STEGE SANITARY DISTRICT
EL CERRITO, CALIFORNIA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021

* * *

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JUNE 30, 2021

BOARD OF DIRECTORS
Elected Officials

Name	Office
Beatrice O'Keefe	President
Dwight Merrill	Vice President
Juliet Christian Smith	Board Member
Paul Gilbert-Snyder	Board Member
Alan C. Miller	Board Member

DISTRICT MANAGEMENT

Rex W. Delizo
District Manager

Kary Richardson
Administrative Supervisor

STEGE SANITARY DISTRICT
EL CERRITO, CALIFORNIA

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June 30, 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stege Sanitary District
El Cerrito, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Stege Sanitary District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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.

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions, schedule of proportionate share of net pension liability, schedule of contributions for other postemployment benefits, and schedule of changes in net OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The comparison of budget to actual and the schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of operating expenses is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The comparison of budget to actual included 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

December 2, 2021
Morgan Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

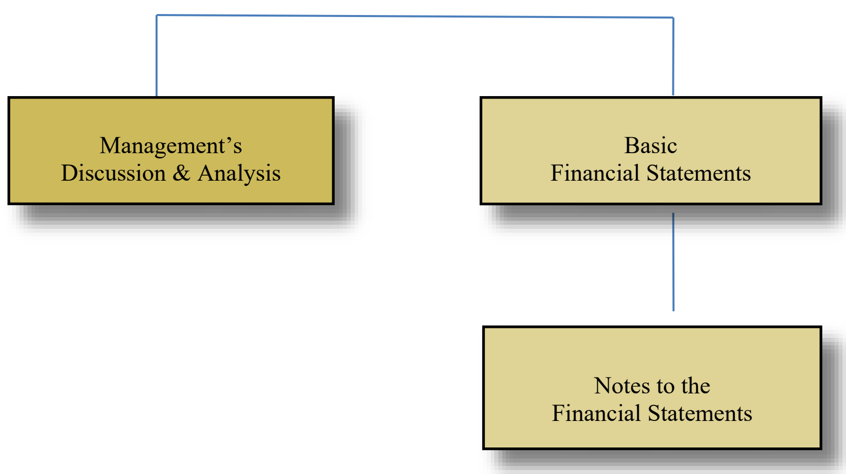
INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing. The annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The basic financial statements also include notes explaining pertinent information in the financial statements and provide more detailed data.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2021 were as follows:

- The Statement of Net Position indicates that total assets and deferred outflows of resources exceeded total liability and deferred inflows of resources by $53,443,378. Unrestricted net position represents $6,179,085, and net investment in capital assets was at $46,281,325. The remaining $982,968 was restricted for capital projects.

- Total net position increased $2,555,255 (5%) in fiscal year 2021 compared to an increase of $3,103,002 (6.5%) in fiscal year 2020.

- Total assets increased 8.66% from $53,294,247 in fiscal year 2020 to $57,908,177 in fiscal year 2021.

- Total liabilities increased 72.37% from $2,939,837 in fiscal year 2020 to $5,067,258 in fiscal year 2021.

- The District recorded deferred outflows of resources of $618,579, an increase of $10,848 from fiscal year 2020 and recorded deferred inflows of resources of $16,120, a decrease of $57,898 from fiscal year 2020, in order to record the different components required by GASB 68 for pension, and GASB 75 for OPEB, accounting and reporting. Deferred outflows of resources are technically not assets but increase net position similar to an asset and deferred inflows of resources are technically not liabilities but decrease net position similar to liabilities. See Note 2 under Measurement Focus and Basis of Accounting in the notes to financial statements for a definition of deferred inflows and outflows of resources.

- Total operating revenue increased $550,868 (10.66%) mainly due to an increase of $548,359 in sewer service charges from prior year.

- Total operating expenses increased $123,223 (7.5%) from prior year. Most of the increase was due to an increase of $162,019 in sewage collection expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report includes the Management's Discussion and Analysis report, the Independent Auditor's report and the Basic Financial Statements of the District. The financial statements also include notes that explain the information in the financial statements in more detail.

BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District's accounting methods similar to those used by private sector companies. These statements have been prepared and audited using generally acceptable accounting standards. These required statements offer short-term and long-term financial information about the District's activities and are often used to assess the financial position and health of the District.

Statement of Net Position

This statement includes all of the District's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, and provides information about the nature and amounts of investments in resources and obligations to creditors. It also provides the basis for evaluating the capital structure of the District.

Statement of Revenues, Expenses and Changes in Net Position

This statement accounts for all revenues and expenses during the reporting period. This statement reflects the result of District operations over the past year as well as non-operating revenues, expenses, and contributed capital.

Statement of Cash Flows

This statement provides information on the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operational, capital, and investing activities. It also identifies the sources and uses for the cash and changes in the cash balances.

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's activities in a way that will help answer this question. These two statements report the net position of the District as well as related changes. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one of many indicators to ascertain if its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

STATEMENT OF NET POSITION ANALYSIS

Net position increased by $2,555,255 to $53,443,378 from FY 2019-20 to FY 2020-21 as described below:

- Total assets increased by $4,613,930. Current assets increased by $2,385,629, mainly due to an increase in the cash accounts. Capital assets increased by $2,228,301 mainly because of increases in construction and improvements to the sewage and collection system in FY 2020-21.
- Current liabilities (obligations due within 12 months) increased by $1,799,143. The net increase was primarily due to an increase in accounts payable of $1,801,221 which was mostly from construction contracts.
- Non-current (long-term) liabilities increased by $328,278 mainly due to in increase in the net OPEB liability of $240,807.

Table 1 - Summary of Net Position

	Fiscal Year June 30, 2021	Fiscal Year June 30, 2020	Dollar Change	Percent Change
Assets				
Current Assets	$ 11,320,494	$ 8,934,865	$ 2,385,629	26.70%
Capital Assets	46,587,683	44,359,382	2,228,301	5.02%
Total Assets	$ 57,908,177	$ 53,294,247	$ 4,613,930	8.66%
Deferred Outflows of Resources	$ 618,579	$ 607,731	$ 10,848	1.79%
Liabilities				
Current Liabilities	$ 2,201,371	$ 402,228	$ 1,799,143	447.29%
Noncurrent Liabilities	2,865,887	2,537,609	328,278	12.94%
Total Liabilities	$ 5,067,258	$ 2,939,837	$ 2,127,421	72.37%
Deferred Inflows of Resources	$ 16,120	$ 74,018	$ (57,898)	-78.22%
Net Position				
Net Investment in Capital Assets	$ 46,281,325	$ 43,915,851	$ 2,365,474	5.39%
Restricted	982,968	979,167	3,801	0.39%
Unrestricted	6,179,085	5,993,105	185,980	3.10%
Total Net Position	$ 53,443,378	$ 50,888,123	$ 2,555,255	5.02%

The largest portion of the District's net position reflects its investment in capital assets (e.g. land, sewer lines and improvements, buildings, machinery, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide collection services for the residents and businesses in its service area. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used or sold to liquidate District liabilities. The remaining balance of the unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors.

REVENUES, EXPENSES, AND CHANGE IN NET POSITION STATEMENT ANALYSIS

The statement of revenues, expenses, and changes in net position reflects the District's operating and non-operating revenues by major sources, operating and non-operating expenses by categories and capital contributions.

Table 2 - Change in Net Position

	Fiscal Year June 30, 2021	Fiscal Year June 30, 2020	Dollar Change	Percent Change
Operating Revenues:				
Sewer service charges	$ 5,680,751	$ 5,132,392	$ 548,359	10.68%
Other operating revenues	39,699	37,190	2,509	6.75%
Total operating revenue	5,720,450	5,169,582	550,868	10.66%
Non-operating Revenues:				
Property tax collections	576,340	538,016	38,324	7.12%
Interest and investment income	51,089	150,408	(99,319)	-66.03%
Other non-operating revenues	4,701	40,809	(36,108)	-88.48%
Total non-operating revenues	632,130	729,233	(97,103)	-13.32%
Total Revenues	**6,352,580**	**5,898,815**	**453,765**	**7.69%**
Expenses:				
Operating Expenses	3,850,398	3,727,175	123,223	3.31%
Non-operating expenses	9,654	14,470	(4,816)	-33.28%
Total Expenses	**3,860,052**	**3,741,645**	**118,407**	**3.16%**
Income before Capital Contributions	2,492,528	2,157,170	335,358	15.55%
Capital contributions:				
Connection fee capacity charges	62,727	945,832	(883,105)	-93.37%
Change in net position	2,555,255	3,103,002	(547,747)	-17.65%
Net position - beginning	50,888,123	47,785,121	3,103,002	6.49%
Net position - ending	**$ 53,443,378**	**$ 50,888,123**	**$ 2,555,255**	**5.02%**

The following summarizes significant changes in District operations:

- Total operating revenues exceeded operating expenses by $1,870,052. This net increase is primarily due to an increase of $548,359 in sewer service charges from prior year.
- Total non-operating revenues decreased by $97,103 mainly due to a decrease in investment income of $99,319.
- Operating expenses increased by $123,223. The most significant increase in expenses was an increase in sewage collection expenses of $162,019.
- The increase net position was also the result of $62,727 in capital contributions from connection and impact fees.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2021 totaled $46,587,683 net of accumulated depreciation. Total property, plant and equipment, net of depreciation, accounted for 80% of total assets as of June 30, 2021. During FY 2020-21, the District acquired and constructed $3,105,246 and depreciated $876,945 in capital assets. The total net increase in the District's investment in capital assets was $2,228,301 or 5%.

Table 3 - Summary of Net Investment in Capital Assets

Description	Fiscal Year June 30, 2021	Fiscal Year June 30, 2020	Dollar Change	Percent Change
Land	$ 134,475	$ 134,475	$ -	0.00%
Sewage and collection facilities	43,818,541	41,468,902	2,349,639	5.67%
Buildings and equipment	1,875,749	1,975,368	(99,619)	-5.04%
Maintenance equipment	132,045	36,984	95,061	257.03%
Vehicles	626,873	743,653	(116,780)	-15.70%
Total plant and facilities - net	**$ 46,587,683**	**$ 44,359,382**	**$ 2,228,301**	**5.02%**

Additional information about the District's capital assets can be found in Note 4 - Plant and Facilities.

LONG TERM OBLIGATIONS

Table 4 summarizes the District's outstanding long-term liabilities as of June 30, 2021, as well as comparable data for the prior year:

Table 4 - Summary of Long-term Liabilities

Description	Fiscal Year June 30, 2021	Fiscal Year June 30, 2020	Dollar Change	Percent Change
SRF Loans	$ 306,358	$ 443,531	$ (137,173)	-30.93%
Net OPEB liability	307,992	67,185	240,807	358.42%
Net pension liability	1,835,926	1,716,493	119,433	6.96%
Compensated absences	415,611	310,400	105,211	33.90%
Total Long Term Liabilities	**$ 2,865,887**	**$ 2,537,609**	**$ 328,278**	**12.94%**

Long term liabilities increased overall by $328,278 or 12.94%, from $2,537,609 in FY 2019-20 to $2,865,887 in FY 2020-21. As of June 30, 2021, the District had $306,358 of remaining principle on the State Revolving Fund loans from the State Water Control Resources Board. Net pension liability increased due to adjustments for GASB 68, and OPEB liability increased due to adjustments for GASB 75.

Additional information on the District's outstanding debt can be found in Note 5 - Long-Term Liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is governed in part by provisions of the State Water Resources Control Board (SWRCB) that require rate-based revenues that must cover the costs of operation, maintenance and recurring capital replacement (OM&R). The District is not subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions such as sales taxes. Accordingly, the District sets its rates to its users to cover the costs of OM&R and debt financed capital improvements, plus any increments for known or anticipated changes in program costs.

Increases in operating costs have been kept at or below inflationary levels in recent years. Medical premiums have risen and may continue to do so in the near future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District Manager at 7500 Schmidt Lane, El Cerrito, CA 94530, or (510) 524-4668.

BASIC FINANCIAL STATEMENTS

STEGE SANITARY DISTRICT

Statement of Net Position

June 30, 2021

		2021
Assets		
Current Assets:		
Cash and cash equivalents	$	11,217,664
Accounts receivable		48,229
Prepaid expenses		54,601
Total Current Assets		11,320,494
Noncurrent Assets:		
Capital Assets:		
Non-depreciable		134,475
Depreciable, net of accumulated depreciation		46,453,208
Total Noncurrent Assets - Net		46,587,683
Total Assets	$	57,908,177
Deferred Outflows of Resources		
OPEB adjustments	$	34,539
Pension adjustments		584,040
Total Deferred Outflows of Resources	$	618,579
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	$	2,161,844
Accrued salaries and benefits		34,649
Interest payable		4,878
Current portion of accrued compensated absences		138,537
Current portion of long-term debt		140,664
Total Current Liabilities		2,480,572
Noncurrent Liabilities:		
Accrued compensated absences, net of current portion		277,074
Net OPEB liability		307,992
Net pension liability		1,835,926
Long-term debt, net of current portion		165,694
Total Noncurrent Liabilities		2,586,686
Total Liabilities	$	5,067,258
Deferred Inflows of Resources		
OPEB adjustments	$	1,169
Pension adjustments		14,951
Total Deferred Inflows of Resources	$	16,120
Net Position		
Net Investment in Capital Assets	$	46,281,325
Restricted for Capital Projects		982,968
Unrestricted		6,179,085
Total Net Position	$	53,443,378

The notes to the financial statements are an integral part of this statement

STEGE SANITARY DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2021

	2021
Operating Revenues:	
Sewer service charges	$ 5,680,751
Other operating revenues	39,699
Total operating revenues	5,720,450
Operating Expenses:	
Sewage collection	2,153,829
General and administrative	819,624
Depreciation	876,945
Total operating expenses	3,850,398
Operating Income (Loss)	1,870,052
Nonoperating Revenues (Expenses):	
Property tax collections	576,340
Investment income	51,089
Interest expense	(9,654)
Other Income	4,701
Total nonoperating revenues (expenses)	622,476
Income (loss) before contributions	2,492,528
Capital Contributions	
Connection fees	57,769
Impact fees	4,958
Total capital contributions	62,727
Change in net position	2,555,255
Beginning net position	50,888,123
Ending net position	$ 53,443,378

The notes to the financial statements are an integral part of this statement

STEGE SANITARY DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

		2021
Cash Flows from Operating Activities:		
Cash received from sewer service, connection and other charges	$	5,737,490
Cash payments to employees for services		(1,915,317)
Cash payments for services and supplies		(802,531)
Net Cash Provided (Used) by Operating Activities		3,019,642
Cash Flows from Capital and Related Financing Activities:		
Cash received from connection fees and capital contributions		62,727
Acquisition of capital assets		(1,164,318)
Principal paid on long-term debt		(137,173)
Interest paid		(11,046)
Net Cash Provided (Used) by Capital and Related Financing Activities		(1,249,810)
Cash Flows from Non-Capital and Related Financing Activities		
Property taxes collected		576,340
Other income		4,701
Net Cash Provided (Used) by Non-Capital and Related Financing Activities		581,041
Cash Flows from Investing Activities:		
Interest income and realized gains		51,089
Net Cash Provided (Used) by Investing Activities		51,089
Net Increase (Decrease) in Cash and Cash Equivalents		2,401,962
Cash and Cash Equivalents Beginning		8,815,702
Cash and Cash Equivalents Ending	$	11,217,664
Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:		
Operating Income (Loss)	$	1,870,052
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		876,945
(Increase) decrease in:		
Accounts receivable		17,040
Prepaid expenses		(707)
Deferred outflows of resources		(10,848)
Increase (decrease) in:		
Accounts payable and accrued expenses		(139,707)
Accrued salaries and benefits		(686)
Deferred inflows of resources		(57,898)
Compensated absences		105,211
Net pension liability		119,433
Other postemployment benefits		240,807
Net Cash Provided (Used) by Operating Activities	$	3,019,642

The notes to the financial statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

The Stege Sanitary District (the "District") was formed in May 1913 and provides a service of sanitary sewage collection to over 33,000 residents in El Cerrito, Kensington, and portions of the Richmond Annex. Treatment and disposal of the sewage is the responsibility of the East Bay Municipal Utility District (EBMUD) which maintains a pumping station on Point Isabel to receive the sewage from the Stege Sanitary District service areas.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does have a separately elected governing body and does not meet the definition of a component unit. The District meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary unit.

Basis of Presentation

The District's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

The activities of the District are accounted for in a single enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus and Basis of Accounting

Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Statement of Net Position

The statement of net position is designed to display the financial position of the District. GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. The District’s net position is classified into three categories as follows:

- 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, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

- Restricted - This component of net position consists of constraints placed on an asset’s use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District’s net position restricted for capital projects are restricted for activities related to infrastructure improvements.

- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The use of certain assets is restricted by specific provisions of bond resolutions and agreements with various parties. Assets so designated are identified as restricted assets on the statement of net position. When both restricted and unrestricted resources are available for use the District's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as noncurrent if they are for the acquisition or construction of capital assets, for liquidation of long-term liabilities, or are for other than current operations.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability and net OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the District's net pension liability reported in the Statement of Net Position.

Unearned Revenue

Unearned revenue arises when assets, such as cash, are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with original maturities of three months or less. Included therein are cash on hand, demand deposits with financial institutions, and the State of California Local Agency Investment Fund (LAIF).

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for deposits and investment risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components; overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments

The District participates in an investment pool managed by the State of California and regulated by California government code Section 16429 known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Investments are reported in the statement of net position at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. All investment income and changes in fair value are recognized in the statements of revenues, expenses, and changes in net position.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Accounts Receivables and Allowance for Doubtful Accounts

The District has established an allowance for doubtful accounts based on a periodic review of its outstanding accounts receivable. The District establishes an allowance for doubtful accounts based on a history of past write-offs, collections, and current credit conditions.

The District recognizes bad debt expense relating to receivables, when it is probable that the accounts will be uncollectible. As of June 30, 2021, management believes no allowance for doubtful accounts was necessary due to historical experience and the nature of the receivables.

Plant and Facilities Capital Assets

Capital assets are defined by the District as long-lived assets acquired for use, and not intended for consumption in operations. The capitalization threshold is at $1,500 or above.

Capital assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The cost of engineering studies related to capital asset additions are added to the total project cost and depreciated over the remaining useful lives of the related capital assets, as applicable. Engineering studies are considered necessary for maintaining the efficient operations of the wastewater collection system.

Capital assets under construction and not yet placed in service are recorded as construction in progress. Interest incurred during the construction phase of such projects is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method based on the estimated useful lives of related asset classifications useful life in excess of one year. Depreciation of all plant and facilities in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

The District has assigned the useful lives listed below to plant and facilities:

Sewer collection	50 years
Building	30 years
Vehicles	5 - 10 years
Equipment	5 - 15 years

Long-Term Liabilities

Long-term liabilities include long-term debt and other long-term liabilities, such as net pension obligations, net OPEB obligations, the State of California Clean Water Revolving Fund Loan and compensated absences, and are reported as long-term liabilities in the Statement of Net Position.

Compensated Absences

The District recognizes a liability for compensated absences earned by District employees because future payment for vacation and sick leave have been earned and will not be forfeited. Compensated absences are recorded as an expense and liability as the benefits accrue to the employees. As of June 30, 2021, the District accrued $415,611 in compensated absences.

Budgetary Policy and Control

The District adopts an operations and maintenance budget at the beginning of each year for the following fiscal year. Capital budgets are adopted on a project basis. Formal budgetary integration is employed as a management control device.

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 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2017. For this report, the following timeframes are used for the District's pension plans:

Valuation Date (VD).......................................June 30, 2019
Measurement Date (MD)................................June 30, 2020
Measurement Period (MP).............................June 30, 2019 to June 30, 2020

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on 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 contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

Connection Fees

The District, as authorized by its Board of Directors, charges new users a connection fee to reimburse the District for the cost of facilities and previously installed infrastructure to be able to provide collection system services. Fees received in excess of costs have been treated as additions to contributed capital and have been expended solely on infrastructure improvements.

Property Taxes and Sewer User Charges

Property taxes and sewer service charges are collected and distributed by Contra Costa County (the "County") in accordance with legislation. Property taxes and sewer service charges are attached as an enforceable lien on real property located in the County as of January 1 each year.

The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the District each fiscal year. Any subsequent delinquent payments and related penalties and interest revert to the County.

Property taxes are recognized as revenue when they are levied. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. Property tax collection and valuation information is disclosed in the County's annual financial statements.

Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include estimates of the allowance for uncollectible receivables, the estimated useful lives of depreciable capital assets, estimates used in connection with analyses designed to identify the existence of capital asset impairment, and assumptions and actuarial amounts used in conjunction with the determination of pension plan obligations and other postemployment benefits. Accordingly, actual results could differ from those estimates.

Upcoming Accounting and Reporting Changes

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management is in the process of evaluating the impact of this statement on the District's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs 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. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2020, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

The 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. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 92, *Omnibus 2020*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Management does not believe this statement will have a significant impact on the District's financial statements.

The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash and cash equivalents are composed of deposits and short-term investments and consisted of the following as of June 30, 2021:

Cash and Investments	Carrying Amount	Fair Value
Cash on hand and in bank	$ 348,605	$ 348,605
Investment in LAIF	10,869,059	10,869,961
Total Cash and Investments	$ 11,217,664	$ 11,218,566

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District had the following recurring fair value measurements as of June 30, 2021:

- California Local Agency Investment Fund (LAIF) of $10,869,059; were invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account and are not required to be categorized using the levels above as deposits and withdrawals are made on the basis of $1 and not fair value.

California Local Agency Investment Fund

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the District to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2021, was approximately $193 billion. Of that amount, 100% is invested in non-derivative financial products. The balance in LAIF is available for withdrawal on demand.

Investment Policy

The District is authorized under California Government Code and the District's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances of U.S. banks; commercial paper oof prime quality; negotiable certificates of deposit; and passbook savings account demand deposits. Investments prohibited by the District are inverse floaters, range notes, mortgage pool interest-only strips, and zero interest accrual at maturity notes. The District's investments were in compliance with the above provisions as of and for the year ended June 30, 2021.

The District's investment policy follows the California Government Code which authorizes the District to invest in the following, with limitations as they relate to interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	10%
Mortgage Pass-through and Asset Backed Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Agency Authority Pools	N/A	None	None

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *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 the changes in market interest rates. The District manages its exposure to interest rate risk by depositing the majority of its funds with the State Local Agency Investment Fund (LAIF). LAIF is externally managed to minimize the sensitivity of investments to interest rate risk by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of their portfolios are maturing or coming close to maturity to ensure the cash flow and liquidity of operations. This information can be obtained from LAIFs annual financial statement.

- *Credit Risk* - Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service. The District's minimum legal rating is not applicable to the LAIF investment pool and money market funds.

- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk over deposits, as well as 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 fair 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 public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. In the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. Neither the California Government Code nor the District's investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

Bank balances are insured up to $250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). The actual bank statement balance of the District’s cash in bank exceeded the insured limit by $109,635 as of June 30, 2021. None of the District’s deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the District’s accounts met the collateral and categorization requirements.

- *Concentration of Credit Risk* - See the chart above for the District’s limitations on the amount that can be invested in any one issuer. As of June 30, 2021, the District only had investments in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

NOTE 4 - PLANT AND FACILITIES (CAPITAL ASSETS)

The District’s plant and facilities capital assets consisted of the following as of June 30, 2021:

Capital Assets	Balance June 30, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable plant and facilities:				
Land and easements	$ 134,475	$ -	$ -	$ 134,475
Total non-depreciable plant and facilities	134,475	-	-	134,475
Depreciable plant and facilities:				
Sewage and collection facilities	57,266,311	3,003,350	(5,656)	60,264,005
Buildings and equipment	2,829,143		-	2,829,143
Maintenance equipment	369,751	107,552	-	477,303
Vehicles	1,284,168			1,284,168
Total depreciable plant and facilities	61,749,373	3,110,902	(5,656)	64,854,619
Less accumulated depreciation for:				
Sewage and collection facilities	15,797,409	648,055	-	16,445,464
Buildings and equipment	853,775	99,619	-	953,394
Maintenance equipment	332,767	12,491	-	345,258
Vehicles	540,515	116,780		657,295
Total accumulated depreciation	17,524,466	876,945	-	18,401,411
Total depreciable plant and facilities - net	44,224,907	2,233,957	(5,656)	46,453,208
Total plant and facilities - net	$ 44,359,382	$ 2,233,957	$ (5,656)	$ 46,587,683

Depreciation expense for the year ended June 30, 2021, was $876,945.

NOTE 5 - LONG-TERM LIABILITIES

The District's long-term liabilities consisted of the following as of June 30, 2021:

Long-term Liabilities	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Direct Borrowings:					
SRF Loan C-06-4665-110	$ 200,701	$ -	$ 99,063	$ 101,638	$ 101,638
SRF Loan C-06-4665-210	242,830	-	38,110	204,720	39,026
Net OPEB Liability	67,185	287,521	46,714	307,992	-
Net Pension Liability	1,716,493	726,661	607,228	1,835,926	-
Compensated Absences	310,400	207,953	102,742	415,611	138,537
Total Long-term Liabilities	$ 2,537,609	$ 1,222,135	$ 893,857	$ 2,865,887	$ 279,201

The District has secured State Revolving Fund loans from the State Water Resources Control Board. Loan C-06-4665-110, for an original amount of $1,586,165 under agreement dated October 2, 2000, has an interest rate of 2.6 percent and maturity date of February 21, 2022. Loan C-06-4665-210, for an original amount of $706,004 under agreement dated June 13, 2006, has an interest rate of 2.4 percent and maturity date of December 21, 2025.

The District's debt service requirements on the State Water Resource Control Board loans were as follows as of June 30, 2021:

Year Ending June 30,	Principal	Interest	Total
2022	$ 140,663	$ 4,492	$ 145,155
2023	39,962	2,320	42,282
2024	40,921	1,760	42,681
2025	41,903	1,187	43,090
2026	42,909	601	43,510
Total Debt Service	$ 306,358	$ 10,360	$ 316,718

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The District is involved in litigation arising in the ordinary course of its operations that, in the opinion of management, will not have a material effect on the District's results of operations.

NOTE 7 - RISK MANAGEMENT

The District is exposed to risks of loss from property, liability, and workers' compensation. The District mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority (CSRMA). Risk sharing pools provide general and automobile liability and workers' compensation coverage. The pools operate to share risk among the members of the pool up to a limit of $15,500,000 and $750,000 for general liability and workers' compensation, respectively.

Each CSRMA member is assessed a premium that is based on ratable exposure such as the size of payroll for workers' compensation insurance. At the end of the year, the premium is retrospectively rated based on the exposure and the actual loss history of the individual member. If a member's losses are less than the member's premium, the member receives a refund of 25% of the member's excess premium. All premiums are deposited into a trust fund from which claims are paid. The fund is analyzed actuarially each year to determine the sufficiency of the pool in meeting future needs and to consider whether a supplemental assessment applicable to each member is required, or in the event of a large pool, whether members' premiums might be reduced.

The cost to each CSRMA member agency for program participation is determined by the Executive Board upon the basis of cost allocation plan and rating formula. The premium for each participating agency includes the agency's share of expected losses, program insurance costs, and program administrative costs for the year, plus the agency's share of Authority general expense allocated to the program by the Board.

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

	June 30, 2020
Assets	$ 29,737,991
Liabilities	22,524,920
Net Position	7,213,071
Revenues	16,076,801
Expenditures	15,266,567

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	11.031%	7.732%

Employees Covered - At June 30, 2021, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Active	10
Transferred	3
Separated	1
Retired	8
Total	22

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2021, the District contributed $334,025 into the pension plan.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	$ 1,835,927

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. 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.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	Miscellaneous
Proportion - June 30, 2020	0.04286%
Proportion - June 30, 2021	0.04353%
Change - Increase/(Decrease)	0.00066%

For the year ended June 30, 2021, the District recognized pension expense of $392,802. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ 13,095
Differences between Expected and Actual Experience	94,611	-
Differences between Projected and Actual Investment Earnings	54,539	-
Differences between Employer's Contributions and Proportionate Share of Contributions	72,914	-
Change in Employer's Proportion	27,951	1,856
Pension Contributions Made Subsequent to Measurement Date	334,025	-
Total	$ 584,040	$ 14,951

The District reported $334,025 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2022	$ 68,539
2023	84,858
2024	55,509
2025	26,158
2026	-
Thereafter	-
Total	$ 235,064

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 rounded down to the nearest one quarter of one percent.

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.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity 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.

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 the Plan, calculated using the discount rate for the 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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 2,811,593
Current	7.15%
Net Pension Liability	$ 1,835,927
1% Increase	8.15%
Net Pension Liability	$ 1,029,765

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District provides post-retirement benefits to eligible employees. Eligibility is based upon active employee status of the District at the time of retirement, completion of at least ten years employment with the District, having achieved the age of 55 or older, eligibility to retire under PERS, and not receiving health care benefits from any other source other than Medicare or workers' compensation. During the fiscal year 2020-2021, the District Resolution 2158-0421 established the amount of the employer's contribution of retiree health medical benefit up to a maximum of $324.48 per month per retired employee. That rate is still in effect for the year ended June 30, 2021.

The District contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer plan) and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The District chooses from a menu of benefit provisions and adopts certain benefit provisions by Board resolution. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. By participating in CERBT, the District is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues a Comprehensive Annual Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Benefits Provided

The following summarizes the benefits in the plan:

Benefits Provided:	Medical Only
Duration of Benefits:	Lifetime
Required Services:	Retirement under CalPERS
Minimum Age:	Retirement under CalPERS
Dependent Coverage:	Spouse only
Contribution Percentage:	100% to cap
Cap:	Greater of $324.48 or statutory min

Employees Covered by Benefit Terms

At June 30, 2020 (the valuation date), the benefit terms covered the following employees:

Active employees	10
Inactive employees	6
Total employees	16

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions during the year were $20,264. Total contributions included in the measurement period were $20,302. The actuarially determined contribution for the measurement period was $33,703. The District's contributions were 1.64% of covered employee payroll during the fiscal year ended June 30, 2021. The Plan is to be fully funded by employer contributions with no requirement for matching or employee contributions.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry-Age
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	2017 CalPERS Active Mortality for Miscellaneous Employees
Retirement	Hired <1/1/2013: 2017 CalPERS 2.0%@55 Rates for Miscelleaneous Employees Hired >12/31/2012: 2017 CalPERS 2.0%@62 Rates for Miscellaneous

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
All Equities	59.00%	7.795%
All Fixed Income	25.00%	4.500%
US Real Estate	8.00%	7.500%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.250%
All Commodities	3.00%	7.795%
Total	100.00%	

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 (valuation date) for the fiscal year ended June 30, 2021 (reporting date).

Change in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2021:

Fiscal Year Ended June 30, 2021 (Measurement Date June 30, 2020)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2020	$ 292,024	$ 224,839	$ 67,185
Service cost	4,521	-	4,521
Interest in Total OPEB Liability	19,958	-	19,958
Employer contributions	-	20,302	(20,302)
Balance of diff between actual and exp experience	4,092	-	4,092
Balance of changes in assumptions	(1,319)	-	(1,319)
Actual investment income	-	7,940	(7,940)
Administrative expenses	-	(110)	110
Benefit payments	(20,302)	(20,302)	-
Other	241,629	(58)	241,687
Net changes	248,579	7,772	240,807
Balance at June 30, 2021	$ 540,603	$ 232,611	$ 307,992

Covered Employee Payroll	$ 1,235,487
Total OPEB Liability as a % of Covered Employee Payroll	43.76%
Plan Fid. Net Position as a % of Total OPEB Liability	43.03%
Service Cost as a % of Covered Employee Payroll	0.37%
Net OPEB Liability as a % of Covered Employee Payroll	24.93%

Deferred Inflows and Outflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 7,751	$ -
Difference between actual and expected earnings	6,524	-
Change in assumptions	-	1,169
OPEB contribution subsequent to measurement date	20,264	-
Totals	$ 34,539	$ 1,169

Of the total amount reported as deferred outflows of resources related to OPEB, $20,264 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2022.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2021, for the measurement date of June 30, 2020:

Service cost	$ 4,521
Interest in TOL	19,958
Expected investment income	(15,731)
Other	241,687
Difference between actual and expected experience	1,058
Difference between actual and expected earnings	1,528
Change in assumptions	(150)
Administrative expenses	110
OPEB Expense	**$ 252,981**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2021, for the measurement date of June 30, 2020:

Net OPEB liability ending	$ 307,992
Net OPEB liability beginning	(67,185)
Change in net OPEB liability	240,807
Changes in deferred outflows	(3,415)
Changes in deferred inflows	(4,713)
Employer contributions and implicit subsidy	20,302
OPEB Expense	**$ 252,981**

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	7.00%	(1% Increase)
Net OPEB Liability (Asset)	$ 385,605	$ 307,992	$ 244,245

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	4.00%	(1% Increase)
Net OPEB Liability (Asset)	$ 235,740	$ 307,992	$ 397,828

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated all subsequent events from the statement of financial position date of June 30, 2021, through the date the financial statements were available to be issued, December 2, 2021. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the District had not suffered a material adverse impact from the CV19 Crisis and the future impact of the CV19 Crisis on the District cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

STEGE SANITARY DISTRICT
Schedule of Contributions - Pension Plans
For the Fiscal Year Ended June 30, 2021

Miscellaneous Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contributions	$ 144,055	$ 151,311	$ 173,504	$ 246,476	$ 268,834	$ 297,311	$ 334,025
Contributions in Relation to Contractually Required Contributions	144,055	151,311	173,504	246,476	268,834	297,311	334,025
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 841,869**	**$ 876,660**	**$ 936,924**	**$ 984,480**	**$ 1,067,954**	**$ 1,099,993**	**$ 1,130,242**
Contributions as a % of Covered Payroll	**17.11%**	**17.26%**	**18.52%**	**25.04%**	**25.17%**	**27.03%**	**29.55%**

Notes to Schedule:

Valuation Date: June 30, 2019

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

STEGE SANITARY DISTRICT

Schedule of Proportionate Share of Net Pension Liability

For the Fiscal Year Ended June 30, 2021

Miscellaneous Plan							
Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Proportion of Net Pension Liability (Misc Plan Only)	0.04531%	0.04131%	0.04133%	0.04185%	0.04223%	0.04286%	0.04353%
Proportionate Share of Net Pension Liability	$ 1,119,792	$ 1,133,444	$ 1,435,727	$ 1,649,930	$ 1,591,705	$ 1,716,493	$ 1,835,927
Covered Payroll	$ 860,430	$ 841,869	$ 876,660	$ 936,924	$ 984,480	$ 1,067,954	$ 1,099,993
Proportionate Share of NPL as a % of Covered Payroll	**130.14%**	**134.63%**	**163.77%**	**176.10%**	**161.68%**	**160.73%**	**166.90%**
Plan's Fiduciary Net Position as a % of the TPL	**81.15%**	**78.90%**	**75.09%**	**74.36%**	**76.59%**	**75.30%**	**74.96%**

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

STEGE SANITARY DISTRICT

Schedule of Contributions for Other Postemployment Benefits

For the Fiscal Year Ended June 30, 2021

Fiscal Year Ended	2018	2019	2020	2021
Actuarially determined contribution (ADC)	$ 11,609	$ 10,544	$ 10,870	$ 33,703
Less: actual contribution in relation to ADC	(17,698)	(20,304)	(20,302)	(20,264)
Contribution deficiency (excess)	$ (6,089)	$ (9,760)	$ (9,432)	$ 13,439
Covered employee payroll	$ 1,130,054	$ 1,170,239	$ 1,202,421	$ 1,235,487
Contrib. as a % of covered employee payroll	1.57%	1.74%	1.69%	1.64%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	2017 CalPERS Active Mortality for Miscellaneous Employees
Retirement	Hired <1/1/2013: 2009 CalPERS 2.0%@55 Rates for Miscelleaneous Employees Hired >12/31/2012: 2009 CalPERSRates for Miscellaneous Employess 2% @ 60 adjusted to minimum retirement age of 52

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

The District cap was increased from a fixed $280 per month to $324.48 per month in FY21.

There were no changes in discount rates, trend rates or assumptions.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

STEGE SANITARY DISTRICT
Schedule of Changes in Net OPEB Liability
For the Fiscal Year Ended June 30, 2021

Fiscal Year Ended	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 3,727	$ 3,876	$ 4,400	$ 4,521
Interest	18,649	19,469	19,556	19,958
Differences between expected and actual experience	-	-	1,993	4,092
Changes of assumptions	-	-	-	(1,319)
Benefit payments	(17,698)	(20,887)	(20,304)	(20,302)
Other	-	-	5,794	241,629
Net change in Total OPEB Liability	4,678	2,458	11,439	248,579
Total OPEB Liability - beginning	273,449	278,127	280,585	292,024
Total OPEB Liability - ending	$ 278,127	$ 280,585	$ 292,024	$ 540,603
Plan fiduciary net position				
Employer contributions	$ 17,698	$ 20,887	$ 20,304	$ 20,302
Net investment income	18,835	15,697	13,066	7,940
Benefit payments	(17,698)	(20,887)	(20,304)	(20,302)
Other	-	-	-	(58)
Administrative expense	(158)	(177)	(45)	(110)
Net change in plan fiduciary net position	18,677	15,520	13,021	7,772
Plan fiduciary net position - beginning	177,621	196,298	211,818	224,839
Plan fiduciary net position - ending	$ 196,298	$ 211,818	$ 224,839	$ 232,611
Net OPEB liability (asset)	$ 81,829	68,767	67,185	307,992
Plan fiduciary net position as a percentage of the total OPEB liability	70.58%	75.49%	76.99%	43.03%
Covered Employee Payroll	$ 938,400	$ 1,130,054	$ 1,170,239	$ 1,202,421
Net OPEB liability as a percentage of covered employee payroll	8.72%	6.09%	5.74%	25.61%
Total OPEB liability as a percentage of covered employee payroll	29.64%	24.83%	24.95%	44.96%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

The District cap was increased from a fixed $280 per month to $324.48 per month in FY21.

There were no changes in discount rates, trend rates or assumptions.

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SUPPLEMENTARY INFORMATION

STEGE SANITARY DISTRICT

Comparison of Budget to Actual (Unaudited)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance	Variance %
OPERATING REVENUE				
Sewer service charges	$ 5,690,000	$ 5,680,751	$ (9,249)	-0.16%
Permit and inspection fees	15,000	8,995	(6,005)	-40.03%
Contracted services	30,000	30,704	704	2.35%
Total operating revenue	5,735,000	5,720,450	(14,550)	-0.25%
NON-OPERATING REVENUE AND CONNECTION FEES				
Property tax	400,000	576,340	176,340	44.09%
Interest income	85,000	51,089	(33,911)	-39.90%
Other income	21,000	4,703	(16,297)	-77.60%
Connection fees	400,000	62,727	(337,273)	-84.32%
Total nonoperating revenue	906,000	694,859	(211,141)	-23.30%
Total revenues	6,641,000	6,415,309	(225,691)	-3.40%
OPERATING EXPENSES				
Maintenance/engineering	2,078,676	2,068,358	(10,318)	-0.50%
Pump stations	16,460	12,730	(3,730)	-22.66%
Contracted repairs	66,000	72,394	6,394	9.69%
General & administrative	870,675	819,624	(51,051)	-5.86%
Total operating expenses	3,031,811	2,973,106	(58,705)	-1.94%
NON-OPERATING EXPENSES				
Interest expense	11,027	9,604	(1,423)	-12.90%
Total expenses	3,042,838	2,982,710	(60,128)	-1.98%
CHANGE IN NET POSITION BEFORE DEPRECIATION	$ 3,598,162	3,432,599	$ (165,563)	-4.60%
Depreciation		(876,945)		
CHANGE IN NET POSITION		$ 2,555,654		
BALANCE SHEET ITEMS				
Debt principal repayment	$ 137,173	$ 137,173	$ -	0.00%
Capital equipment	314,000	140,737	173,263	-55.18%
Sewer rehabilitation	4,977,000	2,964,509	2,012,491	-40.44%
TOTAL BALANCE SHEET ITEMS	$ 5,428,173	$ 3,242,419	$ 2,185,754	-40%

STEGE SANITARY DISTRICT

Schedule of Operating Expenses Before Depreciation

For the Fiscal Year Ended June 30, 2021

	Sewage Collection	General & Administrative	Total
OPERATING EXPENSES:			
Salaries and wages	$ 1,165,824	$ 220,996	$ 1,386,820
Employee benefits	604,550	282,433	886,983
Director's meeting fees	-	21,237	21,237
Director's training and travel	-	880	880
Gasoline, oil and fuel	25,842	-	25,842
Membership	1,236	14,180	15,416
Repairs and maintenance	263,702	15,863	279,565
Operating supplies	54,000	-	54,000
Office and safety supplies	-	4,280	4,280
Insurance	12,720	108,985	121,705
Training & travel	770	1,487	2,257
Professional services	21,124	91,331	112,455
Utilities	4,061	35,769	39,830
Other	-	21,554	21,554
Rents/leases	-	629	629
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	$ 2,153,829	$ 819,624	$ 2,973,453

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OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Stege Sanitary District
El Cerrito, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Stege Sanitary District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 2, 2021
Morgan Hill, California

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