balance at June 30, 2019	$ 493,772

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

Fiscal year ending June 30,	
2020	76,540
2021	78,117
2022	79,773
2023	76,924
2024	69,208
2025 to 2029	113,210
	$ 493,772

In addition to regularly schedule repayments collected through the tax roll, property owners may prepay the amounts outstanding under the lateral assistance program if they sell or refinance the property. Included in payments received are prepayments of $20,661 and $21,031 in 2019 and 2018, respectively.

7. Capital Assets

A summary of property, plant and equipment transactions for the year ended June 30, 2019 is as follows:

	Ending Balance at June 30, 2018	Increases	Decreases	Transfers/ Reclass	Ending Balance at June 30, 2019
Capital assets not being depreciated:					
Land	$ 2,867,571	$ -	$ -	$ -	$ 2,867,571
Construction-in-progress	10,820,367	7,651,919	-	-	18,472,286
Total capital assets not being depreciated	13,687,938	7,651,919	-	-	21,339,857
Capital assets being depreciated:					
Subsurface lines and manholes	33,550,719	-	-	-	33,550,719
Facilities and equipment					
Sewage collection	2,534,312	192,778	-	-	2,727,090
Sewage treatment	34,537,775	-	-	-	34,537,775
Sewage disposal	8,200,137	-	-	-	8,200,137
Reclamation	1,336,016	-	-	-	1,336,016
Recycled water production	9,501,549	-	-	-	9,501,549
Pump stations	13,071,985	-	-	-	13,071,985
Administration	914,208	216,290	(7,325)	-	1,123,173
Laboratory	563,001	-	-	-	563,001
Total capital assets being depreciated	104,209,702	409,068	(7,325)	-	104,611,445
Less accumulated depreciation for:					
Subsurface lines	(15,435,410)	(597,748)	-	-	(16,033,158)
Facilities and equipment					
Sewage collection	(1,873,417)	(95,398)	-	-	(1,968,815)
Sewage treatment	(17,886,129)	(958,650)	-	-	(18,844,779)
Sewage disposal	(6,641,760)	(149,629)	-	-	(6,791,389)
Reclamation	(877,001)	(34,485)	-	-	(911,486)
Recycled water production	(2,179,684)	(384,198)	-	-	(2,563,882)
Pump stations	(8,186,526)	(368,462)	-	-	(8,554,988)
Administration	(596,667)	(47,230)	7,325	-	(636,572)
Laboratory	(276,846)	(18,816)	-	-	(295,662)
Accumulated depreciation	(53,953,440)	(2,654,616)	7,325	-	(56,600,731)
Total capital assets being depreciated, net	**50,256,262**	**(2,245,549)**	**-**	**-**	**48,010,713**
Capital assets, net	**$ 63,944,200**	**$ 5,406,371**	**$ -**	**$ -**	**$ 69,350,571**

7. Capital Assets (continued)

A summary of property, plant and equipment transactions for the year ended June 30, 2018 is as follows:

	Beginning Balance at July 1, 2017	Increases	Decreases	Transfers/ Reclass	Ending Balance at June 30, 2018
Capital assets not being depreciated:					
Land	$ 2,867,571	$ -	$ -	$ -	$ 2,867,571
Construction-in-progress	12,747,039	2,636,552	(294,159)	(4,269,065)	10,820,367
Total capital assets not being depreciated	15,614,610	2,636,552	(294,159)	(4,269,065)	13,687,938
Capital assets being depreciated:					
Subsurface lines and manholes	30,770,191	65,122	-	2,715,406	33,550,719
Facilities and equipment					
Sewage collection	2,661,311	41,311	(171,390)	3,080	2,534,312
Sewage treatment	33,342,985	299,758	(119,814)	1,014,846	34,537,775
Sewage disposal	8,200,137	-	-	-	8,200,137
Reclamation	1,305,951	74,854	(44,789)	-	1,336,016
Recycled water production	9,471,284	30,265	-	-	9,501,549
Pump stations	12,450,473	85,779	-	535,733	13,071,985
Administration	897,869	68,420	(52,081)	-	914,208
Laboratory	553,911	9,090	-	-	563,001
Total capital assets being depreciated	99,654,112	674,599	(388,074)	4,269,065	104,209,702
Less accumulated depreciation for:					
Subsurface lines	(14,825,939)	(609,471)	-	-	(15,435,410)
Facilities and equipment					
Sewage collection	(1,930,251)	(87,479)	144,313	-	(1,873,417)
Sewage treatment	(17,095,632)	(910,310)	119,813	-	(17,886,129)
Sewage disposal	(6,489,301)	(152,459)	-	-	(6,641,760)
Reclamation	(888,853)	(32,937)	44,789	-	(877,001)
Recycled water production	(1,798,512)	(381,172)	-	-	(2,179,684)
Pump stations	(7,818,889)	(367,637)	-	-	(8,186,526)
Administration	(604,386)	(41,244)	48,963	-	(596,667)
Laboratory	(258,594)	(18,252)	-	-	(276,846)
Accumulated depreciation	(51,710,357)	(2,600,961)	357,878	-	(53,953,440)
Total capital assets being depreciated, net	**47,943,755**	**(1,926,362)**	(30,196)	**4,269,065**	**50,256,262**
Capital assets, net	**$ 63,558,365**	**$ 710,190**	**$ (324,355)**	**$ -**	**$ 63,944,200**

8. Water Disposal and Recycled Water

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

In 2017, the District entered into a purchase and sale of recycled water agreement with MMWD. The District will provide MMWD with 2.5 million gallons per day of plant capacity to produce a minimum of 600 acre fee per year, for 30 years. As part of the agreement, MMWD made an initial payment towards the cost of the existing facility of $333,563 and will make quarterly payments of $51,637 through October 1, 2022 and after that $26,890 per quarter through July 1, 2031. In addition, the District has designed an expansion of the existing facility in order to serve MMWD. Funding for the expansion is from part of the proceeds of the 2017 Revenue Bonds and a WaterSmart Grant awarded in 2015. The project was awarded to Myers & Sons Construction LLC on November 15, 2018 by the Board and the estimated construction cost is $48,622,939. On December 17, 2018 the General Manager signed the contract. The cost of the portion of the expansion ascribed to MMWD is $4.6 million with payments due semi-annually on April 1st and October 1st through April 1, 2042. MMWD paid $463,143 in 2019 and $455,057 in 2018 per the agreement. See Note 9E for further information regarding the bonds.

The agreement with MMWD may be modified to revise the payment amounts once the construction contract is awarded and after construction is completed and all costs are known. MMWD is responsible for demolishing the existing facility which is located on the District's site. The agreement also provides that should MMWD decide based on financial concerns, at the 100% design phase of the expansion to terminate the agreement that it will pay its proportionate share of costs incurred to date including bond issuance costs and associated bond call premium. If after the bids for construction are received both parties agree not to proceed, each party will pay their proportionated share of costs incurred.

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

Fiscal year ending June 30,	Total
2020	463,353
2021	463,395
2022	463,269
2023	413,480
2024	364,049
2025 to 2029	1,821,082
2030 to 2034	1,553,465
Thereafter	2,043,780
	$ 7,585,872

8. Water Disposal and Recycled Water (continued)

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

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

9. Long-Term Obligations

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

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

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

The discount of $42,442 and the call premium of $68,800 are recorded as a Deferred Outflow of Resources – Deferred amount on debt refunding and are being amortized over the life of the loan. The accumulated amortization is $48,915 at June 30, 2019 and $39,448 at June 30, 2018; the amount charged to interest expense was $9,467 for both June 30, 2019 and 2018.

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

9. Long-Term Obligations (continued)

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	555,000	137,488	692,488
2021	580,000	118,760	698,760
2022	610,000	99,125	709,125
2023	630,000	78,665	708,665
2024	660,000	57,380	717,380
2025	1,408,800	46,966	1,455,766
	$ 4,443,800	**$ 538,384**	**$ 4,982,184**

B. Note Payable – Bank of Marin

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

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	211,129	121,552	332,681
2021	219,917	112,764	332,681
2022	228,726	103,956	332,682
2023	237,888	94,794	332,682
2024	247,186	85,495	332,681
2025 to 2029	1,393,755	269,652	1,663,407
2030 to 2031	638,836	26,527	665,363
	$ 3,177,436	**$ 814,741**	**$ 3,992,177**

C. Note Payable – Bank of Marin

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

9. Long-Term Obligations (continued)

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	215,233	20,113	235,346
2021	222,485	12,861	235,346
2022	229,928	5,418	235,346
2023	39,067	160	39,227
	$ 706,713	**$ 38,552**	**$ 745,265**

D. State Revolving Fund Loan

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

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

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	201,900	83,564	285,464
2021	207,351	78,113	285,464
2022	212,950	72,514	285,464
2023	218,699	66,765	285,464
2024	224,604	60,860	285,464
2025 to 2029	1,217,328	209,994	1,427,322
2030 to 2032	812,148	44,245	856,393
	$ 3,094,980	**$ 616,056**	**$ 3,711,036**

9. Long-Term Obligations (continued)

E. 2017 Revenue Bonds

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

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

The bonds are generally callable in whole or in part on or after April 1, 2027; the District may prepay up to $4,300,000 in principal before October 31, 2018. This special call provision relates to the expansion of the recycled water treatment facility to serve MMWD (see Note 8). Should MMWD decide not to proceed with the project, the District may exercise the early call provision.

Issuance costs, the surety bond premium and underwriter's discount are expensed in the year of issuance. The original issue premium will be amortized over the maturity period of the bonds and included in interest expense. As of June 30, 2019 and 2018 the accumulated amortization is $262,932 and $141,579, respectively.

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

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

9. Long-Term Obligations (continued)

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	990,000	1,458,600	2,448,600
2021	1,030,000	1,419,000	2,449,000
2022	1,070,000	1,377,800	2,447,800
2023	1,110,000	1,335,000	2,445,000
2024	1,155,000	1,290,600	2,445,600
2025 to 2029	6,515,000	5,721,000	12,236,000
2030 to 2034	8,195,000	4,309,600	12,504,600
Thereafter	16,400,000	3,087,200	19,487,200
	$ 36,465,000	$ 19,998,800	$ 56,463,800

F. California Infrastructure and Economic Development Bank

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

Future minimum payments are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2020	329,134	258,063	587,197
2021	339,008	345,041	684,049
2022	349,179	334,718	683,897
2023	359,654	324,086	683,740
2024	370,444	313,134	683,578
2025 to 2029	2,025,738	1,389,548	3,415,286
2030 to 2034	2,348,386	1,062,061	3,410,447
Thereafter	5,878,457	924,711	6,803,168
	$ 12,000,000	$ 4,951,362	$ 16,951,362

The $12,000,00 liability is not shown on the Statement of Net Position because none of the funds have been disbursed to the District. However, the District has accrued $329,134 toward the principal due August 1, 2019, resulting in a decrease to long-term debt and an increase in short-term debt.

9. Long-Term Obligations (continued)

The following is a summary of the long-term obligations activity for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Personnel Related Obligations					
Compensated Absences	$ 403,930	$ 516,087	$ (472,435)	$ 447,583	$ 134,275
Net Pension Liability	3,169,000	-	(57,763)	3,111,237	-
	1,716,981	277,562	(322,464)	1,672,079	-
	5,289,911	793,649	(852,662)	5,230,899	134,275
Notes Payable					
Bank of Marin	$ 4,295,781	$ -	$ (411,632)	$ 3,884,149	$ 426,363
Municipal Finance Corporation	4,978,800	-	(535,000)	4,443,800	555,000
State Revolving Fund	3,291,572	-	(196,592)	3,094,980	201,900
California Infrasturcture and Economic Development Bank ("IBANK")	-	-	-	-	329,134
2017 Revenue Bonds					
Premium on 2017 Revenue Bonds	37,415,000	-	(950,000)	36,465,000	990,000
	2,882,139	-	(121,353)	2,760,786	-
Total long-term obligations activity	52,863,292	-	(2,214,577)	50,648,715	2,502,397
	$ 58,153,203	**$ 793,649**	**$ (3,067,239)**	**$ 55,879,614**	**$ 2,636,672**

9. Long-Term Obligations (continued)

The following is a summary of the debt activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Personnel Related Obligations					
Compensated Absences	$ 487,209	$ 389,156	$ (472,435)	$ 403,930	$ 121,810
Net Pension Liability	2,722,446	446,554	-	3,169,000	-
Net OPEB Liability	-	1,716,981	-	1,716,981	-
	3,209,655	2,552,691	(472,435)	5,289,911	121,810
Notes Payable					
Bank of Marin	$ 4,692,839	$ -	$ (397,058)	$ 4,295,781	$ 411,632
Municipal Finance Corporation	5,503,800	-	(525,000)	4,978,800	535,000
State Revolving Fund	3,482,996	-	(191,424)	3,291,572	196,592
2017 Revenue Bonds	38,365,000	-	(950,000)	37,415,000	950,000
Premium on 2017 Revenue Bond	3,003,492	-	(121,353)	2,882,139	-
	55,048,127	-	(2,184,835)	52,863,292	2,093,224
Total long-term obligations activity	**$ 58,257,782**	**$ 2,552,691**	**$ (2,657,270)**	**$ 58,153,203**	**$ 2,215,034**

During the years ended June 30, 2019 and 2018, the District incurred interest on long-term debt of $856,958 and $1,288,214, respectively.

10. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all permanent, full-time District employees, permits employees to defer a portion of their current salary until future years. Employees may defer up to the Internal Revenue Code limits. For 2019 and 2018, employees contributed $164,056 and $134,565, respectively. Generally, deferred compensation is payable upon retirement, termination of employment, disability or death. Deferred amounts are held in a 457 plan trust established by the District for the exclusive benefit of the participants and their beneficiaries. Contributions are made to the Supplemental Income Plan (SIP) administered by the CalPERS for the benefit of each individual participant. The SIP is an entity separate from the District and, accordingly, the trust assets are not considered to be assets of the District itself. Additional information about the trust may be obtained from the CalPERS Supplemental Income Plan, which has a mailing address of 400 Q Street, Room E2812, Sacramento, CA 95814.

11. Commitments

The District was contractually committed to contractors and vendors for various projects totaling $17,997,651 and $7,256,391 as of June 30, 2019 and 2018, respectively.

12. Defined Benefit Pension Plan

Plan Description and Benefits Provided

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

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

12. Defined Benefit Pension Plan (continued)

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

	Miscellaneous	
	Hired Prior to January 1, 2013	**Hired On or after January 1, 2013**
Benefit formula	2.7% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required contribution rate as a percentage of reportable payroll:		
Employees	8.000%	6.250%
Employer		
2019	12.212%	6.842%
2018	11.675%	6.533%
Required contribution for prior year unfunded liability:		
2019	$ 172,087	$ 483
2018	$ 137,425	$ 107

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Beginning with the determination of the employer contributions for 2016, two contribution amounts are required. An amount expressed as a percentage of reportable payroll plus a pre-determined annual dollar amount to pay the prior year unfunded liability.

For employees hired prior to January 1, 2013, the District paid a portion of the employees' required contribution through June 30, 2017; in 2017 it was 1% of the employees' required 8% contribution. For employees hired after January 1, 2013, the District did not pay any of the employees' required contribution of 6.25% and the employees began cost sharing and paying a portion of the employers' required contribution as of July 1, 2017 equal to 1.75% of reportable payroll.

12. Defined Benefit Pension Plan (continued)

For the years ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	June 30, 2019	June 30, 2018
Contributions – employer	$ 374,938	$ 332,915

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

The District's proportionate share of the net pension liability is $3,111,237 and $3,169,000 as of June 30, 2019 and 2018, respectively.

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

Fiscal Year	**June 30, 2019**	**June 30, 2018**
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 - June 30, 2018	July 1, 2016 - June 30, 2017

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

12. Defined Benefit Pension Plan (continued)

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

	Financial Statement Report as of June 30, 2019	
	Dollars	Percentage
Proportion - June 30, 2017	$ 3,169,000	0.03195%
Proportion - June 30, 2018	3,111,237	0.03229%
Change - Increase (Decrease)	$ (57,763)	-0.00034%

	Financial Statement Report as of June 30, 2018	
	Dollars	Percentage
Proportion - June 30, 2016	$ 2,722,446	0.031462%
Proportion - June 30, 2017	3,169,000	0.031954%
Change - Increase (Decrease)	$ 446,554	0.000492%

For the years ended June 30, 2019 and 2018, the District recognized actuarial pension expense of $565,334 and $680,495, respectively.

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

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Change in Assumptions are amortized over the Expected Average Remaining Service Lifetime of members provided pensions through the Plan determined as of the beginning of the related measurement period for all PERFC participants. As of the June 30, 2018 measurement date it is 3.8 years.

12. Defined Benefit Pension Plan (continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 119,373	(40,621)
Changes of assumptions	354,690	(86,928)
Net differences between projected and actual earnings on plan investments	15,381	-
Changes in employer's proportion	82,203	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(53,052)
Deferred Outflows and Inflows of Resources to be Amortized	571,647	(180,601)
Pension contributions subsequent to measurement date	374,938	-
Total	$ 946,585	$ (180,601)

The $374,938 is reported as deferred outflows of resources related to contributions made during the District's year ended June 30, 2019 which is subsequent to the pension plan measurement date of June 30, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Deferred outflows of resources to be amortized over the remaining average service life of 3.8 years and recognized as pension expense as follows:

Fiscal year ending June 30,	
2020	$ 322,752
2021	192,142
2022	(95,866)
2023	(27,982)
2024	-
Thereafter	-
	$ 391,046

12. Defined Benefit Pension Plan (continued)

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017 (last available)
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB No. 68.
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service.
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

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 the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

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

12. Defined Benefit Pension Plan (continued)

Long-term Expected Rate of Return

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

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

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

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

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

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

12. Defined Benefit Pension Plan (continued)

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
$ 4,884,537	$ 3,111,237	$1,647,407

Pension Plan Fiduciary Net Position

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

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

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

Public Employees’ Pension Reform Act of 2013 (PEPRA)

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

12. Defined Benefit Pension Plan (continued)

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

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

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

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

13. Other Postemployment Benefits

Plan Description

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

13. Other Postemployment Benefits (continued)

Tier 1 – Employees who retired prior to January 1, 2003, with five years of service, receive a benefit that is indexed by 6% each year and are eligible for spousal coverage up to the benefit cap. The monthly cap was $826 as of January 1, 2019, $779 as of January 1, 2018, and $734 as of January 1, 2017.

Tier 2 – Employees who were employed prior to January 1, 2003, and retire with five years of District service, receive a monthly benefit that is set by the California Department of Personnel Administration. The monthly benefit cap was $734 as of January 1, 2019, $725 as of January 1, 2018, $707 as of January 1, 2017. This benefit is available to the employee only without any spousal coverage.

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

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

All employees who retire from the District, have five years of CalPERS service credits, and participate in the CalPERS medical plan receive a benefit paid by the District equal to the minimum Public Employees' Medical and Hospital Care Act (PEMHCA) contribution. This monthly contribution is included in the cap outlined above for all tiers. However, an employee who is a member of Tier 3, but does not work for the District for five years, and has five year of CalPERS service credits, is eligible for the PEMHCA. The monthly amount was $136 as of January 1, 2019, $133 as of January 1, 2018, and $128 as of January 1, 2017.

Employees Covered

As of the December 31, 2016 actuarial valuation date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	20
Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to, but not yet receiving benefits	-
Total	43

13. Other Postemployment Benefits (continued)

Contributions

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

The annual contribution is based on the actuarially determined contribution which consists of the cost to fund the benefits for current and retired OPEB Plan participants and the implicit rate subsidy. The implicit rate subsidy results when the healthcare rate charged to retired employees is the group premium charged to active employees. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Unless the premium rate for retirees is set to fully recover their healthcare costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. Similarly, unless the premium rate for retirees is set to fully recover their health costs, the premium for retirees is understated. This difference creates an implicit rate subsidy. This rate subsidy is considered a benefit that should be included in OPEB valuations. The OPEB obligation normally includes the cost of the implicit rate subsidy for the years in which the retiree is paying the active employee insurance costs for continued coverage. When the retiree is eligible for Medicare, the actual cost of coverage is much closer to the premium cost. Therefore, there is no OPEB liability assumed for Medicare-eligible retirees paying 100 percent of the premium. For the year ended June 30, 2019 the actuarially determined cash contribution was $217,518 and the implicit rate subsidy contribution was $33,436.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2016 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

13. Other Postemployment Benefits (continued)

The actuary used the following actuarial method and assumptions:

Actuarial Assumptions:

Discount Rate	6.73% (net of administrative expenses)
Projected Salary Increase	3.25% per year
Inflation	2.26% per year.
Investment Rate of Return	6.73%
Mortality	**Pre-Retirement:** Derived using CalPERS 2014 Mortality pre-retirement. **Post-Retirement**: Derived using CalPERS 2014 Mortality post-retirement.
Retirement	2014 experience study for performed by CalPERS for the Public Agency Miscellaneous members for the 2.7% at 55 actives and the 2% at 62 plans.
Healthcare Trend Rates	Pre-Medicare: 7.75%; Post-Medicare 5.25% calculated based on a weighted utilization of the offered healthcare plans. Ultimate rate 5%.

The long-term expected rate of return on OPEB plan investments in the CERBT Strategy 2 investment allocations as of June 30, 2018 (measurement date) for each major asset class are summarized in the following table:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return[1]
Global Equity	40.00%	5.45%
Fixed Income	49.00%	1.87%
REITs	8.00%	5.06%
Cash	-	0%

13. Other Postemployment Benefits (continued)

Discount Rate

The discount rate is based on a blend of (a) the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.25% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	June 30, 2018	June 30, 2017
Discount rate	6.73%	6.73%
Bond Buyer 20-Bond GO Index	3.87%	3.58%

Changes in the OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/Asset (c)
Balances at June 30, 2018 **(Measurement Date June 30, 2017)**	$ 2,728,562	$ 1,011,581	$ 1,716,981
Changes recognized for the measurement period:			
Service cost	91,597	-	91,597
Interest	185,403	-	185,403
Difference between expected and actual experience	(9,045)	-	(9,045)
Changes in assumptions	-	-	-
Contributions - Employer		250,954	(250,954)
Net Investment income	-	62,465	(62,465)
Benefit payments	(132,720)	(132,720)	-
Administrative expenses	-	(562)	562
Net Changes	135,235	180,137	(44,902)
Balance at June 30, 2019 **(Measurement Date June 30, 2018)**	$ 2,863,797	$ 1,191,718	$ 1,672,079

13. Other Postemployment Benefits (continued)

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2018:

Discount Rate – 1% (5.73%)	Current Discount Rate (6.73%)	Discount Rate +1% (7.73%)
$ 2,042,424	$ 1,672,079	$1,365,009

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

Discount Rate – 1%	Current Discount Rate	Discount Rate +1%
$ 2,021,625	$ 1,672,079	$1,368,566

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net positions are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB 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 recognition period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (5.8 years at June 30, 2018)

13. Other Postemployment Benefits (continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of $160,511. As of June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the Total OPEB Liability	$ 110,096	$ (7,708)
Changes in assumptions	-	(322,548)
Net differences between projected and actual earnings on OPEB plan investments	4,495	-
Deferred Outflows and Inflows of Resources to be Amortized	114,591	(330,256)
OPEB contributions subsequent to measurement date	256,617	-
	$ 371,208	$ (330,256)

Of the $371,208 reported as deferred outflows, $256,617 related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal year ending June 30,	
2020	$ (45,077)
2021	(45,077)
2022	(45,078)
2023	(44,041)
2024	(35,369)
Thereafter	(1,023)
	$ (215,665)

14. Risk Management

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

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

	Years Ended June 30,	
	2018[1]	2017
Total assets	$ 25,703,113	$ 28,419,707
Total liabilities	17,997,369	17,241,037
Net Position	**$ 7,705,744**	**$ 11,178,670**
Total revenues	$ 10,453,268	$ 11,843,583
Total expenditures	13,926,188	11,588,811
Net income (loss)	**$ (3,472,920)**	**$ 254,772**

[1] Most recent available.

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REQUIRED SUPPLEMENTARY INFORMATION

Miller Creek

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

	Fiscal Year End June 30,				
	2019	2018	2017	2016	2015
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of net pension liability	0.03229%	0.03195%	0.34162%	0.03057%	0.27220%
Proportionate share of the net pension liability	$ 3,111,237	$ 3,169,000	$ 2,722,446	$ 2,098,373	$ 1,693,868
Covered employee payroll	$ 2,263,451	$ 2,234,070	$ 2,065,897	$ 2,002,442	$ 1,801,016
Proportionate share of the net pension liability as a percentage of covered-employee payroll	137.46%	141.85%	131.78%	104.79%	94.05%
Plan's fiduciary net position	$ 9,997,987	$ 9,397,583	$ 8,814,153	$ 8,719,117	$ 8,648,606
Plan's fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

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

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

Notes to Schedule:

Valuation Date:	June 30, 2018
Methods and assuptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.50%
Salary increase	Varies by entry age and service
Investment rate of return	7.15%
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

* Fiscal year ending June 30, 2015, was the first year of implementation, therefore only five years are shown.

Las Gallinas Valley Sanitary District

Schedule of Changes in the Net OPEB Liability and Related Ratios

for the Measurement Periods Ended June 30

		2018	2017
Total OPEB Liability			
Service cost		$ 91,597	$ 77,776
Interest on the OPEB liability		185,403	196,002
Differences between expected and actual experience		(9,045)	156,326
Change of assumptions		-	(457,988)
Benefits paid to retirees		(132,720)	(153,771)
Net change in total OPEB liability		135,235	(181,655)
Total OPEB Liability - beginning		2,728,562	2,910,217
Total OPEB Liability - ending	**(a)**	$ 2,863,797	$ 2,728,562
Plan Fiduciary Net Position			
Employer contributions		$ 250,954	$ 287,951
Net investment income		62,465	64,362
Benefits paid to retirees		(132,720)	(153,771)
Administrative expense		(562)	(463)
Net change in plan fiduciary position		180,137	198,079
Plan fiduciary net position- beginning		1,011,581	813,502
Plan fiduciary net position- ending	**(b)**	$ 1,191,718	$ 1,011,581
Net OPEB liability- ending	**(a) - (b)**	$ 1,672,079	$ 1,716,981
Plan fiduciary net position as a percentage of the total OPEB liability		41.61%	37.07%
Covered-employee payroll		$ 3,687,903	$ 2,252,470
Net OPEB liability as a percentage of covered-employee payroll		45.34%	76.23%

Notes to Schedule:

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

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

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

Fiscal Year Ended June 30,	2019	2018
Actuarially determined contributions (ADC)	$ 213,168	$ 219,673
Contributions in relation to the ADC	(250,954)	(287,951)
Contribution deficiency (excess)	**$ (37,786)**	**$ (68,278)**
Covered-employee payroll	3,687,903	2,252,470
Contributions as a percentage of covered-employee payroll	6.80%	12.78%

Notes to Schedule:
*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were selected by the Agency after consultation with the actuary.

Method and assumptions used to determine contribution:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll
Asset valuation method	Market value
Inflation	2.26%
Long-term investment rate of return	6.73%
Discount rate	6.73% per annum
Healthcare cost-trend rates	7.75% in 2019, decreasing to 5.00% by 2030
Payroll growth	3.25% per annum
Coverage elections	Assumed that 100% of eligible employees will participate
Mortality	Pre-Retirement: CalPERS 2014 Mortality pre-retirement Post-Retirement: CalPERS 2014 Mortality post-retirement
Retirement age	Actives hired before January 1, 2013: 2.7% @ 55 Actives hired after January 1, 2013: 2.0% @ 62

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SUPPLEMENTARY INFORMATION

	Original Appropriated Budget	Final Appropriated Budget	Actual	Variance From the Budget
REVENUES:				
Sewer use charges	$ 14,120,000	$ 14,220,000	$ 14,228,877	$ 8,877
Private sewer lateral assistance program	80,000	80,000	96,388	16,388
Miscellaneous	63,000	63,000	42,905	(20,095)
Property taxes	1,206,000	1,206,000	1,353,767	147,767
Intergovernmental fees	4,300	4,300	4,321	21
Franchise fees	25,000	70,000	69,491	(508.980)
Recycled water sales	42,000	42,000	63,463	21,463
Interest income	156,800	736,300	542,813	(193,487)
TOTAL REVENUES	**15,697,100**	**16,421,600**	**16,402,024**	**(19,576)**
EXPENDITURES:				
Personnel Costs:				
Salaries and wages	2,792,600	2,689,600	2,594,062	(95,538)
Employee benefits	1,303,744	1,279,664	1,301,462	21,798
Payroll processing fees	10,000	10,000	9,616	(384)
Operations Expense:				
Insurance	178,950	158,950	141,612	(17,338)
Repairs and maintenance	453,500	483,500	355,549	(127,951)
Chemicals	174,500	174,500	224,222	49,722
Pollution prevention	12,500	12,500	11,066	(1,434)
Laboratory services	43,000	43,000	41,928	(1,072)
Small tools	8,000	8,000	2,514	(5,486)
Outside services	43,300	163,300	173,127	9,827
Damage claim	10,000	10,000	11,476	1,476
Reclamation expense	67,500	67,500	112,276	44,776
Engineering consultants	274,300	174,300	94,260	(80,040)
Operating supplies	51,600	51,600	40,346	(11,254)

	Original Appropriated Budget	Final Appropriated Budget	Actual	Variance From the Budget
Safety program and supplies	$ 62,000	$ 62,000	$ 56,345	$ (5,655)
Fuel, gas and oil	18,000	20,000	27,169	7,169
Private lateral assistance program	219,861	219,861	61,716	(158,145)
Equipment rent	-	-	-	-
Permits and fees	54,250	54,250	67,021	12,771
Employee training	18,000	18,000	15,723	(2,277)
Utilities	197,805	197,805	213,983	16,178
General and Administrative Expense:				
Conferences	58,000	58,000	34,473	(23,527)
Mileage and travel	5,500	5,500	6,949	1,449
Office expense	14,000	14,000	21,453	7,453
Computer support and supplies	80,000	85,000	79,331	(5,669)
Publications and legal ads	10,000	10,000	16,593	6,593
Public education	40,000	40,000	37,070	(2,930)
Rents and leases	17,500	17,500	10,390	(7,110)
Property and other taxes	9,000	9,000	10,356	1,356
Memberships	44,000	44,000	60,715	16,715
Legal and professional	147,000	147,000	158,198	11,198
Bank charges and collection fees	36,500	36,500	1,622	(34,878)
Employee recognition	4,500	4,500	6,504	2,004
Fines	-	-	-	-
Miscellaneous	1,000	1,000	-	(1,000)
EXPENDITURES BEFORE DEPRECIATION AND INTEREST	6,460,410	6,370,330	5,999,127	(371,203)
OPERATING AND MAINTENANCE SURPLUS BEFORE DEPRECIATION AND INTEREST	**$ 9,236,690**	**$ 10,051,270**	**$ 10,402,897**	**$ (390,778)**

Accounting Basis for Schedule

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

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

A view of St. Vincent's from the reclamation area

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

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

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

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

STATISTICAL SECTION

Primary Clarifier #3 drained, inspected and Stamford baffles removed

Biogas Recovery System Microturbines

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

Financial Trend Information

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

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

Revenue Capacity Information

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

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

Debt Capacity Information

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

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

Demographic and Economic Information

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

- Demographic and Economic Statistics
- Principal Employers in Marin County

Operating Information

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

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

Recycled water treatment facilities

Statements of Net Position
for the Last Ten Fiscal Years

(in thousands)

Fiscal Years Ended June 30,

	2019	2018	2017	2016	2015 As Restated	2014	2013	2012	2011	2010
ASSETS										
Current Assets	$ 68,828	$ 66,984	$ 63,817	$ 21,657	$ 20,401	$ 19,409	$ 18,716	$ 15,335	$ 18,699	$ 10,374
Capital and other assets	70,656	65,282	64,935	59,823	56,651	54,820	53,390	54,609	41,266	40,485
TOTAL ASSETS	**139,484**	**132,266**	**128,752**	**81,480**	**77,052**	**74,229**	**72,106**	**69,944**	**59,965**	**50,859**
Deferred Outflows of Resources	**1,380**	**1,570**	**1,141**	**702**	**486**	**910**	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**140,864**	**133,836**	**129,893**	**82,182**	**77,538**	**75,139**	**72,106**	**69,944**	**59,965**	**50,859**
LIABILITIES										
Total current liabilities	5,758	3,412	3,823	1,841	2,136	1,956	1,877	8,399	2,695	1,777
Total noncurrent liabilities	53,243	55,938	56,121	16,162	16,823	18,919	17,007	11,556	12,138	8,099
TOTAL LIABILITIES	**59,001**	**59,350**	**59,944**	**18,003**	**18,959**	**20,875**	**18,884**	**19,955**	**14,833**	**9,876**
Deferred Inflows of Resources	**511**	**528**	**144**	**296**	**622**	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS RESOURCES	**59,512**	**59,878**	**60,088**	**18,299**	**19,581**	**20,875**	**18,884**	**19,955**	**14,833**	**9,876**
NET POSITION:										
Net investment in capital assets	55,392	51,243	48,605	43,749	39,712	37,011	34,787	36,553	32,830	32,640
Restricted	888	880	874	867	860	858	855	2,085	5,231	592
Unrestricted	25,072	21,836	20,325	19,227	17,491	16,394	17,580	11,351	7,071	7,751
TOTAL NET POSITION	**$ 81,352**	**$ 73,958**	**$ 69,805**	**$ 63,883**	**$ 57,957**	**$ 54,264**	**$ 53,222**	**$ 49,989**	**$ 45,132**	**$ 40,983**

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

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

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

	Fiscal Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
OPERATING REVENUES:					As Restated					
Sewer use charges	$ 14,229	$ 13,635	$ 13,060	$ 11,647	$ 10,311	$ 10,157	$ 10,069	$ 9,233	$ 8,835	$ 7,604
Recycled water fees	63	61	45	50	120	75	37	-	-	-
Miscellaneous	43	41	42	46	22	46	34	54	32	41
TOTAL OPERATING REVENUES	**14,335**	**13,737**	**13,147**	**11,743**	**10,453**	**10,278**	**10,140**	**9,287**	**8,867**	**7,645**
OPERATING EXPENSES:										
Sewage collection and pump stations	1,162	1,271	1,036	945	1,156	1,089	951	937	854	1,009
Sewage treatment	1,934	1,875	2,065	1,547	1,425	1,519	1,312	1,295	1,138	1,088
Sewage and solid waste disposal	198	129	216	83	127	340	267	147	143	85
Laboratory	319	339	338	295	352	402	377	387	353	313
Engineering[1]	470	650	532	448	435	325	296	-	-	-
Recycled water	181	69	57	98	109	90	60	-	-	-
General and administrative	1,774	2,208	1,719	1,635	1,467	1,692	2,093	1,726	1,756	1,564
Depreciation and amortization	2,655	2,601	2,526	2,429	2,413	2,432	2,311	1,842	1,860	1,828
TOTAL OPERATING EXPENSES	**8,692**	**9,142**	**8,489**	**7,480**	**7,484**	**7,889**	**7,667**	**6,334**	**6,104**	**5,887**
INCOME (LOSS) FROM OPERATIONS	5,643	4,595	4,658	4,263	2,969	2,389	2,473	2,953	2,763	1,758
NONOPERATING REVENUES:										
Property taxes	1,354	1,290	1,239	1,125	1,087	1,118	983	1,005	1,009	1,054
Federal and state grants	-	-	-	-	-	19	-	-	-	-
Franchise fees	69	25	25	25	25	25	25	25	25	25
Intergovernmental fees	4	4	4	4	4	5	5	5	5	5
Gain on disposal, net	-	-	-	-	1	-	-	-	6	7
Interest income	543	281	150	79	51	47	46	65	93	76
TOTAL NONOPERATING REVENUES	**1,970**	**1,600**	**1,418**	**1,233**	**1,168**	**1,214**	**1,059**	**1,100**	**1,138**	**1,167**

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

	Fiscal Years Ended June 30,									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
NONOPERATING EXPENSES:					**As Restated**					
Loss on disposals	$ (0)	$ 1	$ 6	$ -	$ -	$ 2	$ 48	$ -	$ -	$ -
Bond issuance costs	-	-	349	-	-	-	-	-	-	-
Interest expense	857	1,288	276	402	553	624	652	331	357	364
TOTAL NONOPERATING EXPENSES	**857**	**1,289**	**631**	**402**	**553**	**626**	**700**	**331**	**357**	**364**
INCOME BEFORE CONTRIBUTIONS	6,757	4,906	5,445	5,094	3,584	2,977	2,832	3,722	3,544	2,561
CAPITAL CONTRIBUTIONS:										
Connection fees	-	239	40	34	74	44	15	28	530	(8)
Federal and state grants	174	362	-	798	35	-	386	1,107	75	-
Intergovernmental	463	455	437	-	-	-	-	-	-	-
CHANGE IN NET POSITION	7,394	5,962	5,922	5,926	3,693	3,021	3,233	4,857	4,149	2,553
NET POSITION - BEGINNING OF YEAR AS PREVIOUSLY STATED	73,958	69,805	63,883	57,957	54,264	51,243	52,960	48,103	43,954	41,401
Restatement: Change in Accounting Principle[2]	-	(1,809)	-	-	-	-	-	-	-	-
NET POSITION - BEGINNING OF YEAR AS RESTATED	73,958	67,996	63,883	57,957	54,264	51,243	52,960	48,103	43,954	41,401
NET POSITION - END OF YEAR	**$ 81,352**	**$ 73,958**	**$ 69,805**	**$ 63,883**	**$ 57,957**	**$ 54,264**	**$ 56,193**	**$ 52,960**	**$ 48,103**	**$ 43,954**

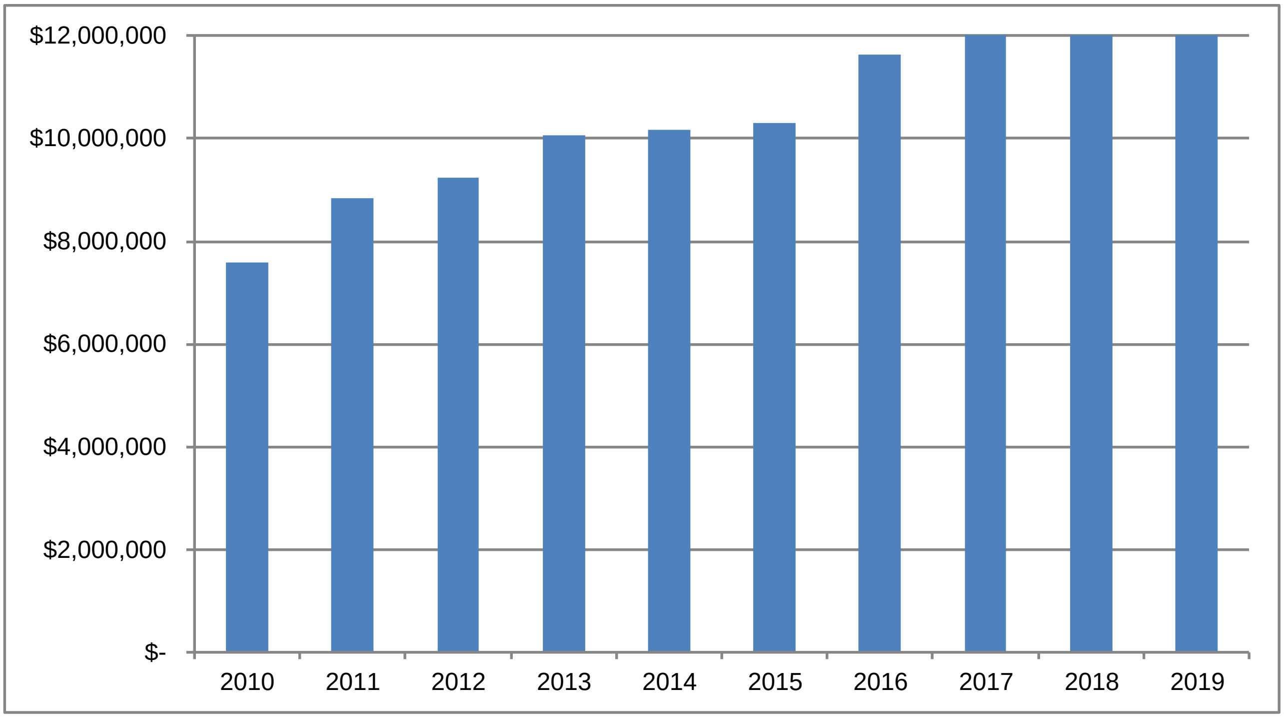
[1] In prior years, these line items were classified with different departments.

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

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

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

Sewer Service Charge Revenue for the Past Ten Fiscal Years

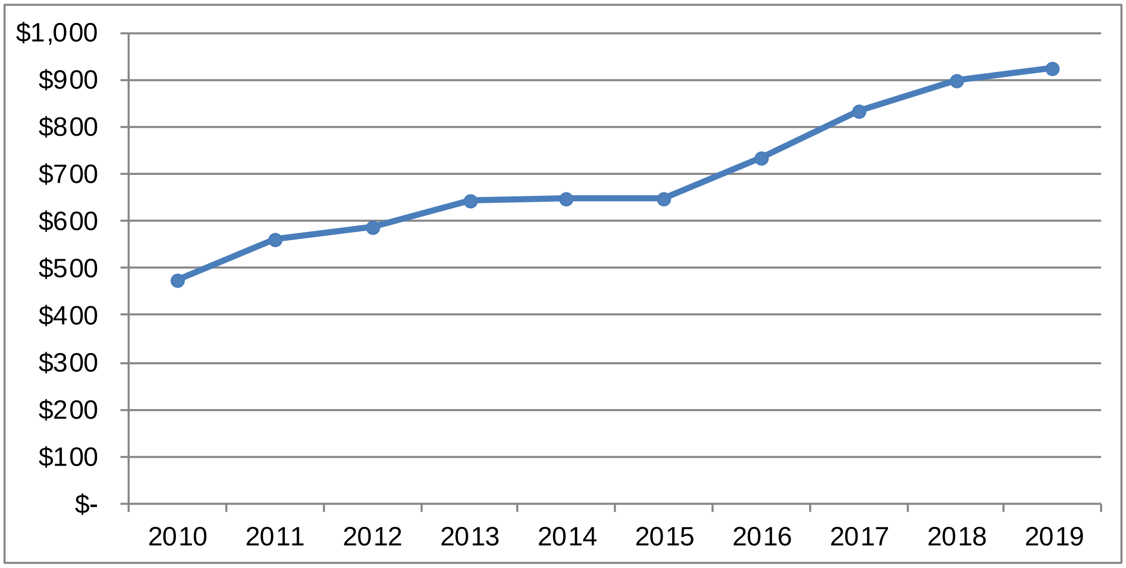


Historic Sewer Service Revenue

Fiscal Year Ended June 30,	Sewer Service Revenue	Percentage Change
2010	$ 7,592,325	51.66%
2011	$ 8,834,558	16.36%
2012	$ 9,233,000	4.51%
2013	$ 10,069,600	9.06%
2014	$ 10,157,200	0.87%
2015	$ 10,311,200	1.52%
2016	$ 11,647,257	12.96%
2017	$ 13,059,850	12.13%
2018	$ 13,634,548	17.06%
2019	$ 14,228,877	8.95%

Source: Las Gallinas Valley Sanitary District records

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



Historic Sewer Service Rates

Fiscal Year Ended June 30,	Sewer Service Rates	Percentage Change
2010	$ 476	57.1%
2011	$ 563	18.3%
2012	$ 590	4.8%
2013	$ 642	8.8%
2014	$ 647	0.8%
2015	$ 647	0.0%
2016	$ 734	13.4%
2017	$ 835	13.8%
2018	$ 898	7.5%
2019	$ 927	3.2%

Source: Las Gallinas Valley Sanitary District records

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

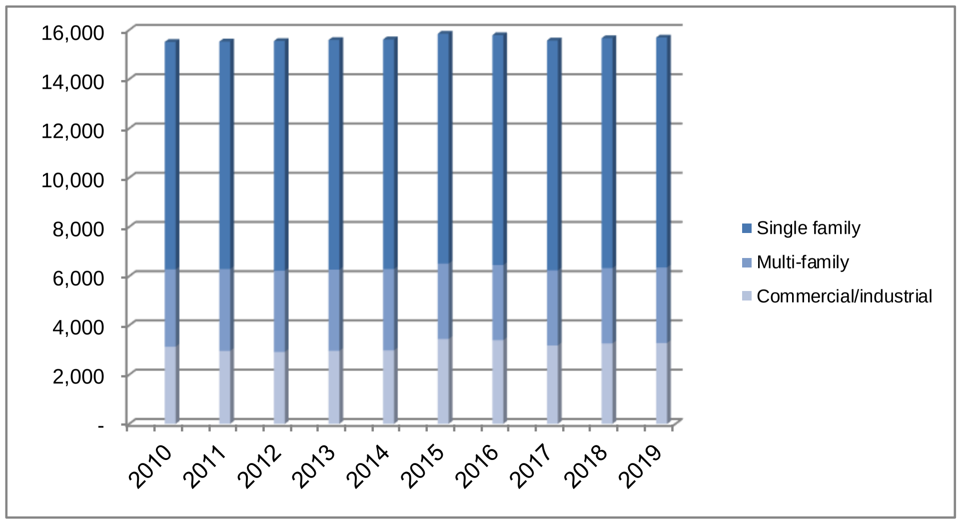
FY 2018/19			FY 2008/09		
Payer	**Total Paid**	**Percentage of Revenue Collected**	**Payer**	**Total Paid**	**Percentage of Revenue Collected**
County of Marin	$ 462,739	3.25%	Contempo Marin	$ 121,200	2.42%
Contempo Marin	386,839	2.72%	County of Marin	117,331	2.34%
Marin Valley Mobile Home Park	282,870	1.99%	Marin Valley Mobile Home Park	95,445	1.91%
Embassy Suites	263,084	1.85%	Northgate Mall	90,296	1.80%
Northgate Mall	240,836	1.69%	Bay Apartment Communities	77,873	1.55%
Bay Apartment Communities	213,119	1.50%	Embassy Suites	71,813	1.43%
BRE Properties	143,594	1.01%	Deer Valley Apartments	52,724	1.05%
Kaiser Hospital	138,588	0.97%	Sheraton Four Points	49,694	0.99%
San Rafael Hillcrest	138,310	0.97%	San Rafael Manor	48,482	0.97%
San Rafael Manor	134,417	0.94%	Northbay Properties II	45,452	0.91%
Total	**$ 2,404,396**	**16.90%**	**Total**	**$ 770,310**	**15.38%**

Source: Las Gallinas Valley Sanitary District records

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

June 30,

Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019 % of Total
Residential											
Single family	9,237	9,240	9,325	9,325	9,329	9,337	9,332	9,334	9,339	9,339	59.52%
Multi-family	3,142	3,323	3,302	3,298	3,300	3,060	3,053	3,050	3,059	3,065	19.53%
Subtotal	12,379	12,563	12,627	12,623	12,629	12,397	12,385	12,384	12,398	12,404	79.06%
Commercial/industrial	3,133	2,965	2,923	2,967	2,986	3,450	3,401	3,187	3,268	3,286	20.94%
Total	**15,512**	**15,528**	**15,550**	**15,590**	**15,615**	**15,847**	**15,786**	**15,571**	**15,666**	**15,690**	100.00%



Source: Las Gallinas Valley Sanitary District records
Revenue Projection 2018-19 Budget-2.xlsx

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

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

(in thousands)

	Fiscal Years Ended June 30,									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
GROSS REVENUES[1]					**As Restated**					
Sewer use charges	$ 14,229	$ 13,635	$ 13,060	$ 11,647	$ 10,311	$ 10,157	$ 10,069	$ 9,233	$ 8,835	$ 7,604
Property taxes	1,354	1,290	1,239	1,125	1,087	1,118	983	1,005	1,009	1,054
Recycled water fees	63	61	45	50	120	75	37	-	-	-
Other	660	590	261	188	177	186	125	177	691	146
TOTAL GROSS REVENUES	**16,306**	**15,576**	**14,605**	**13,010**	**11,695**	**11,536**	**11,214**	**10,415**	**10,535**	**8,804**
Marin Municipal Water District Debt Debt Reimbursement										
Bank of Marin	207	207	437	-	-	-	-	-	-	-
2017 Revenue Bonds	257	249	-	-	-	-	-	-	-	-
	463	455	437	-	-	-	-	-	-	-
OPERATING AND MAINTENANCE COSTS[2]										
Sewage collection, treatment and disposal	3,294	3,275	3,317	2,575	2,708	2,948	2,530	2,379	2,135	2,182
Laboratory	319	339	338	295	352	402	377	387	353	313
Engineering	470	650	532	448	435	325	296	-	-	-
Recycled water	181	69	57	98	109	90	60	-	-	-
General and administrative	(2,704)	2,208	1,719	1,635	1,467	1,692	2,093	1,726	1,756	1,564
Less accounting adjustment for pension expense and OPEB	(190)	(299)	(24)	145	48	-	-	-	-	-
TOTAL OPERATING AND MAINTENANCE COSTS	**1,369**	**6,242**	**5,939**	**5,196**	**5,119**	**5,457**	**5,356**	**4,492**	**4,244**	**4,059**
NET REVENUES	$ 14,936	$ 9,334	$ 8,666	$ 7,814	$ 6,576	$ 6,079	$ 5,858	$ 5,923	$ 6,291	$ 4,745

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

(in thousands)

	Fiscal Years Ended June 30,									
	2019	**2019**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
DEBT SERVICE[3]										
Current fiscal year	$ 3,995	$ 3,921	$ 1,543	$ 1,540	$ 1,540	$ 1,583	$ 1,591	$ 1,354	$ 755	$ 741
Next fiscal year	$ 4,719	$ 3,990	$ 3,921	$ 1,543	$ 1,540	$ 1,540	$ 1,583	$ 1,591	$ 1,354	$ 755
COVERAGE (1.25X Requirement)										
Current fiscal year	3.74	2.38	5.62	5.08	4.27	3.84	3.68	4.37	8.33	6.40
Next fiscal year	3.17	2.34	2.21	5.06	4.27	3.95	3.70	3.72	4.65	6.28
CASH FLOW FROM OPERATIONS	$ 8,587	$ 7,339	$ 7,336	$ 6,814	$ 5,190	$ 4,793	$ 5,059	$ 4,747	$ 5,604	$ 3,462

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

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

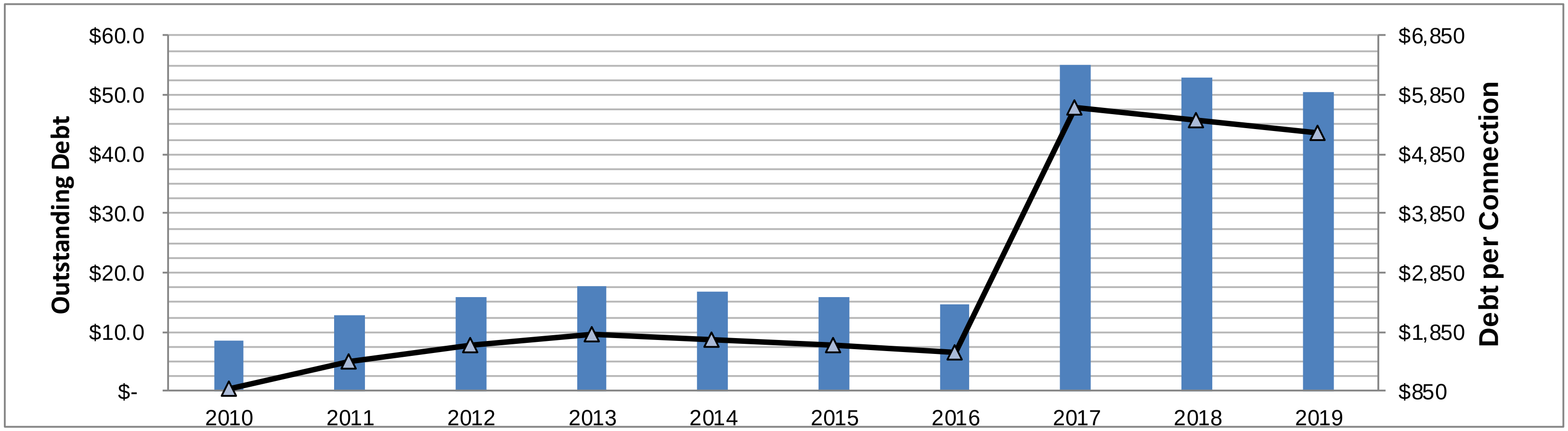
(1) Gross revenues includes all operating and nonoperating revenues and connection fees; excludes grants.

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

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

Las Gallinas Valley Sanitary District

Outstanding Debt Per Connection for the Past Ten Fiscal Years



Type of Debt

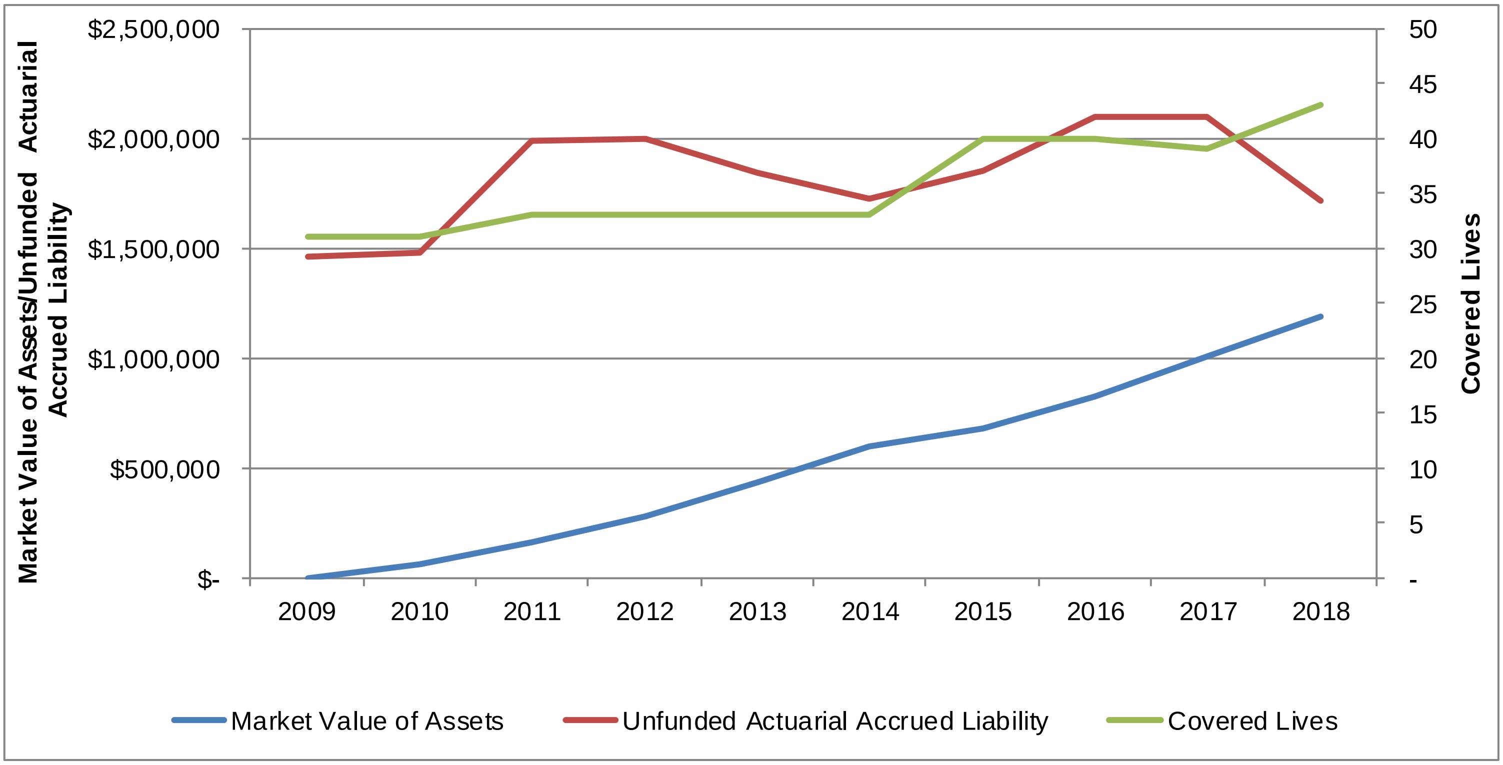
Fiscal Year Ended June 30,	COP As Restated	Notes Payable	State Revolving Fund	2017 Revenue Bond	Total Outstanding Debt	Debt per Capita[1,2]	Total Connections	Debt per Connection
2010	$ 8,493,705	$ -	$ -	$ -	$ 8,493,705	$ 292	9,650	$ 880
2011	$ 8,102,354	$ 4,600,000	$ 220,649	$ -	$ 12,923,003	$ 445	9,655	$ 1,338
2012	$ 7,696,005	$ 4,446,012	$ 3,720,274	$ -	$ 15,862,291	$ 546	9,735	$ 1,629
2013	$ 7,274,657	$ 6,144,972	$ 4,199,671	$ -	$ 17,619,300	$ 607	9,738	$ 1,809
2014	$ -	$ 12,749,974	$ 4,027,598	$ -	$ 16,777,572	$ 578	9,742	$ 1,722
2015	$ -	$ 11,928,573	$ 3,850,878	$ -	$ 15,779,451	$ 543	9,742	$ 1,620
2016	$ -	$ 11,079,644	$ 3,669,387	$ -	$ 14,749,031	$ 508	9,742	$ 1,514
2017	$ -	$ 10,196,639	$ 3,482,996	$ 41,368,492	$ 55,048,127	$ 1,896	9,742	$ 5,651
2018	$ -	$ 9,274,581	$ 3,291,572	$ 40,297,139	$ 52,863,292	$ 1,820	9,742	$ 5,426
2019	$ -	$ 8,327,949	$ 3,094,980	$ 39,225,786	$ 50,648,715	$ 1,744	9,742	$ 5,199

Source: Las Gallinas Valley Sanitary District records

[1] District population of 28,201 per the 2000 Census data for zip code 94903

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

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



Fiscal Year Ended June 30,	Market Value of Assets	Unfunded Actuarial Accrued Liability	Covered Lives
2009	$ -	$ 1,465,852	31
2010	$ 63,348	$ 1,482,985	31
2011	$ 160,698	$ 1,985,486	33
2012	$ 285,231	$ 2,000,604	33
2013	$ 433,543	$ 1,844,973	33
2014	$ 601,454	$ 1,721,266	33
2015	$ 684,028	$ 1,854,011	40
2016	$ 822,086	$ 2,093,879	40
2017	$ 1,010,968	$ 2,094,980	39
2018	$ 1,192,391	$ 1,716,981	43

Source: Las Gallinas Valley Sanitary District records

Demographic and Economic Statistics
for the Past Ten Fiscal Years

Fiscal Year Ended June 30,	Population [1]	Personal Income ($000) [2]	Per Capita Personal Income ($000) [2]	School Enrollment [3]	Unemployment Rate [4]
2009	250,750	$ 22,351,575	$ 89,139	29,615	8.1%
2010	252,789	$ 20,854,466	$ 82,498	30,140	8.2%
2011	255,031	$ 21,871,623	$ 85,761	30,574	8.1%
2012	256,069	$ 23,918,732	$ 93,407	31,868	7.0%
2013	258,365	$ 25,093,401	$ 97,124	32,793	5.1%
2014	260,750	$ 25,716,754	$ 98,626	33,207	4.2%
2015	261,221	$ 28,492,821	$ 109,076	33,638	3.5%
2016	260,651	$ 30,222,883	$ 115,952	33,633	3.5%
2017	263,886	$ 32,395,707	$ 124,731	33,741	2.4%
2018	262,879	$ 34,866,708	$ 134,275	unavailable	2.2%

Source: County of Marin Comprehensive Annual Financial Report for 2016/17

Notes:

[1] California Department of Finance - Price Factor and Population Information

2 US Department of Commerce, Bureau of Economic Analysis - www.bea.gov, the most recently available data is for 2018.

[3] California Department of Education, Educational Demographics Office - www.ed-data.org/County/Marin, the most recently available data is for 2017.

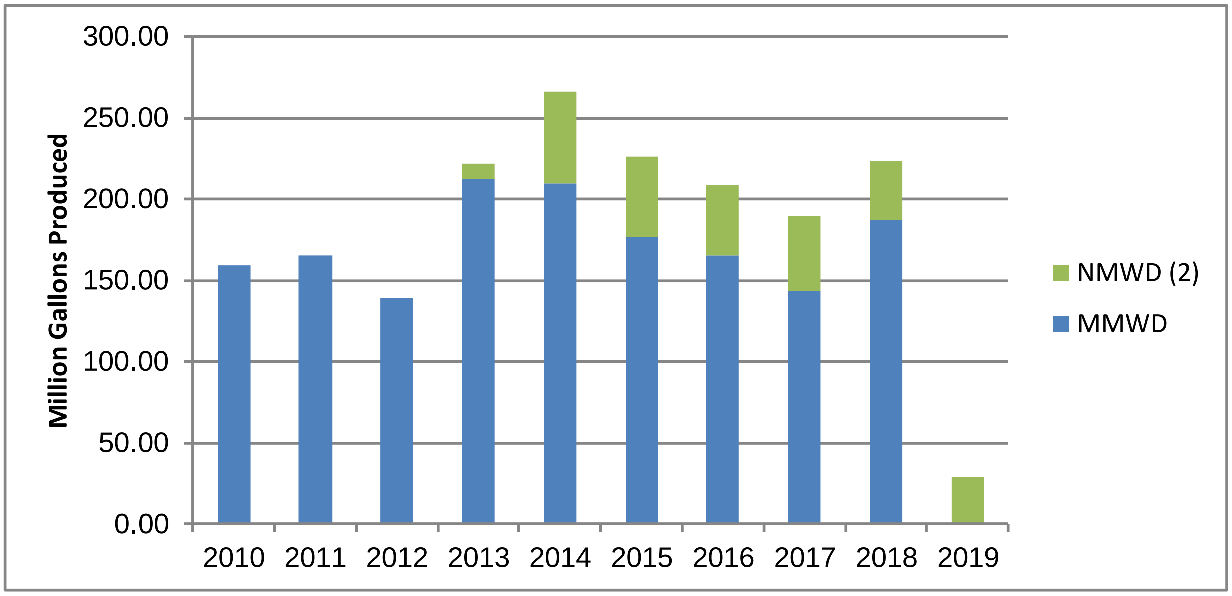
[4] Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov

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

2017			2007		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
County of Marin	2,305	1.67 %	County of Marin	2,215	1.75 %
Kaiser Permanente Medical Center	2,092	1.52%	San Quentin Prison	1,822	1.44%
BioMarin	1,700	1.23%	Kaiser Permanente	1,456	1.15%
Marin General Hospital	1,602	1.16%	Firemna's Fund Insurance Co.	1,125	0.89%
San Quentin State Prison	1,600	1.16%	Autodesk, Inc.	1,081	0.86%
Novato Unified School District	850	0.62%	Marin General Hospital	881	0.70%
Glassdoor	750	0.54%	Novato Unified School District	850	0.67%
San Rafael City Schools	700	0.51%	Safeway, Inc.	611	0.48%
Marin County Office of Education	600	0.44%	Macy's	605	0.48%
Dominican University	319	0.23%	BioMarin	557	0.44%
Total	**12,518**	**9.09%**		**11,203**	**8.86%**
Total County Employment	**137,700**		**Total County Employment**	**126,400**	

Sources:
Most recent available data from the County of Marin Comprehensive Annual Financial Report for 2016/17
Community Profile, County of Marin
Employment Development Department, Labor Market Information - www.Labormarketinfo.edd.ca.gov

Recycled Water Production for the Past Ten Fiscal Years



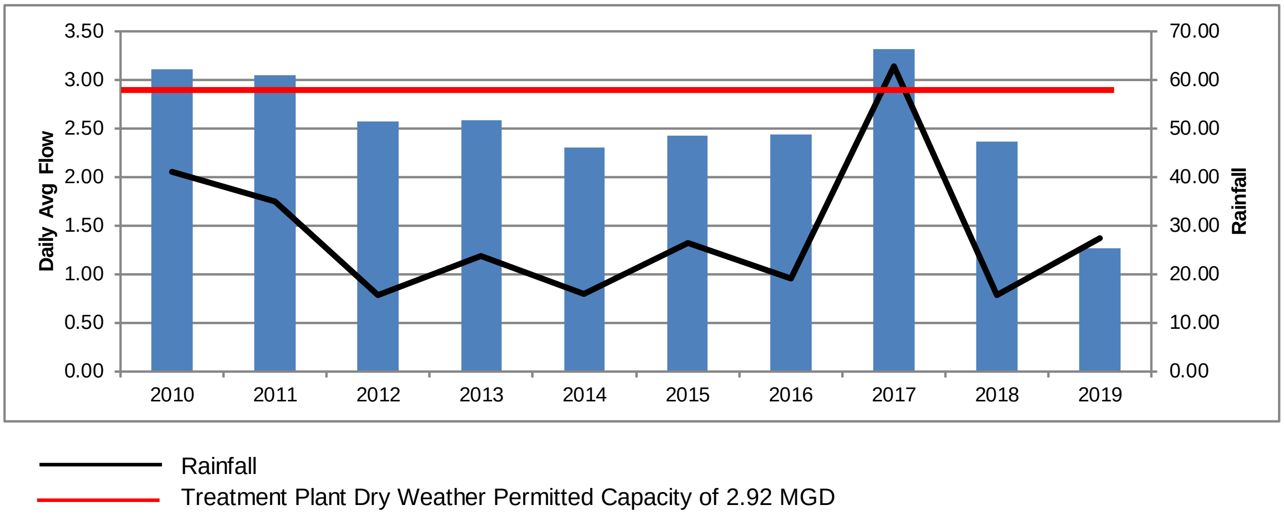
Fiscal Year Ended June 30,	Million Gallons Produced MMWD	NMWD (2)	Increase (Decrease)
2010	159.48	-	-15.44%
2011	165.39	-	3.71%
2012	139.35	-	-15.74%
2013	212.03	9.52	58.99%
2014	209.28	56.44	19.94%
2015	176.91	48.96	-15.00%
2016	164.98	43.97	-7.49%
2017	143.86	45.53	-9.36%
2018	186.66	36.44	6.77%
2019	0 (1)	28.87	-84.76%

Source: Las Gallinas Valley Sanitary District records

(1) MMWD has temporarily suspended intake of water until construction is completed of the Recycled Water Facility in 2020.

(2) The District began producing recycled water for NMWD in September 2012.

Daily Average Influent Flow
for the Past Ten Fiscal Years



Fiscal Year Ended June 30,		Daily Average Flow (MGD)[1]	Increase (Decrease)	Rainfall		Increase (Decrease)
2010		3.11	9.27%	41.00	2	65.66%
2011		3.05	-2.17%	35.00	2	-14.63%
2012		2.57	-15.60%	15.75	2	-55.00%
2013		2.59	0.78%	23.73	2	50.67%
2014		2.30	-11.20%	16.00	2	-32.57%
2015		2.43	5.65%	26.51	2	65.69%
2016		2.44	0.41%	19.10	1	-27.95%
2017		3.32	35.98%	62.80	3	228.80%
2018		2.36	-3.28%	15.67	4	-17.96%
2019	5	1.27	-61.72%	27.44	4	-56.31%

Sources:

[1] Las Gallinas Valley Sanitary District records

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

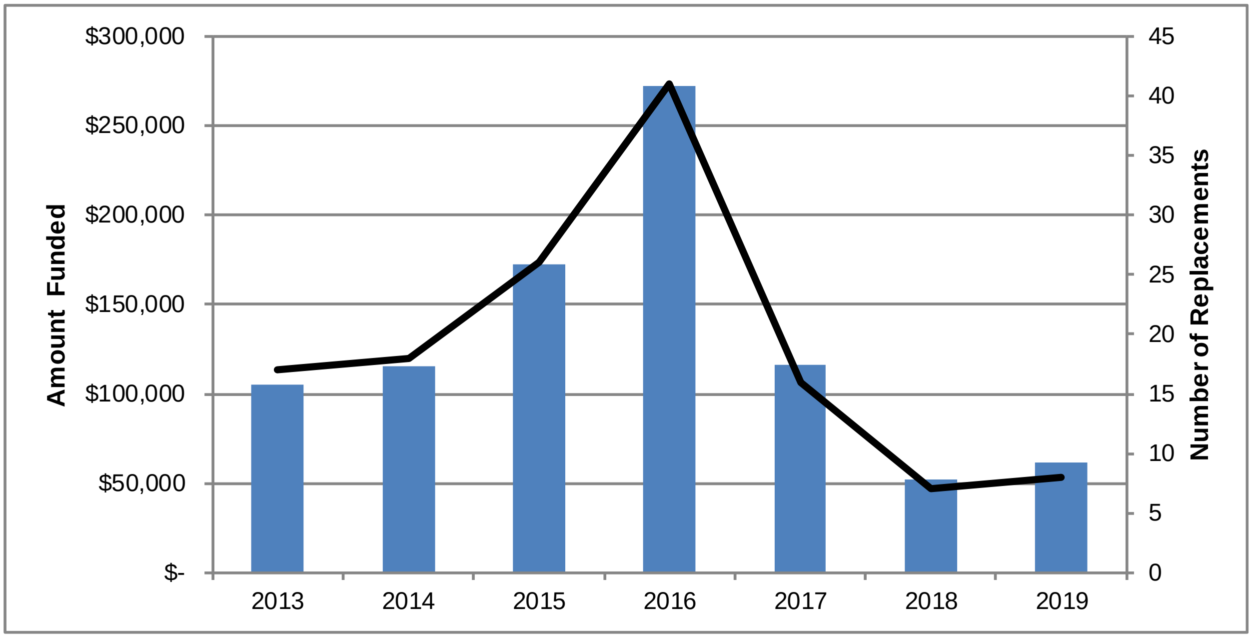
[3] National Weather Service Forecast Office, http://w2.weather.gov/climate/xmacis.php?wfo=mtr for San Rafael Civic Center, July - June

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

[5] Repairs were needed due to a pipe break during the first half of the year, so operations came to a halt.

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

Private Sewer Lateral Assistance Program
for the Past Six Fiscal Years

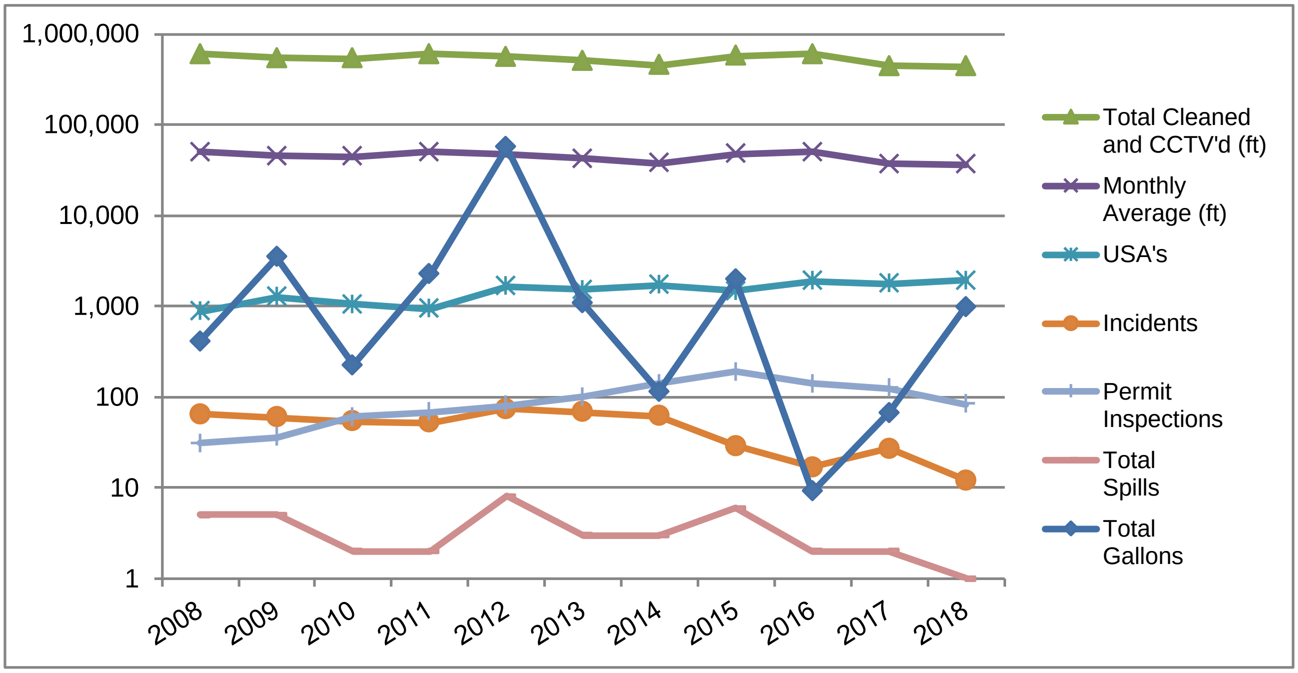


Fiscal Year Ended June 30,	Total Amount Funded	Increase (Decrease)	Number of Funded Replacements	Increase (Decrease)
2013	$ 104,831	-	17	4.62%
2014	$ 115,717	10.38%	18	5.88%
2015	$ 172,788	49.32%	26	44.44%
2016	$ 272,322	57.60%	41	57.69%
2017	$ 116,092	-57.37%	16	-60.98%
2018	$ 52,406	-23.39%	7	-56.25%
2019	$ 61,716	8.02%	8	14.29%

Source: Las Gallinas Valley Sanitary District records

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

Collection System Services
Past Ten Calendar Years



Calendar Year	Total Cleaned and CCTV'd (ft)	Monthly Average (ft)	USA's	Incidents	Permit Inspections	Total Spills	Total Gallons
2008	597,230	49,769	875	65	31	5	409
2009	538,127	44,844	1,272	59	36	5	3,455
2010	535,844	44,654	1,053	54	60	2	225
2011	596,551	49,713	927	52	68	2	2,220
2012	561,940	46,828	1,645	74	81	8	56,190
2013	505,587	42,132	1,521	68	100	3	1,073
2014	452,649	37,721	1,721	62	141	3	114
2015	573,209	47,767	1,467	29	190	6	1,964
2016	597,656	49,805	1,896	17	141	2	9
2017	444,989	37,082	1,773	27	125	2	67
2018	436,928	36,410	1,918	12	83	1	975

Source: Las Gallinas Valley Sanitary District records

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

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

Fiscal Year Ended June 30,	Operations	Engineering	Laboratory[1]	Collection System	Administration	Board	Total
2010	5	1	2	5	4	5	22
2011	6	2	2	5	4	5	24
2012	6	2	2	5	4	5	24
2013	6	2	2	5	4	5	24
2014	6	2	2	5	4	5	24
2015	6	3	2	5	4	5	25
2016	7	3	2	5	4	5	26
2017	7	3	2	5	4	5	26
2018	7	2	2	5	4	5	25
2019	7	2	2	5	4	5	25

Source: Las Gallinas Valley Sanitary District records

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