

RICHARDSON BAY SANITARY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



RICHARDSON BAY SANITARY DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements:	
Statements of Net Position	8
Statements of Revenues and Expenses and Changes in Net Position	9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-29
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios (Administered by CalPERS)	30
Schedule of the District's Pension Contributions	31
Schedule of Changes in the Net OPEB Liability and Related Ratios	32
Schedule of the District's OPEB Contributions	33
Supplementary Information:	
Supplemental Schedules of Operating and System Maintenance and General and Administrative Expenses	34
Schedule of Activity in Cash Reserved for Infrastructure and Other Improvements	35
Statistical Information	37 - 38

INDEPENDENT AUDITORS' REPORT

Board of Directors,
Richardson Bay Sanitary District

We have audited the accompanying financial statements of Richardson Bay Sanitary District as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial statement audits contained in the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Richardson Bay Sanitary District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with

accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the required supplementary information included on pages 30-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standard Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Richardson Bay Sanitary District's basic financial statements. The additional information on pages 34 through 37 is presented for purposes of additional analysis and is not a required part of the financial statements. It is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, procedures as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional information on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

March 16, 2021

RICHARDSON BAY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

This section of the District's Independent Audit Report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the District's general purpose financial statements and accompanying notes, which follow this section.

Economic Factors and Next Year's Operating Plans

As a result of increasing operating costs, the District obtained an evaluation of the District's rates and operating costs. The Board concluded the District was required to increase its rates to cover increasing operating costs, the most significant being the sewage processing performed by Sewerage Agency of Southern Marin. During the fiscal year ended June 30, 2016, the District approved rate increases through the year ending June 30, 2021. The rate is increasing over the five-year period from \$246 to \$826 for single family residences and non-residential units and from \$246 to \$565 for multi-family residential units.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amount of investment resources (assets) and obligations (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the net position of the District is improving or deteriorating.

All 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's operations over the past year and can be used to determine credit worthiness and whether the District has successfully recovered all of its cost 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 and cash payments made during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

Financial Analysis

This discussion is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of two components: 1) District financial statements, and 2) notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

The following are the District's condensed statements of net position:

	2020	2019	Increase (Decrease) Over 2019	Percent Increase (Decrease)	2018	Increase (Decrease) Over 2018
Cash and cash equivalents	\$ 5,430,335	\$ 4,406,277	\$ 1,024,058	23.24%	\$ 2,986,219	\$ 1,420,058
Board restricted reserves	1,963,873	1,923,951	39,922	2.08%	2,011,967	(88,016)
Property	12,737,769	12,870,406	(132,637)	-1.03%	13,268,580	(398,174)
Deferred outflows of resources	3,015,782	746,810	2,268,972	303.82%	592,800	154,010
Total assets and deferred outflows of resources	<u>23,147,759</u>	<u>19,947,444</u>	<u>3,200,315</u>	16.04%	<u>18,859,566</u>	<u>1,087,878</u>
Payables and other current liabilities	215,760	106,349	109,411	102.88%	92,187	14,162
Long-term debt and related deferred inflows of resources	5,690,022	3,251,970	2,438,052	74.97%	3,070,024	181,946
Total liabilities and deferred inflow of resources	<u>5,905,782</u>	<u>3,358,319</u>	<u>2,547,463</u>	75.86%	<u>3,162,211</u>	<u>196,108</u>
Net position:						
Net investment in capital assets	12,737,769	12,870,406	(132,637)	-1.03%	13,268,580	(398,174)
Unrestricted	4,504,208	3,718,719	785,489	21.12%	2,428,775	1,289,944
Total net position	<u>\$ 17,241,977</u>	<u>\$ 16,589,125</u>	<u>\$ 652,852</u>	3.94%	<u>\$ 15,697,355</u>	<u>\$ 891,770</u>

Net Position Statement and Analysis

The District's total net position increased by \$652,852, or 3.94% for the year ended June 30, 2020. The increase in net position is principally attributed to the District's financial results. The District lost approximately \$1,473,000 from operating activities, which was offset by approximately \$2,121,000 in property tax collections resulting in net increase in net position of approximately \$653,000.

During the year ended June 30, 2020, the District made minor equipment purchases totaling \$421,782. Also during the year, the District executed an agreement to borrow \$2,383,000, which was used to pay down the District's pension obligation.

The District's total net position increased by \$891,770, or 5.68% for the year ended June 30, 2019. The increase in net position is principally attributed to the District's financial results. The District lost approximately \$1,241,000 from operating activities, which was offset by approximately \$2,123,000 in property tax collections and interest income, and capital contribution of approximately \$10,000, resulting in net increase in net position of approximately \$892,000.

During the year ended June 30, 2019, the District made minor equipment purchases totaling \$121,653.

RICHARDSON BAY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

Net Position Statement and Analysis (continued)

As of June 30, 2020, 23.24% of the District's net position was held in cash available for operations. The District did not require any long-term financing to fund operations or capital improvements in 2020, however as indicated previously, the District elected to acquire debt through a bond to pay down its pension obligation.

The following are the District's condensed statements of revenue, expenses, and changes in net position:

	2020	2019	Increase (Decrease) Over 2019	Percent Increase (Decrease)	2018	Increase (Decrease) Over 2018
Operating revenues	\$ 3,466,454	\$ 3,216,107	\$ 250,347	7.78%	\$ 2,630,383	\$ 585,724
Nonoperating revenues	2,259,090	2,122,807	136,283	6.42%	1,973,069	149,738
Total revenues	5,725,544	5,338,914	386,630	7.24%	4,603,452	735,462
Operating expenses	4,939,021	4,457,308	481,713	10.81%	4,319,949	137,359
Nonoperating expenses	133,671	-	133,671	100.00%	-	-
Total expenses	5,072,692	4,457,308	615,384	13.81%	4,319,949	137,359
Change in net assets	652,852	881,606	(228,754)	-25.95%	283,503	598,103
Net position - beginning of period	16,589,125	15,697,355	891,770	5.68%	16,444,496	(747,141)
Prior Period Adjustment - GASB 75	-	-	-	-	(1,050,476)	1,050,476
Contributed capital	-	10,164	(10,164)	-100.00%	19,832	(9,668)
Net position - end of period	<u>\$ 17,241,977</u>	<u>\$ 16,589,125</u>	<u>\$ 652,852</u>	3.94%	<u>\$ 15,697,355</u>	<u>\$ 891,770</u>

Revenue, Expenses and Changes in Net Position Statement and Analysis

Operating revenues increased by \$250,347 during the year ended June 30, 2020. The District approved increase in sewer service rates for all customers over a five-year period. The fourth-rate increase occurred during the year ended June 30, 2020. As a result, the District received \$271,589 more in sewer service charges during the year ended June 30, 2020 compared to the year ended June 30, 2019. The District received approximately \$98,000 more in property taxes during the year ended June 30, 2020 compared to the year ended June 30, 2019. The increase was attributed to an increase in secured property taxes and excess ERAF charges. Of the \$481,713 increase in operating expenses, the change is principally attributed to a \$98,609 increase for sewage collecting and processing by Sewerage Agency of Southern Marin (SASM) and an increase in benefits due to pension costs of \$184,221.

Operating revenues increased by \$585,724 during the year ended June 30, 2019. The District approved increase in sewer service rates for all customers over a five-year period. The third-rate increase occurred during the year ended June 30, 2019. As a result, the District received \$619,529 more in sewer service charges during the year ended June 30, 2019 compared to the year ended June 30, 2018. The District received approximately \$93,000 more in property taxes during the year ended June 30, 2019 compared to the year ended June 30, 2018. The increase

RICHARDSON BAY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

Revenue, Expenses and Changes in Net Position Statement and Analysis (continued): was attributed to an increase in secured property taxes. Of the \$137,359 increase in operating expenses, the change is principally attributed to a \$212,020 increase for sewage collecting and processing by Sewerage Agency of Southern Marin (SASM) and a reduction of repairs and maintenance of \$74,926.

The District and five other districts are members of a joint powers authority which operates SASM. SASM's purpose is to treat and dispose of sewage collected by member agencies. SASM's revenue is derived from charging the six-member agencies to cover projected operating and finance costs. It is expected the fee charged by SASM will increase at a rate of more than 3% each year for the foreseeable future.

Capital Assets

The District made major replacements and improvements to its infrastructure between the years ended June 30, 2009 and 2015. After the completion of the projects, as of June 30, 2015, approximately seventy percent of the sewerage lines within the District had been replaced. Going forward, the District's approach will be to make minor improvements with the intention of replacing sewerage lines on a rolling basis. The District has developed and continually updates a comprehensive plan for replacement and improvement of sewer lines, pump stations, facilities, and other District equipment. Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Accounting System and Budgetary Control

Management of the District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are made to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management and board authorization and are properly recorded to permit the preparation of financial statements. We believe that the District's internal accounting controls do adequately safeguard assets and provide reasonable assurance that financial transactions are recorded properly.

The District is a California Special District maintained in a single enterprise fund. As a special district, charges to customers are made only to those who receive services. The District's account structure, insofar as is practical and in accordance with generally accepted accounting principles, generally follows the State Controller's System of Accounts and Waste Management Districts, a set of procedures that provides the general accounting and reporting guidelines to be used by all California Special Districts performing waste management enterprise activities.

RICHARDSON BAY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

Accounting System and Budgetary Control (continued): The District and its Board adopts an annual non-appropriated budget and a long-term capital improvements budget to serve as its approved financial plan. Any increases in connection fees and infrastructure charges are likewise approved by the Board after public hearings. The budget is used as a key control device: (1) to ensure Board approval for amounts set for operations and capital improvements; (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 budgets.

RICHARDSON BAY SANITARY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 5,430,335	\$ 4,406,277
Total current assets	5,430,335	4,406,277
Other Assets:		
Board restricted cash reserves	1,963,873	1,923,951
Property, plant and improvements-net	12,737,769	12,870,406
Total other assets	14,701,642	14,794,357
Total Assets	20,131,977	19,200,634
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension related	2,869,727	617,343
OPEB related	146,055	129,467
Total Deferred Outflows of Resources	3,015,782	746,810
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	58,160	74,342
Compensated absence liability	31,350	31,007
Deposits	2,000	1,000
Accrued interest	53,250	-
Current portion of bond payable	71,000	-
Total current liabilities	215,760	106,349
Long-term Liabilities:		
Net pension liability	2,096,149	1,871,203
Bond payable	2,312,000	-
Net OPEB liability	774,129	955,616
Total Liabilities	5,398,038	2,933,168
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension related	365,519	420,871
OPEB related	142,225	4,280
Total Deferred Inflows of Resources	507,744	425,151
<u>NET POSITION</u>		
Net investment in capital assets	12,737,769	12,870,406
Unrestricted	4,504,208	3,718,719
Net Position	\$ 17,241,977	\$ 16,589,125

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Sewer service charges	\$ 3,438,128	\$ 3,166,539
Connection charges	16,835	27,664
Other	11,491	21,904
	<u>3,466,454</u>	<u>3,216,107</u>
Operating Expenses:		
Sewerage processing costs (SASM)	2,705,221	2,606,612
Operating and maintenance	1,217,227	957,070
General and administrative	462,154	373,799
Depreciation	554,419	519,827
	<u>4,939,021</u>	<u>4,457,308</u>
Operating Loss	<u>(1,472,567)</u>	<u>(1,241,201)</u>
Non-Operating Revenues/(Expenses):		
Property taxes	2,121,463	2,022,635
Investment income	137,627	100,172
Interest expense	(53,250)	-
Bond issuance costs	(80,421)	-
	<u>2,125,419</u>	<u>2,122,807</u>
Increase in Net Position	652,852	881,606
Net Position, Beginning of Year	16,589,125	15,697,355
Contributed Capital	-	10,164
Net Position, End of Year	<u>\$ 17,241,977</u>	<u>\$ 16,589,125</u>

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from service, connection and other charges	\$ 3,467,454	\$ 3,216,107
Cash paid for:		
Sewerage processing costs	2,705,221	2,606,612
Operating and system maintenance	1,232,342	936,666
General and administrative	462,878	380,041
Change in net pension and OPEB debt and related inflows and outflows of resources	2,142,920	(27,936)
Total	<u>6,543,361</u>	<u>3,895,383</u>
Cash used for operating activities	<u>(3,075,907)</u>	<u>(679,276)</u>
Cash Flows from Investing Activities: Interest income	<u>137,627</u>	<u>100,172</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from bond payable	2,383,000	-
Bond issuance costs	(80,421)	-
Contributed capital	-	10,164
Property additions	(421,782)	(121,653)
Cash provided by (used for) capital and related financing activities	<u>1,880,797</u>	<u>(111,489)</u>
Cash Flows from Non-Capital and Related Financing Activities:		
Property taxes collected	<u>2,121,463</u>	<u>2,022,635</u>
Net Increase in Cash and Cash Equivalents, and Restricted Cash	<u>1,063,980</u>	<u>1,332,042</u>
Cash and Cash Equivalents, and Restricted Cash, Beginning of Year	<u>6,330,228</u>	<u>4,998,186</u>
Cash and Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 7,394,208</u>	<u>\$ 6,330,228</u>
Reconciliation of Cash and Cash Equivalents, and Restricted Cash to Amounts Reported on the Statement of Net Position:		
Cash and cash equivalents	\$ 5,430,335	\$ 4,406,277
Board restricted cash reserves	1,963,873	1,923,951
	<u>\$ 7,394,208</u>	<u>\$ 6,330,228</u>

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT
RECONCILIATIONS OF OPERATING LOSS TO CASH
REQUIRED BY OPERATING ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Loss	\$ (1,472,567)	\$ (1,241,201)
Add or deduct items not requiring the use of cash:		
Depreciation	554,419	519,827
Changes in operating assets and liabilities:		
Deposits	1,000	-
Accounts payable	(16,182)	8,074
Compensated absence liability	343	6,088
Net pension debt	224,946	22,231
Change in deferred outflows and inflows of resources related to pension	(2,307,736)	44,645
Net OPEB liability	(181,487)	(30,846)
Change in deferred outflows and inflows of resources related to OPEB	121,357	(8,094)
Net Cash Required by Operating Activities	\$ (3,075,907)	\$ (679,276)
 Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ -	\$ -

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. THE ORGANIZATION

Richardson Bay Sanitary District (District) is an independent special district that provides sewage collection services in portions of the Town of Tiburon, California and adjacent unincorporated areas of Marin County. The District is a proprietary fund, also referred to as an enterprise fund, which is a fund established by governmental agencies to account for goods and services provided to the general public that are financed primarily through user charges.

The District's cash and cash equivalents and Board restricted reserves include demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The District's cash is pooled with other similar funds administered by the County of Marin. Investments are reported at fair value. The County of Marin is restricted by State statute to invest in its own bonds, U.S. Treasury notes, commercial paper, and like investments. Interest earned on pooled funds is allocated to the District quarterly based on the District's average daily balance.

In 1979, the District joined with five similar districts in southern Marin County to create the Sewerage Agency of Southern Marin (SASM). SASM was formed to provide, at cost, final treatment to the sewage collected by member districts. Each district is charged an annual fee based on SASM's estimated operating costs, (including principal and interest repayments on debt and certain capital improvement costs) and the relative number of equivalent dwelling units contained within its boundaries.

As of June 30, 2019, SASM has an outstanding balance of \$37,135,000 in revenue bond debt. The bonds mature over a 30-year period ending in 2046. The bonds are financing a significant capital improvement program and related costs that remaining under construction as of June 30, 2019. Additionally, SASM has an unfunded actuarial accrued liability of approximately \$5.5 million for pension and other post-employment benefits provided to its employees. As a member of SASM, the District's future assessments for sewage treatment cost will include its pro-rata share to cover these obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Certain amounts in the financial statements have been reclassified to conform with the current presentation.

Basis of Presentation and Accounting: The activities of the District are accounted for in a single enterprise fund using the accrual basis of accounting. The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, these notes to the basic financial statements, and required supplementary information. Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting (continued): providing services and processing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the households and commercial and public facilities in the District for sewer service. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District, as authorized by its Board of Directors, charges new users a fee to pay for capital improvements necessitated by their addition. Fees received have been treated as contributed capital and have been expended solely on infrastructure improvements.

Cash and Cash Equivalents: Cash equivalents include short-term, highly liquid, unrestricted investments administered by the County of Marin. The District's policy for deposits is that they will be made in institutions in California; they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2020, \$7,105,240 of the District's bank balances were exposed to credit risk.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. All monies held with the County of Marin are not evidenced by specific securities; and therefore, are not subject to custodial credit risk disclosure requirements.

State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the County of Marin's Treasurer's Investment Pool Policy to comply with those standards. The monies held with Marin County are unrated.

For statement of cash flow purposes, cash and cash equivalents include both unrestricted and reserve accounts.

Receivables, Property Taxes and Sewer Service Revenues: Property taxes are levied as of July 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes. Accordingly, the District provides for no allowance for doubtful accounts.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables, Property Taxes and Sewer Service Revenues (continued): Sewer service fees are set by the District based upon rates applied to the number of equivalent dwelling units (EDUs). For residential properties the rate is one EDU. Commercial properties are based on a calculated number of EDUs based on a measurement of water flow. The sewer service fees are incorporated into the property tax billings, and such fees are due in two equal installments on December 10 and April 10 following the assessment date. The District recognizes these fees as revenues in the year earned, which is also the year in which the service is provided to properties within the District. Under the Teeter Plan arrangement discussed above, the County remits substantially all of the sewer fees to the District each year, and the County bears the burden of any uncollectible accounts. Therefore, the District does not provide for an allowance for uncollectible accounts or bad debts.

Property, Plant, and Improvements: Property, plant and improvements are recorded at cost. Depreciation is computed using the straight-line method over the estimated lives of the assets as follows:

Sewer lines and pump stations	15-40 years
Management facilities and water reclamation equip	10-20 years
Generators, office equipment and tools	5-40 years

The normal cost of maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

Compensated Absences: The District accrues a liability for vacation earned by District employees because future payment for such absences has been earned. The District does not provide for payment of unused sick leave at termination dates.

Pensions: For purposes of measuring the net pension liabilities, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees Retirement System (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 Post-Employment 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 Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on the when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracted that have a maturity at the time of purchase of one year or less, which are reported at cost.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows: The District recognizes deferred outflows and inflows of resources pursuant to GASB Statement Number 68 and 75. A deferred outflow of resources is defined as a consumption of net asset (net position) by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Net Position: The financial statements utilize a net position presentation. Net positions are categorized as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- Restricted Net Position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2020 and 2019, there is no restricted net position.
- Unrestricted Net Position - This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

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, the disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. BOARD RESTRICTED CASH RESERVES

The Board of Directors has authorized the establishment of cash reserves as of June 30 for the following purposes:

	<u>2020</u>	<u>2019</u>
Sewer line replacement	\$ 2,955,000	\$ 2,950,000
Pumping facilities replacement	2,080,000	1,920,000
Vehicle replacement	315,000	385,000
Shop and office	170,000	146,500
Catastrophic event reserve	<u>1,000,000</u>	<u>1,000,000</u>
Total authorization	6,520,000	6,401,500
Unfunded portion	<u>4,556,127</u>	<u>4,477,549</u>
Funded reserves	\$ <u><u>1,963,873</u></u>	\$ <u><u>1,923,951</u></u>

Withdrawals occur only upon approval of the District's board.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. PROPERTY, PLANT AND IMPROVEMENTS

Changes in the District’s property, plant, and improvements and accumulated depreciation for the years ended June 30, 2020 and 2019 is summarized as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Historical Cost:</u>				
Sewer line and pump stations	\$ 18,496,709	\$ 102,975	\$ -	\$ 18,599,684
Management facilities and water reclamation equipment	1,876,350	12,896	-	1,889,246
Generators, office equipment and tools	<u>704,248</u>	<u>5,782</u>	<u>-</u>	<u>710,030</u>
Total	<u>21,077,307</u>	<u>121,653</u>	<u>-</u>	<u>21,198,960</u>
<u>Accumulated Depreciation:</u>				
Sewer line and pump stations	5,540,119	462,009	-	6,002,128
Management facilities and water reclamation equipment	1,681,355	39,911	-	1,721,266
Generators, office equipment and tools	<u>587,253</u>	<u>17,907</u>	<u>-</u>	<u>605,160</u>
Total	<u>7,808,727</u>	<u>519,827</u>	<u>-</u>	<u>8,328,554</u>
Property, Equipment and Improvements - net	<u>\$ 13,268,580</u>	<u>\$ (398,174)</u>	<u>\$ -</u>	<u>\$ 12,870,406</u>

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

	Balance June 30, 2019	Additions	Transfers/ Deletions	Balance June 30, 2020
<u>Historical Cost:</u>				
Sewer line and pump stations	\$ 18,599,684	\$ 82,530	\$ -	\$ 18,682,214
Management facilities and water reclamation equipment	1,889,246	5,974	(3,960)	1,891,260
Generators, office equipment and tools	710,030	333,278	(82,318)	960,990
Total	21,198,960	421,782	(86,278)	21,534,464
<u>Accumulated Depreciation:</u>				
Sewer line and pump stations	6,002,128	465,677	-	6,467,805
Management facilities and water reclamation equipment	1,721,266	37,076	(3,960)	1,754,382
Generators, office equipment and tools	605,160	51,666	(82,318)	574,508
Total	8,328,554	554,419	(86,278)	8,796,695
Property, Equipment and Improvements - net	\$ 12,870,406	\$ (132,637)	\$ -	\$ 12,737,769

5. LONG-TERM OBLIGATION

The District entered into a financing agreement with Capital One Public Financing, LLC, a private lender, on March 10, 2020, for \$2,383,000 of Taxable Pension Obligation Bonds. The obligation was to reduce the District's pension obligation. The note payable has a maturity date of August 1, 2035. Principal payments are due each August 1st; and interest payments are due each August 1st and February 1st commencing in August 2020 through August 2035. The note bears interest at 3.39%. The net proceeds from the sale, after paying issuance costs, underwriter fees, and other costs was \$2,302,579 which has been paid to California Public Employees Retirement System.

Interest expense incurred totaled \$53,250 for the year ended June 30, 2020. No interest was paid during the year ended June 30, 2020. Bond issuance costs of \$80,421 were expensed during the year ended June 30, 2020.

The bonds are subject to redemption at the option of the District on or after August 1, 2028.

Future minimum payments are as follows for the years ending June 30:

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

		Principal	Interest	Total
2021	\$	71,000	\$ 71,063	\$ 142,063
2022		84,000	76,953	160,953
2023		104,000	73,766	177,766
2024		117,000	70,020	187,020
2025		132,000	65,800	197,800
2026-2030		819,000	252,277	1,071,277
2031-2036		1,056,000	93,311	1,149,311
	\$	2,383,000	\$ 703,190	\$ 3,086,190

6. CALPERS RETIREMENT PLAN

Plan Description: Employees of the District are provided with pension benefits under a plan which is part of a cost-sharing multiple-employer public employee pool of similar organizations administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating California public entities. Benefits provisions and all other requirements are established by State Statute and District Ordinances. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CalPERS. That report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

6. CALPERS RETIREMENT PLAN (continued)

Benefits Provided: CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. Retirement benefits are determined as 3 percent of the employee's final 3-year average compensation multiplied by the employee's number of years of service. Employees with 5 years of continuous service are eligible to retire at age 60.

Contributions: Contribution requirements of active employees and the Districts are established and may be amended by the District. Employees are required to contribute 8.0% of their annual pay. The District's contractually required contribution rate was 16.41% and 15.72% of covered payroll for the years ended June 30, 2020 and 2019, respectively. The rate was actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions made to the pension plan from the District were \$2,459,150 and \$128,227 for the year ended June 30, 2020 and 2019, respectively. The District's proportionate share of employer contributions allocated to its CalPERS account was \$246,320 and \$221,497 for the year ended June 30, 2019 and 2018.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the District reported a liability of \$2,096,149 and \$1,871,203, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 for the District's fiscal year ended June 30, 2020 and measured as of June 30, 2018 for the District's fiscal year ended June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liabilities 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 public entities, actuarially determined. At June 30, 2020 and 2019, the District's proportion was 0.021% and 0.050%, respectively.

6. CALPERS RETIREMENT PLAN (continued)

For the year ended June 30, 2020 and 2019, the District recognized pension expense of \$376,504 and \$178,288, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance at June 30, 2020		
Difference between expected and actual experience	\$ 125,091	\$ 10,214
Changes of assumptions	90,505	30,803
Net difference between projected and actual earnings on pension plan investments	60,465	131,343
Changes in proportion and differences between District contributions and proportionate share of contributions	134,516	193,159
District contributions subsequent to the measurement date	2,459,150	-
Total	\$ 2,869,727	\$ 365,519
	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance at June 30, 2019		
Difference between expected and actual experience	\$ 203,638	\$ 47,915
Changes of assumptions	65,799	23,145
Net difference between projected and actual earnings on pension plan investments	96,329	189,302
Changes in proportion and differences between District contributions and proportionate share of contributions	123,350	160,509
District contributions subsequent to the measurement date	128,227	-
Total	\$ 617,343	\$ 420,871

6. CALPERS RETIREMENT PLAN (continued)

The \$2,459,150 reported as a deferred outflow of resources as of June 30, 2020 relates to pension payments from the District for contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liabilities in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following fiscal

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

years as follows:

2021	\$	70,685
2022		(33,811)
2023		1,858
2024		6,326
Net inflows and outflows	\$	<u>45,058</u>

Actuarial Assumptions: The total pension liabilities in the June 30, 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15 percent, net of investment expense, including inflation
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchase Power Protection Allowance Floor on Purchasing Power applies

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.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that

6. CALPERS RETIREMENT PLAN (continued)

Discount Rate (continued): 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 periods of projected benefit payments to determine the total pension liability.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

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

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

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

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

6. CALPERS RETIREMENT PLAN (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 3,177,651	\$2,096,149	\$ 1,203,444

In December 2016 CalPERS' Board of Administration decided to lower the discount rate and investment rate of return assumptions that are used in the calculation of the net pension liability. The rates will decrease to 7.00% by fiscal year ending June 30, 2021. The impact on the District's financial statements will be an increase in the District's proportionate share of the net pension liability.

Pension plans' fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial report.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan, California Employer's Retiree Benefit Trust (CERBT), a CalPERS program to assist agencies to advance fund OPEB. The HC Plan provides employees who retire directly from the District, at a minimum age of 50, with a minimum of five years of service, a cash subsidy for monthly medical insurance premiums. The District pays 100% of the monthly medical premium, not to exceed the premium for Kaiser coverage, and 100% of the dental premium. Payments are made for the lifetime of the employee and the employee's spouse. A separate financial report is not prepared for the HC Plan.

Contributions are invested. The District is responsible for paying monthly OPEB premiums. The District has the ability to request withdrawals from CERBT to cover current annual premiums.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Employees Covered: As of June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC plan.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Active employees	4
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	0
Total	9

Funding Policy: The contribution requirements of the Plan members and the District are established and may be amended by the District. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2020, the District’s contributions were \$85,933 in payments to the trust, \$38,868 in current year premiums for retired employees, and \$4,943 of estimated implied subsidy resulting in total payments of \$129,744. For the year ended June 30, 2019, the District’s contributions were \$87,524 in payments to the trust, \$38,821 in current year premiums for retired employees, and \$3,122 of estimated implied subsidy resulting in total payments of \$129,467.

Net OPEB Liability: The District’s net OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions.

Discount Rate	5.75%
Inflation	2.75%
Salary increases	3.25% per year, including inflation
Investment rate of return	5.75%
Mortality Rate	Derived from 2014 CalPERS OPEB Assumptions model
Pre-Retirement Turnover	Derived from 2014 CalPERS OPEB Assumptions model
Healthcare Trend Rate	Medical increases of 5.0% in 2020, 4.75% in 2022, 4.5% each year after 2022. Dental premium increases of 4.0% per year.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns,

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

net of investment expense and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of investment strategy #2 of the CERBT trust, and the expected yields are taken from a recent CalPERS publication for the Pension Fund:

<u>Asset Class</u>	<u>Percentage of Fund</u>	<u>Real Return, next 10 years</u>
Global equity	40.0%	5.25%
Fixed income	39.0%	0.99%
Treasury securities	10.0%	0.45%
Real estate trusts	8.0%	4.50%
Commodities	3.0%	3.90%
Total	<u>100%</u>	

Discount Rate: The cash flows of the HC plan were projected to future years, assuming that the District will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 5.75%.

OPEB Plan Fiduciary Net Position: CERBT issues a publicly available financial report that may be obtained from CalPERS, PO Box 1494, Sacramento, CA 95812.

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position 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. For the net difference between projected and actual earnings on HC Plan investments it is 5 years. All other differences are recognized over a period based on the expected average remaining service lifetime (EARS�).

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Changes in the OPEB Liability: The changes in the net OPEB liability for the HC Plan are as follows:

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018 (Valuation Date June 30, 2017)	\$ 1,359,662	\$ 373,200	\$ 986,462
Changes recognized for the measurement period:			
Service cost	31,678	-	31,678
Interest	76,820	-	76,820
Contributions - employer	-	116,247	(116,247)
Net investment income	-	23,289	(23,289)
Benefit payments	(47,332)	(47,332)	-
Administrative expense	-	(192)	192
Net changes	61,166	92,012	(30,846)
Balance at June 30, 2019 (Valuation Date June 30, 2018)	1,420,828	465,212	955,616
Changes recognized for the measurement period:			
Service cost	32,708	-	32,708
Interest	80,405	-	80,405
Contributions - employer	-	132,499	(132,499)
Differences between actual and expected experience	(147,695)	-	(147,695)
Changes in assumptions	17,879	-	17,879
Net investment income	-	32,385	(32,385)
Benefit payments	(44,975)	(44,975)	-
Administrative expense	-	(100)	100
Net changes	(61,678)	119,809	(181,487)
Balance at June 30, 2020 (Valuation Date June 30, 2019)	\$ 1,359,150	\$ 585,021	\$ 774,129

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the net OPEB liability to changes in the discount rate: The following

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

presents the net OPEB liability of the District if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(4.75%)</u>	<u>(5.75%)</u>	<u>(6.75%)</u>
Net OPEB liability	\$ 986,261	\$ 774,129	\$ 603,740

Sensitivity of the net OPEB liability to changes in the health care cost trend rates: The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	<u>(3.50%-4.00%)</u>	<u>(4.50%-5.00%)</u>	<u>(5.50%-6.00%)</u>
Net OPEB liability	\$ 598,427	\$ 774,129	\$ 991,873

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of \$55,040 and \$85,933, respectively. As of June 30, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Balance at June 30, 2020		
Difference between expected and actual experience	\$ -	\$ 134,739
Changes of assumptions	16,311	-
Net difference between projected and actual earnings on pension plan investments	-	7,486
District contributions subsequent to the measurement date	129,744	-
Total	<u>\$ 146,055</u>	<u>\$ 142,225</u>

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance at June 30, 2019		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,280
District contributions subsequent to the measurement date	129,467	-
Total	\$ 129,467	\$ 4,280

The \$129,744 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021.

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

2021	\$	(13,820)
2022		(13,820)
2023		(12,884)
2024		(12,514)
2025		(11,388)
Thereafter		(61,488)
Total	\$	(125,914)

8. DEFERRED COMPENSATION PLAN

Employees of the District may participate in two deferred compensation plans adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plans are available to all employees of the District. Under the plans, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until their withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

8. DEFERRED COMPENSATION PLAN (continued)

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

The deferred compensation plans are administered by unrelated financial institutions. The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

In accordance with a revision to Section 457, the District has been designated as the trustee of the plans' assets and the plans' assets are to be held for the exclusive benefit of the plans' participants and beneficiaries and not diverted to any other purpose. The value of those plan assets approximates \$643,000 and \$601,000 at June 30, 2020 and 2019, respectively.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries insurance. The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority for risk pooling, which provides insurance coverage and risk management services to its 60-member agencies through its' coverage programs.

The District participates in CSRMA's Pooled Liability Program, where each member agency is assessed a deposit based on their ratable exposures. At each program's year end, deposits are retrospectively reviewed for all years of participation, based on actual loss performance of the individual member agencies. If a member's losses exceed their deposit, the member is assessed, through a debit on their renewal invoice, to adjust for this situation. Conversely, if the member's losses are less than the collected deposit, a credit is shown on the member's renewal invoice.

The risk of loss is transferred from the District to CSRMA under this arrangement. CSRMA's Pooled Liability Program provides \$25 million in coverage to the members with a combination of reinsurance and excess insurance, with CSRMA retaining the first \$500,000. The District maintains a \$25,000 liability deductible. The District also participates in CSRMA's property insurance program for its buildings and plant with \$55 million in total insurable values.

9. RISK MANAGEMENT (continued)

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2020 (most recent information available):

	<u>June 30, 2020</u>
Total Assets	\$ 29,737,991
Total Liabilities	<u>22,524,920</u>
Total Equity	<u>\$ 7,213,071</u>
Total Revenues	\$ 16,076,801
Total Expenditures	<u>15,266,567</u>
Net Income	<u>\$ 810,234</u>

The District paid no material uninsured losses during the last three fiscal years. There have been no significant reductions in insurance coverage, and there have been no settlements exceeding insurance coverage in the last three years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. There were no claims payable as of June 30, 2020.

10. CONTINGENCIES AND CONCENTRATIONS

The following have the potential to effect the operations of the District:

Contractual Commitments:

Sewerage Agency of Southern Marin - On January 25 and January 31, 2008 partially treated sewage spilled into Richardson Bay. The wastewater came from Sewerage Agency of Southern Marin's (SASM) processing plant. As a result of the spills, an assessment of \$1.6 million was levied against SASM by a governing oversight board. Of the total assessment of \$1.6 million, SASM paid \$800,000 to the California Regional Water Quality Control Board using reserve funds. In addition, the settlement provides that SASM shall fund and implement \$800,000 in improvements and programs referred to as supplemental environmental projects.

The Environmental Protection Agency, EPA, has also issued an administrative order against SASM and the joint powers member agencies in June 2008 to employ certain procedures, make certain capital improvements, and provide additional reporting until the order is terminated by the EPA. The District has made all capital improvements and procedural changes required by the order and is now only providing additional reporting.

RICHARDSON BAY SANITARY DISTRICT

**REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS**

for the measurement periods ended June 30

**CALPERS Employer Retirement Plan
Last 10 Fiscal Years***

<i>Measurement period</i>	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0205%	0.0497%	0.4690%	0.0402%	0.0145%	0.0145%
District's proportionate share of the net pension liability	2,096,149	1,871,203	1,848,972	1,542,111	1,101,797	901,425
District's covered-employee payroll	517,723	518,721	493,464	479,100	467,901	444,495
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	404.88%	360.73%	374.69%	321.88%	235.48%	202.80%
Plan fiduciary net position as a percentage of the total pension liability	73.93%	75.65%	75.64%	77.90%	83.50%	86.59%

* The amounts presented for the fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

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

RICHARDSON BAY SANITARY DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S
PENSION CONTRIBUTIONS
for the measurement periods ended June 30

CALPERS Employer Retirement Plan
Last 10 Fiscal Years*

<i>Measurement period</i>	2019	2018	2017	2016	2015	2014
Contractually required contributions (actuarially determined)	156,571	128,227	107,702	91,181	77,297	69,002
Contributions in relation to actuarially determined contributions	2,459,150	128,227	107,702	91,181	77,297	69,002
Contribution deficient (excess)	<u>(2,302,579)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	517,723	518,721	493,464	479,100	467,901	444,495
Contributions as a percentage of covered payroll	30.24%	24.72%	21.83%	19.03%	16.52%	15.52%

Notes to Schedule:

Valuation Date:	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Level percentage of payroll
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15 percent
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchase Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

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

RICHARDSON BAY SANITARY DISTRICT

**REQUIRED SUPPLEMENTAL SCHEDULE OF CHANGES IN THE
NET OPEB LIABILITY AND RELATED RATIOS
for the measurement periods ended June 30**

<i>Measurement Period (June 30)</i>	Last 10 Fiscal Years*		
	2019	2018	2017
Total OPEB liability			
Service cost	\$ 32,708	\$ 31,678	\$ 30,681
Interest	80,405	76,820	73,776
Actual and expected experience difference	(147,695)	-	-
Change in assumptions	17,879	-	-
Benefits payments	(44,975)	(47,332)	(55,687)
Net change in total OPEB liability	(61,678)	61,166	48,770
Total OPEB Liability - beginning	1,420,828	1,359,662	1,310,892
Total OPEB Liability - ending (a)	\$ 1,359,150	\$ 1,420,828	\$ 1,359,662
 Plan Fiduciary Net Position			
Contributions - employer	\$ 132,499	\$ 116,247	\$ 127,401
Net investment income	32,385	23,289	20,827
Benefits payments	(44,975)	(47,332)	(55,687)
Administrative expense	(100)	(192)	(146)
Net change in plan fiduciary net position	119,809	92,012	92,395
Plan fiduciary net position - beginning	465,212	373,200	280,805
Plan fiduciary net position - ending (b)	\$ 585,021	\$ 465,212	\$ 373,200
 Net OPEB Liability - ending (a) - (b)	\$ 774,129	\$ 955,616	\$ 986,462
 Plan fiduciary net position as a percentage of the total OPEB liability	43.04%	32.74%	27.45%
Covered-employee payroll	517,723	518,721	493,464
Net OPEB liability as a percentage of covered-employee payroll	149.53%	184.23%	199.91%

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

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

RICHARDSON BAY SANITARY DISTRICT

**REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S
OPEB CONTRIBUTIONS
for the measurement periods ended June 30**

Last 10 Fiscal Years*

<i>Measurement Period (June 30)</i>	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 132,499	\$ 116,247	\$ 127,401
Contributions in relation to actuarially determined contributions	132,499	116,247	127,401
Contribution deficient (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	517,723	518,721	493,464
Contributions as a percentage of covered-employee payroll	25.59%	22.41%	25.82%

Notes to Schedule:

Actuarial methods and assumption used to set the actuarially determined contributions for the year ended June 30, 2019 were from the June 30, 2019 actuarial valuation.

Actuarial Cost Method	Entry age normal
Amortization Method/Period	Level percent of payroll
Asset Valuation Method	Market value
Inflation	2.75%
Salary Increases	3.25% per year
Investment rate of return	5.75%
Healthcare Trend Rate	Medical increases of 5.0% in 2020, 4.75% in 2022, 4.5% each year after 2022. Dental premium increases of 4.0% per year.
Retirement Age	Derived from 2014 CalPERS OPEB Assumptions model
Mortality Rate	Derived from 2014 CalPERS OPEB Assumptions model

**REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S
OPEB INVESTMENT RETURNS
for the measurement periods ended June 30**

Last 10 Fiscal Years*

<i>Measurement Period</i>	2019	2018	2017
Annual Money-Weighted Rate of Return, net of investment expense	6.57%	5.88%	6.80%

The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses).

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

RICHARDSON BAY SANITARY DISTRICT

**SUPPLEMENTAL SCHEDULES OF OPERATING AND
SYSTEM MAINTENANCE AND GENERAL AND
ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019	
	Operating and System Maintenance Expenses	General and Administrative Expenses	Total	Total	
Personnel	\$ 365,688	\$ 152,035	\$ 517,723	\$	500,237
Benefits	386,482	160,680	547,162		407,551
Payroll taxes	23,323	13,671	36,994		34,919
Total payroll and related costs	775,493	326,386	1,101,879		942,707
Repairs and maintenance:					
Sewer	213,829	-	213,829		95,835
Pump station	56,843	-	56,843		48,301
Trestle Glen	41,415	-	41,415		33,813
Supplies	-	8,004	8,004		23,124
Professional fees	-	103,767	103,767		67,910
Utilities	33,518	6,848	40,366		38,752
Insurance	40,674	-	40,674		21,051
Truck operating costs	29,211	-	29,211		20,555
Telephone and communications	-	10,324	10,324		10,773
Other	17,589	325	17,914		13,504
Board stipend	-	6,500	6,500		5,625
Laundry	4,286	-	4,286		5,123
Safety	4,369	-	4,369		3,796
TOTALS	\$ 1,217,227	\$ 462,154	\$ 1,679,381	\$	1,330,869

RICHARDSON BAY SANITARY DISTRICT

**SCHEDULE OF ACTIVITY IN CASH RESERVED
FOR INFRASTRUCTURE AND OTHER IMPROVEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Reserve Balance, Beginning of the Year:	\$ 1,923,951
Reduction: Transfers by Board to operating funds	-
Addition: Interest on restricted funds	<u>39,922</u>
Reserve Balance, End of the Year	<u><u>\$ 1,963,873</u></u>

STATISTICAL INFORMATION

RICHARDSON BAY SANITARY DISTRICT

Table 1

Year Ended June 30	Operating			Non Operating		Total
	Sewer Service Charges	Connection Fees	Other Operating	Property Tax Collection	Investment Income	
2020	\$ 3,438,128	\$ 16,835	\$ 11,491	\$ 2,121,463	\$ 137,627	\$ 5,725,544
2019	\$ 3,166,539	\$ 27,664	\$ 21,904	\$ 2,022,635	\$ 100,172	\$ 5,338,914
2018	\$ 2,547,010	\$ 34,580	\$ 48,793	\$ 1,929,227	\$ 43,842	\$ 4,603,452
2017	\$ 1,944,142	\$ 42,673	\$ 33,791	\$ 1,851,385	\$ 18,500	\$ 3,890,491
2016	\$ 1,255,400	\$ 25,025	\$ 20,850	\$ 1,684,403	\$ 8,036	\$ 2,993,714
2015	\$ 1,232,005	\$ 32,223	\$ 30,802	\$ 1,570,667	\$ 8,320	\$ 2,874,017
2014	\$ 1,220,186	\$ 28,301	\$ 23,688	\$ 1,544,890	\$ 7,446	\$ 2,824,511
2013	\$ 1,217,269	\$ 24,661	\$ 3,008	\$ 1,390,431	\$ 11,543	\$ 2,646,912
2012	\$ 1,213,686	\$ 20,111	\$ 32,018	\$ 1,383,789	\$ 22,566	\$ 2,672,170
2011	\$ 1,181,215	\$ 22,381	\$ 20,138	\$ 1,394,602	\$ 52,771	\$ 2,671,107

Source: Audited Financial Statements

Table 2

Expenses by Function

Year Ended June 30	Sewerage Processing Charges	Operating and Maintenance	General and Administrative	Subtotal	Depreciation	Total
2020	\$ 2,705,221	\$ 1,217,227	\$ 462,154	\$ 4,384,602	\$ 554,419	\$ 4,939,021
2019	\$ 2,606,612	\$ 957,070	\$ 373,799	\$ 3,937,481	\$ 519,827	\$ 4,457,308
2018	\$ 2,394,592	\$ 1,074,466	\$ 338,689	\$ 3,807,747	\$ 512,202	\$ 4,319,949
2017	\$ 1,866,433	\$ 1,099,631	\$ 364,439	\$ 3,330,503	\$ 511,495	\$ 3,841,998
2016	\$ 1,448,746	\$ 918,174	\$ 372,772	\$ 2,739,692	\$ 500,131	\$ 3,239,823
2015	\$ 1,406,242	\$ 858,145	\$ 254,206	\$ 2,518,593	\$ 458,243	\$ 2,976,836
2014	\$ 1,343,397	\$ 913,442	\$ 349,197	\$ 2,606,036	\$ 403,209	\$ 3,009,245
2013	\$ 1,216,814	\$ 893,976	\$ 391,281	\$ 2,502,071	\$ 365,335	\$ 2,867,406
2012	\$ 1,102,588	\$ 899,256	\$ 303,891	\$ 2,305,735	\$ 352,837	\$ 2,658,572
2011	\$ 950,486	\$ 893,821	\$ 287,606	\$ 2,131,913	\$ 320,631	\$ 2,452,544

Source: Audited Financial Statements

NOTE: GASB Number 68 went into effect during the year ended June 30, 2015. The summary of costs by functions for the years ended June 30, 2014 and prior have not been restated to conform with GASB Number 68.

NOTE: GASB Number 75 went into effect during the year ended June 30, 2018. The summary of costs by functions for the years ended June 30, 2017 and prior have not been restated to conform with GASB Number 75.

RICHARDSON BAY SANITARY DISTRICT

Statistical Section Miscellaneous Statistics June 30, 2020

General

Authority	Resolution via public election
Governing body	Elected five-member Board of Directors
Chief executive officer	District Manager
Chief financial officer	District Manager
Date of formation	February 21, 1949
Type of service	Sewage and solid waste collection
Number of employees	4

Service Charges

- ◆ Annual service charges are based upon the charge per EDU and the number of EDU's. An EDU generally is one household. However, in the case of multiple dwellings, the number of EDU's varies by dwelling. EDU's for commercial and industrial type buildings vary depending upon the quantity and strength of flow.
- ◆ Inspection and permit fees are based upon the number of fixtures within each dwelling.

Contact Information June 30, 2020

Retirement Plans Contact Information:

Public Employees Retirement Systems
Lincoln Plaza
400 P Street
Sacramento, CA 95814
(888) 225-7377