



Board of Directors Regular Meeting
Tuesday, February 9, 2021 at 1:00 PM
Valley Sanitary District
45-500 Van Buren Street, Indio, CA 92201

*******SPECIAL NOTICE – VIA VIDEOCONFERENCE*******

Pursuant to the Governor's Executive Order N-25-20 issued on March 4, 2020 and N-29-20 issued on March 18, 2020; the Board of Directors regular meeting will be conducted remotely through Zoom.

Members of the public wanting to listen to the open session of the meeting may do so via the following Zoom link <https://zoom.us/j/95821697700?pwd=bGJhMDFBNExLV0NTZWlYZGp1TFYxQT09> Meeting ID 958 2169 7700 or by calling 669-900-9128. Members of the public wanting to address the Board, either during public comment or for a specific agenda item, or both, are requested to send an email notification no later than 12:30 p.m. on the day of the meeting to the Valley Sanitary District's Clerk of the Board at hgould@valley-sanitary.org.

Page

1. CALL TO ORDER



- 1.1. Roll Call
- 1.2. Pledge of Allegiance
- 1.3. February Employee Anniversaries
 - Tito Moreno, Collection System Supervisor - 16 years
 - Kenny Kepley, Operator III - 15 years
 - Brian Sprueill, Maintenance Technician III - 9 years
 - Ed Luna, Maintenance Technician I - 1 year
 - Lorraine Shinnette, Laboratory Technician I - 1 year

2. PUBLIC COMMENT









This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

3. CONSENT CALENDAR




Consent calendar items are expected to be routine and noncontroversial, to be acted upon by the Board of Directors at one time, without discussion. If any Board member requests that an item be removed from the consent calendar, it will be removed so that it may be acted upon separately.

- | | | |
|------|--|-------|
| 3.1. | Approve January 26, 2021 Regular Meeting Minutes
3.1 26 Jan 2021 Meeting Minutes.pdf  | 5 - 8 |
| 3.2. | Approve Warrants for January 21 to February 4, 2021
3.2 Warrants for January 21 to February 4, 2021.pdf  | 9 |

4. NON-HEARING ITEMS

- | | | |
|------|--|---------|
| 4.1. | Approve Change Order #1 for the Influent Pump Project
4.1 Influent Pump Station Rehabilitation Project Change Order No. 1.pdf 
4.1 Attachment A PCO 001R1 Influent Pump Station Project Added Bypass Work.pdf  | 10 - 12 |
| 4.2. | Approve Award of Contract for Auditing Services
4.2 Award of Contract for Auditing Services.pdf 
4.2 Attachment A Proposal for Professional Auditing Services.pdf 
4.2 Attachment B List of RFP submitted.pdf  | 13 - 35 |
| 4.3. | Adopt a Resolution Amending the VSD Wage Schedule Effective July 1, 2020
4.3 Adopt Resolution Amending the VSD Wage Schedule Effective July 1 2020.pdf 
4.3 Attachment A RES 2020-1130 Amended.pdf 
4.3 Attachment B Amended Wage Schedule.pdf  | 36 - 43 |

- 4.4. Adopt Resolution 2021-1141 Approving an Electronic Signature Use Policy 44 - 52
- [4.4 Adopt a Resolution Approving VSD Electronic Signature Policy.pdf](#) 
- [4.4 Attachment A Resolution Electronic Signature Policy.pdf](#) 
- [4.4 Attachment B VSD Electronic Signature Policy.pdf](#) 

- 4.5. Continuing Disclosure Annual Reports for Fiscal Year 2019/2020 \$7,540,000 Wastewater Revenue Refunding Bonds, Series 2015, and the Assessment District No. 2004-VSD (Shadow Hills Interceptor) Limited Obligation Improvement Bonds, Series 2005 53 - 178
- [4.5 Continuing Disclosure Annual Reports for Fiscal Year 2020.pdf](#) 
- [4.5 Attachment A Annual Report for Wastewater Revenue Refunding Bonds.pdf](#) 
- [4.5 Attachment B Valley Sanitary Disclosure - FINAL Rev 2.pdf](#) 

5. GENERAL MANAGER'S ITEMS

General Manager's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.

- 5.1. Monthly General Manager's Report - December 2020 179 - 191
- [5.1 Staff Report GM Report December.pdf](#) 
- [5.1 Attachment A Admin Services Report Dec.pdf](#) 
- [5.1 Attachment B NPDES Report for December.pdf](#) 
- [5.1 Attachment C Collection Services Report December \(1\).pdf](#) 
- [5.1 Attachment D Development Services Report December.pdf](#) 
- [5.1 Attachment E Capital Improvement Program Update December.pdf](#) 

6. COMMITTEE REPORTS

- 6.1. Operations Committee - Draft February 2, 2021 Regular Meeting Minutes 192 - 193
- [6.1 2 Feb 2021 Operations Committee Minutes.pdf](#) 

7. DIRECTOR'S ITEMS

Director's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.

8. INFORMATIONAL ITEMS

8.1. Budget Timeline for Fiscal Year 2021/22

194 - 195

[8.1 Budget Timeline for Fiscal Year 2022.pdf](#) 

9. PUBLIC COMMENT

This is the time set aside for public comment on any item to be discussed in Closed Session. Please notify the Secretary in advance of the meeting of you wish to speak on an item.

10. CONVENE IN CLOSED SESSION

10.1. Pursuant to Government Code Section 54954.5 Public Employee Performance Evaluation: General Manager

11. CONVENE IN OPEN SESSION

Report out on Closed Session items

12. ADJOURNMENT

Pursuant to the Brown Act, items may not be added to this agenda unless the Secretary to the Board has at least 72 hours advance notice prior to the time and date posted on this notice.

UNOFFICIAL UNTIL APPROVED

**VALLEY SANITARY DISTRICT
MINUTES OF REGULAR BOARD MEETING
January 26, 2021**

Valley Sanitary District conducted this meeting in accordance with California Governor Newsom's Executive Orders N-29-20 and COVID-19 protocols.

A regular Board Meeting of the Governing Board of Valley Sanitary District (VSD) was held via videoconference, on Tuesday, January 26, 2021.

1. CALL TO ORDER

President Sear called the meeting to order at 1:00 p.m.

1.1 Roll Call

Directors Present:

Debra Canero, Dennis Coleman, Mike Duran, Scott Sear, William Teague

Staff Present:

Beverli Marshall, General Manager, Holly Gould, Ron Buchwald, Jeanette Juarez, Ian Wilson, and Robert Hargreaves, Best Best & Krieger

1.2 Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

None.

3. CONSENT CALENDAR

3.1 Approve January 12, 2021, Regular Meeting and January 19, 2021, Special Meeting Minutes

3.2 Approve Warrants for January 7 to January 20, 2021

3.3 Accept Monthly Financial Report for Period Ending December 31, 2020

ACTION TAKEN:

MOTION: Director Duran a motion to approve the consent calendar items as presented. Director Teague seconded the motion. Motion carried unanimously.

MINUTE ORDER NO. 2021-3076

UNOFFICIAL UNTIL APPROVED

4. NON-HEARING ITEMS

4.1 Review Fiscal Year 2020/21 Budget and Approve Mid-Year Budget Amendment

Jeanette Juarez, Business Services Manager, presented the Fiscal Year 2020/21 mid-year budget review and amendment request. There are three (3) cost drivers that have affected the Operating & Maintenance (O&M) budget. (1) the impact of COVID-19 expenditures has been much higher than originally projected. The District has had to incur additional costs to comply with all local, state, and federal COVID-19 regulations, procedures, and protocols. (2) Request that the Board review and approve the 2% cost of living adjustment for staff to align with Consumer Price Index increases for Riverside County as of November 2020. And (3), an increase in chemical use and expenditures due to the current NPDES permit which reduced limits for total suspended solids (tss) from the ponds. Ms. Juarez also presented the request for the amendment to the Capital budget for the cost of a grit slurry pump and the design of the new laboratory building. The fiscal impact of the requested changes will increase the O&M budget by \$323,464, and the Capital budget by \$72,185. The new proposed FY2020/21 O&M and Capital Budgets are \$9,110,514, and \$10,395,887, respectively. After discussion, the Board thanked Ms. Juarez, and staff for a very informative report.

ACTION TAKEN:

MOTION:

Director Teague made a motion to approve the proposed amendment to Valley Sanitary District's O&M budget by \$323,464 and Capital budget by \$72,185. Vice President Coleman seconded the motion. Motion carried by the following roll call vote:
AYES: Canero, Coleman, Sear, Teague
NOES: Duran
MINUTE ORDER NO. 2021-3077

4.2 Award a Contract to National Plant Services, Inc. for Cleaning and CCTV Inspection Services for the Sanitary Sewer Pipe Cleaning and Inspection Project in an Amount Not to Exceed \$241,461 and Authorize the General Manager to Execute the Contract

Ron Buchwald, Engineering Services Manager, informed the board that the Sanitary Sewer Pipe and Cleaning project is one of many projects that make up the Collection System Sewer Main Rehabilitation or Replacement project. The goal for the cleaning and televising project is to clean and televise sewer mains located within the District's boundary that the collections department is unable to televise due to pipe size, siphons and/or high flow level. The data collected will then allow Harris and VSD to prioritize the pipes for repair or replacement. Some work will be conducted at night to take advantage of lower flows. The project went out to bid on November 23, 2020, with a bid closing date on January 14, 2021. One sealed bid was received from National Plant Services for a not to exceed the amount of \$241,461. Staff reviewed the bid package and determined that it met all bid requirements. Mr. Buchwald explained that this type of project has not gone out to bid in the past and due to the high cost and advanced technology of the equipment needed, outsourcing was the more cost-efficient option. He also informed the Board that the implementation of the project would take about four (4) to five (5) weeks.

UNOFFICIAL UNTIL APPROVED

ACTION TAKEN:

MOTION:

Director Duran made a motion to award a contract to National Plant Services, Inc., for cleaning and CCTV inspection services for the Sanitary Sewer Pipe Cleaning and Inspection Project in an amount not to exceed \$241,461 and authorize the General Manager to execute the contract. Vice President Coleman seconded the motion. Motion carried by the following roll call vote:

AYES: Canero, Coleman, Duran, Sear, Teague

NOES: None

MINUTE ORDER NO. 2021-3077

4.3 Discuss the Fiscal Year 2020/21 Capital Improvement Program and Provide Direction to Staff

Ron Buchwald, Engineering Services Manager, gave the Board an update on the Fiscal Year 2020/21 Capital Improvement Program. The overview included an update on the Influent Pump Station Rehabilitation, Collections System Rehabilitation Projects, Reclaimed Water Project Phase 1, Westward Ho Sewer Siphon Replacement Design and Construction, New Training and Office Building, and the Van Buren Slope Protection Project. The report included the need, status, and total cost of each project. The Board thanked Mr. Buchwald, and staff for the very informative and well-presented report.

5. GENERAL MANAGER'S ITEMS

Beverli Marshall, General Manager, updated the Board on the District's rate study consultants, NBS. She informed them that the lead consultant will be leaving NBS. She will be replaced by an equally knowledgeable and experienced consultant and the rate study will stay on schedule. Ms. Marshall informed the Board that Governor Newsome had lifted the regional stay-at-home orders however Riverside County is still under the most restrictive purple tier. Staff will remain under the alternating A/B schedule for three (3) to four (4) more weeks. By then the District should have the required additional social distancing protocols in place. Staff will be bringing the succession planning report before the Operations Committee. Staff requests the committee schedule a special meeting to be able to review the report in time for the budget planning process.

6. COMMITTEE REPORTS

None.

7. DIRECTOR'S ITEMS

Vice President Coleman thanked the Operations Committee and staff for arranging a special Operations Committee meeting.

8. INFORMATIONAL ITEMS

None.

UNOFFICIAL UNTIL APPROVED

9. PUBLIC COMMENT

This is the time set aside for public comment on any item to be discussed in Closed Session. Please notify the Secretary in advance of the meeting if you wish to speak on an item.

None.

10. CONVENE IN CLOSED SESSION

Items discussed in Closed Session comply with the Ralph M. Brown Act.

- 10.1 Pursuant to Government Code Section 54954.5
Public Employee Performance Evaluation
Title: General Manager
-

The Board adjourned to closed session at 2:33 p.m.

11. CONVENE IN OPEN SESSION

Report out on Closed Session items.

The board reconvened to open session at 2:54 p.m. President Sear stated there was nothing to report.

12. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 2:56 p.m. The next regular board meeting will be held on February 9, 2021.

Respectfully submitted,

Holly Gould, Clerk of the Board
Valley Sanitary District

DISBURSEMENTS
Approved at the Board Meeting of
February 9, 2021

38947 Grainger	Mini Pleat Air Filters	\$984.43
38948 Kaman Industrial Technologies	Pillow Blocks	\$252.36
38949 Southwest Networks, Inc.	(6) HP Laptops	\$8,571.23
38950 Turing Video	Gen 2 Body Temp Scanner	\$9,505.70
38951 Aqua Staffing	Temporary Staffing	\$5,536.00
38952 City of Indio Fire Services	Fire Inspection	\$1,674.00
38953 American Material Company	n95 Masks	\$541.62
38954 Aqua Staffing	Staffing for Week Ending 01/22/2021	\$6,812.00
38954 Aqua Staffing	Staffing Week Ending 01/08/2021	\$5,608.50
38955 Around The Clock Call Center	Call Center Service Feb 2021	\$121.00
38956 Automation Pride	Service Call	\$95.00
38957 Basic	Jan-Mar 2021 QTRTLY Section 125 Billing	\$150.00
38958 Calif. Sanitation Risk Mgmt Authority	Workers Compensation Payroll Audit - 7/19 - 06/20	\$3,572.00
38959 Calif. Society of Municipal Finance Officers	Municipal Membership Dec 2020-Dec 2021	\$110.00
38960 California Association of Mutual Water Companies	Member Dues 2021	\$100.00
38961 Caltest Analytical Laboratory	Monthly Samples Jan 2021	\$995.00
38961 Caltest Analytical Laboratory	Quarterly Samples	\$239.40
38962 Daniels Tire Service, Inc.	Tires for 2014 Ford F150	\$289.38
38963 Denali Water Solutions	Dec 2020 Biosolids Hauling	\$6,042.90
38964 Dept. of Environmental Health	Hazardous Waste Permit Fee 2021	\$2,290.00
38965 Desert Arc	Lanscaping for Jan 2021	\$800.00
38966 Desert Fire Extinguisher Co., Inc.	Annual Fire Extinguisher Service 2021	\$1,942.55
38967 DKF Solutions Group, LLC	Updated Covid-19 Plan	\$1,000.00
38968 Enthalpy Analytical, LLC	4th QTR Monitoring TIE-TRE Upstream Testing	\$1,850.00
38969 Environmental Resource Associates	Dissolved Oxygen	\$245.25
38970 Fulton Distributing Co.	Janitorial Supplies	\$452.97
38971 Grainger	Sulfuric Acid	\$421.59
38972 Harrell & Company Advisors, LLC	Prep and Filing of Continuing Disclosure Annual Report	\$1,500.00
38973 Harris & Associates	Prevailing Wage Inspection Nov 22, 2020- Jan 2, 2021	\$1,962.70
38973 Harris & Associates	Professional Services Nov 2020- Jan 2, 2021	\$78,980.85
38974 Hopkins Technical Products Inc	Chlorine Analyzers for Pond	\$14,105.57
38975 Industrial Filter Manufacturers, Inc.	Filters	\$5,811.20
38976 Marin Gutierrez	Training Reimbursement	\$50.00
38977 McMaster-Carr Supply Co.	Saw Blade	\$61.72
38977 McMaster-Carr Supply Co.	Antislip Tape	\$83.28
38978 NeoGov	Government Jobs Subscription 2021	\$8,138.26
38979 Smith & Loveless Inc.	Non-Clog Impellers for Carver LS	\$5,185.81
38980 Southern California Boiler, Inc.	Boiler Maintenance Jan 2021	\$1,004.99
38981 Southwest Networks, Inc.	Phone System Upgrade Ref. additional PO 50915	\$18,882.27
38981 Southwest Networks, Inc.	Prorate for 1/1/21-3/19/21 Board Members Office 365 2 Months	\$75.00
38982 United Way of the Desert	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$25.00
38983 Univar Solutions	Sodium Hypochlorite 01/19/2021	\$7,089.58
38983 Univar Solutions	Sodium Bisulfite 01/19/2021	\$5,837.67
202101251 CalPERS Health	Health Insurance for February 2021	\$31,226.25
202101252 Standard Insurance Company	Dental and Vision Insurance for February 2021	\$3,451.00
202101281 CalPERS 457	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$1,000.00
202101282 CalPERS Retirement	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$19,039.44
202101283 Colonial Life	PR 12/11/2020 - 12/24/2020 PD 12/31/2020	\$348.67
202101283 Colonial Life	PR 12/25/2020 - 01/07/2021 PD 01/15/2021	\$860.06
202101283 Colonial Life	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$1,502.04
202101284 Cintas Corp	Uniforms, Mats, Towels, Etc for Week of 01/07/2021	\$624.87
202101284 Cintas Corp	Uniforms, Mats, Towels, Etc for Week of 01/14/2021	\$624.87
202101284 Cintas Corp	Uniforms, Mats, Towels, Etc for Week of 01/21/2021	\$624.87
202101285 Cintas Corp	First Aid Supply Replenishment 01/07/2021	\$169.77
202101286 Pitney Bowes, Inc.	Replacement Ink for Postage Machine	\$92.43
202101291 Paychex - Direct Deposit	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$73,347.98
202101292 Paychex - Fee	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$130.77
202101293 Paychex - Garnishment	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$210.46
202101294 Paychex - Tax	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$34,566.56
202101295 MassMutual	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$10.00
202101296 Nationwide Retirement Solution	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$1,535.00
202101311 Domino Solar LTD	Electricity for December 2020	\$3,483.75
202102011 Standard Insurance Company	Life and Disability Insurance for February 2021	\$1,332.83
202102031 Bank of New York Trust Co. (A.D. 4)	VSD AD2004 Interest Payment	\$119,373.42
202102041 Imperial Irrigation District	Electricity for December 2020	\$46,779.46
202102051 Indio Water Authority	Water Service for December 2020	\$1,379.42
202901217 Vantage Point Transfer Agents - ICMA	PR 01/08/2021 - 01/21/2021 PD 01/29/2021	\$1,495.00
		\$552,205.70



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

FROM: Ronald Buchwald, Engineering Services Manager

SUBJECT: Approve Change Order No. 1 for the Influent Pump Station Rehabilitation Project in an Amount Not to Exceed \$28,633.25

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New expenditure request	<input checked="" type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input checked="" type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Board of Directors to review and discuss the change order proposal from Downing Construction, Inc.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 3: Excellent Facilities.

Fiscal Impact

The total cost of Change Order No. 1 is \$28,633.25. The total cost of the contract including Change Order No. 1 is \$387,328.25. The current budget for the Influent Pump Station Rehabilitation project is \$1,200,000 and is included in the FY 2020/21 Capital Improvement Budget.

Background

The Design/Build Team (D/B Team) planned for a short duration by-pass of the influent pump station as part of their proposal to the District in September 2020. Due to the limited duration and the event occurring only during the week (not weekends), the D/B Team planned for minimal pumps to handle the total flow with no flow meter or other control devices. However, when laying out the by-pass plan with operations, it was concluded that additional control devices and pumps would be needed even for a short duration by-pass (5-days). A flow meter is needed to determine real time flow. The District’s treatment plant is controlled by the measured flow at the influent pump station. The District requested an additional full-size pump as a backup and a smaller jockey pump to handle low flows during the evening. This will provide redundancy to handle unforeseen challenges. The total cost of the extra equipment is the cost of the change order. Staff negotiated with the D/B Team to eliminate contractor markups.

Recommendation

Staff recommends that the Board of Directors authorize the General Manager to approve Change Order No. 1 for \$28,633.25 for the Influent Pump Station Rehabilitation project.

Attachments

Attachment A: Downing Construction, Inc. Change Order No. 1 dated, January 28, 2021.

PRELIMINARY CHANGE ORDER REQUEST

From: *Downing Construction, Inc.*
32194 Outer Highway 10 South
Redlands, CA 92373

PCO#: 001R1
Date: 1/28/2021

To: Valley Sanitary District
Attn: Ron Buchwald, PE

Project: Influent Pump Station Rehabilitation Project
Contract No. 2020-0105

Amount of this Change Order Request: \$28,633.25

The contractor agrees to perform, and the owner agrees to pay for the following requested changes to this contract.

Offered by: Downing Construction, Inc.

REFERENCE:

- Provide for additional bypass equipment and appurtenances added from the RFP proposal and additional installation expenses. The additional expense follows additional requirements requested during submittal response and revised approved plan.
- Reference attached original Xylem quote dated 9/22/20 and revised quote dated 1/22/21 with additions noted and final pricing impacts.

DESCRIPTION OF WORK

Additional pumps, piping, flowmeter, appurtenances, and installation costs. Requesting difference between Xylem RFP cost including sales tax and installation and removal based on one week rental in the amount of \$34,992.35 and new quote for \$63,625.60 with no markups.

Additional calendar days requested for this Change Order Request: **Zero**

Approved by Owner's Representative:

Rumen Yz

2/1/21

Signature

Date

Approved by Valley Sanitary District:

Signature

Date

Submitted by Downing Construction, Inc:

Kevin Ellis

1/28/21

Signature

Date



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: **Approve Award of Contract for Auditing Services**

<input checked="" type="checkbox"/> Board Action	<input checked="" type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Board of Directors to approve the award of contract for auditing services to Davis Farr LLP.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 5.1: Align long-term financial planning with strategic priorities.

Fiscal Impact

The contract cost over three (3) years is an amount not to exceed \$93,625 through the fiscal year 2024. The expenditures will be budgeted in the Administration Department’s operating budget.

Background

Valley Sanitary District released a Request for Proposal (RFP) for Auditing Services on November 12, 2020, to comply with Government Code section 1240.6(b), which indicates that “a local agency shall not employ a public accounting firm to provide audit serviced to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local Agency for six (6) consecutive fiscal year”.

The RFP invited responses from highly qualified and experienced independent certified public accounting firms with proven records of accomplishments for a one (1) year agreement with two (2) one (1) year renewal options, to perform the annual audit of the District’s financial statements. The District received eight (8) proposals.

A four-member evaluation committee comprised of Valley Sanitary District staff independently reviewed all submitted proposals utilizing the evaluation criteria

found in the RFP. According to the evaluation scores, the committee determined that Davis Farr LLP represents the best option for auditing services. Their proposal was clear, concise, and demonstrated a strong understanding of the scope of work.

Recommendation

Recommend that the Board of Directors delegate authority to the General Manager to negotiate and execute a one (1) year auditing services contract, with two (2) one (1) year renewal options, with Davis Farr LLP in an amount not to exceed \$93,625, upon review as to form by General Counsel.

Attachments

- Attachment A: Proposal for Professional Auditing Services
- Attachment B: List of RFP's submitted



Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Prepared By:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

December 1, 2020

Contact Person:

Jonathan Foster, CPA | Partner
Office: 949.474.2020 | Direct: 949.783.1744
Email: jfoster@davisfarr.com

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APPENDIX

Peer Review Documentation

December 1, 2020

Valley Sanitary District
Jeanette Juarez, Business Services Manager
45-500 Van Buren St
Indio, CA 92201

Dear Ms. Juarez,

We are pleased to provide our proposal to perform audit services to Valley Sanitary District (the "District") for the fiscal years ending June 30, 2021 through 2023.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while the District has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We take a proactive leadership role in local government accounting and auditing issues. We serve on the Government Accounting and Audit Committee of the Cal CPA Society, the CSMFO Professional Standards Committee and are frequent speakers on technical topics at conferences and training events throughout California.
- Our Partners have been providing audit services to governmental special districts for over 30 years. Davis Farr currently provides audit services to many special districts and agencies such as Ventura Regional Sanitation District, Leucadia Wastewater District and Cucamonga Valley Water District to name a few.
- We utilize data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.
- We regularly perform additional services for our clients in the form of agreed upon procedures in areas of internal control cycles such as cash receipting, cash disbursement and payroll.

We appreciate the opportunity to share our credentials and look forward to developing our professional relationship. Our proposal remains a firm and irrevocable offer for 90 days from December 1, 2021. I certify that I am authorized to make representations for the firm and enter into contract with the District. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1744.

Very truly yours,



Jonathan Foster, CPA
Partner

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section A – About Davis Farr LLP

Background Information – Davis Farr LLP is a full-service regional accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities out of our Orange County and San Diego offices. This engagement would be serviced by our Orange County office located in Irvine. Our personnel have served governmental and non-profit entities for over 30 years. A breakdown of our government audit personnel by classification is as follows:

Classification	Employees
<i>Partners</i>	7
<i>Managers</i>	8
<i>Supervisors</i>	4
<i>Seniors</i>	17
<i>Staff</i>	13
<i>Administrative</i>	3
Total Personnel	52

License to Practice in California – Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants.

Federal Tax Identification Number: 47-3535842

Independence – Davis Farr LLP is independent with respect to Valley Sanitary District as defined by U.S. General Accounting Office’s *Government Auditing Standards* and Generally Accepted Auditing Standards.

Insurance – Davis Farr LLP has sufficient insurance coverage to meet or exceed the Agency’s requirements and will provide insurance certificates to the Agency prior to entering a contract.

Quality Control – Davis Farr LLP and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and is a member of the AICPA’s Government Audit Quality Center. Our firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. The Peer Review included a review of government engagements. Davis Farr LLP has not had any federal or state desk reviews or field reviews during the past three years apart from a review performed by the Department of Transportation (DOT). The report concluded that our audit work complied with the requirements of the single audit act, the uniform guidance, and DOT’s major programs and included a recommendation related to documentation. There has been no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Professional Affiliations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. Cal CPA recognized one of Davis Farr LLP’s Partners with their **Women to Watch** award in the Experienced Leader category. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA.

American Institute of CPAs – Davis Farr LLP and the firm’s Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession’s technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program’s Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.

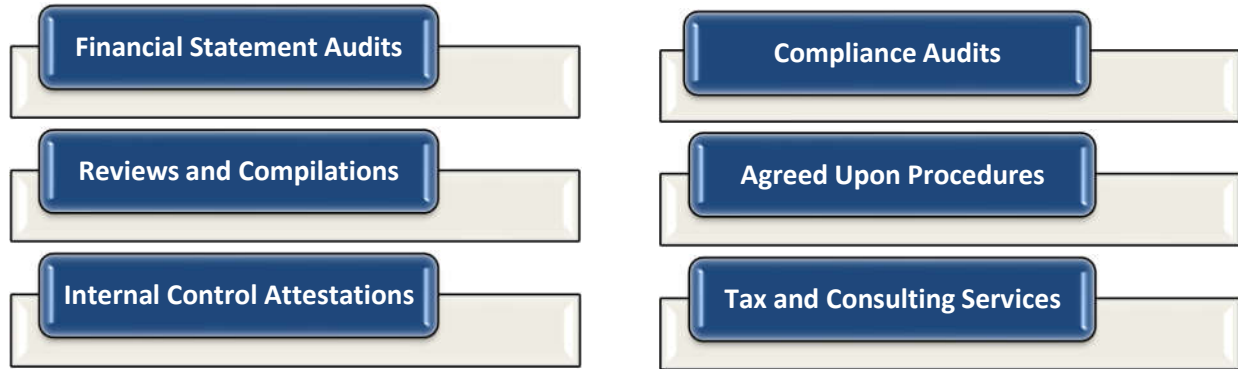


Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section B – Our Prior Experience Auditing Government Agencies

Davis Farr LLP is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr LLP services routinely provided to our clients include, but are not limited to:



Our government expertise includes Cities, Special Districts, and other Governmental entities. Some of the government agencies that the professionals of Davis Farr LLP have served recently are the following:

City of Avalon	Cucamonga Valley Water District
City of Carlsbad	Eastern Municipal Water District
City of Commerce	Hass Avocado Board
City of Coronado	Irvine Ranch Water District
City of Costa Mesa	Leucadia Wastewater District
City of Dana Point	Metropolitan Water District of Southern CA
City of Delano	Municipal Water District of Orange County
City of Encinitas	Orange County LAFCO
City of Fontana	Oxnard Housing Authority
City of Fountain Valley	Placer County Water Agency
City of Garden Grove	Salton Sea Authority
City of Huntington Beach	San Diego County Water Authority
City of Laguna Niguel	San Diego Association of Governments
City of Mission Viejo	San Diego LAFCO
City of Poway	San Dieguito Riverpark Authority
City of Rancho Santa Margarita	Sweetwater Authority
City of Santee	Tahoe Regional Planning Agency
City of Victorville	Tahoe Transportation District
County of Woodland	Vallecitos Water District
County of Fresno Housing Authority	Walnut Valley Water District
County of San Diego	West Basin Municipal Water District

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section C – Client References

For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several clients. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

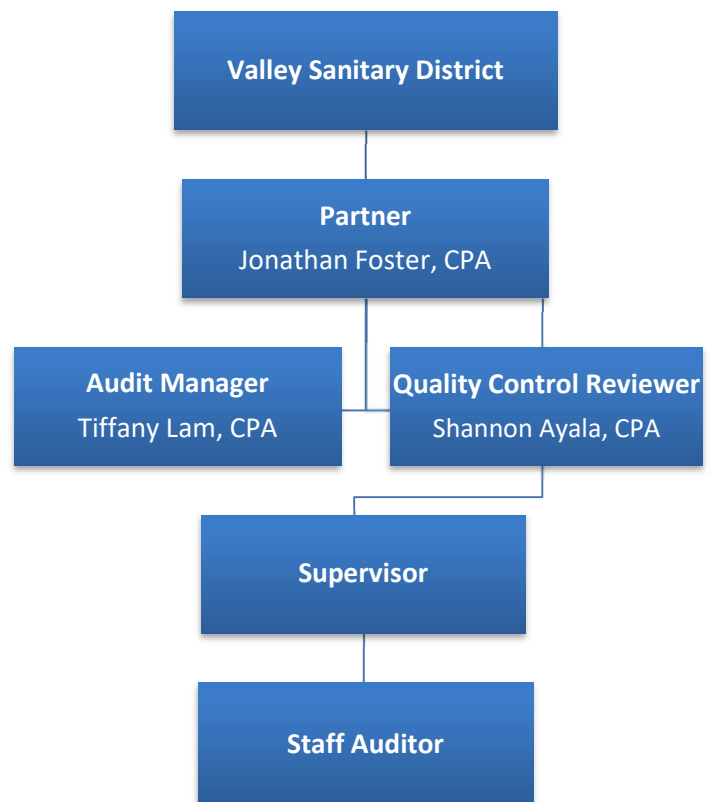
	Client	Client Contact	Telephone/Email
1.	Leucadia Wastewater District 1960 La Costa Avenue Carlsbad, CA 92009	Richard Duffey, CPA <i>Administrative Services Manager</i>	760.753.0155 rduffey@lwwd.org
2.	Placer County Water Agency 144 Ferguson Road Auburn, CA 95604	Carrie Parks <i>Deputy Director of Financial Services</i>	530.823.4840 cparks@pcwa.net
3.	Cucamonga Valley Water District 10440 Ashford Street Rancho Cucamonga, CA 91730	Jennifer Fillinger <i>Accounting Supervisor</i>	909.483.7453 jenniferf@cvwdwater.com

Section D – Partner, Supervisory and Staff Qualifications and Experience

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve Valley Sanitary District have served together as a team of professionals on numerous financial audit examinations of local government entities. While not anticipated, any personnel substitutions will be of equally qualified personnel.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results Valley Sanitary District. In that regard, our proposed organizational structure for providing independent auditing services is as illustrated to the right.

In accordance with CA Government Code Section 12410.6 requiring partner rotation, it is the practice of Davis Farr to rotate the Quality Control Reviewer into the role of Partner on the job after six years unless requested otherwise.



JONATHAN FOSTER, CPA

PARTNER

California CPA Certificate No. 117853

Mr. Foster will serve as the Engagement Partner on the engagement. He has 13 years of audit experience with government agencies. The types of audits Mr. Foster is involved in includes financial audits of cities and special districts and Single Audits in accordance with the Uniform Guidance. Mr. Foster is also a CAFR and Budget reviewer for the CSMFO award and is a regular presenter at firm wide training and external training events as requested. He was a featured speaker at the 2019 CSMFO Conference in Palm Springs where he presented on *Capital Assets: Bridging the GAAP between Engineering and Finance* and is presenting at the upcoming 2021 CSMFO Conference.



PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

Member of Cal CPA Government Audit & Accounting Committee

California Society of Municipal Finance Officers

CAFR and Budget Award Reviewer

EDUCATION

Bachelor of Accountancy

University of San Diego

AUDITS OF SPECIAL DISTRICTS AND AGENCIES

Big Bear Area Regional Wastewater Authority

Big Bear Community Facilities District

Cucamonga Valley Water District

East Orange County Water Agency

Irvine Ranch Water District

Placer County Water Agency

Trabuco Canyon Water District

Soquel Creek Water District

Ventura Regional Sanitation District

San Bernardino Municipal Water Department

San Diego Association of Governments

Santiago Aqueduct Commission

Saticoy Sanitary District

West Basin Municipal Water District

ADDITIONAL RELEVANT EXPERIENCE

Irvine Ranch Water District – Proposition 218 Agreed Upon Procedures

Irvine Ranch Water District/Orange County Sanitation District – Fund Specific Audit

Metropolitan Water District of Southern California - Local Resource Program Audits

Municipal Water District of Orange County - Consulting

**SHANNON AYALA, CPA
QUALITY CONTROL REVIEWER**

California CPA Certificate No. 88126

Ms. Ayala is a Partner with Davis Farr and will serve as the Quality Control Reviewer on this audit. She will provide technical assistance to the audit team and review the final reports before they are released. Ms. Ayala is a Certified Public Accountant with seventeen years of audit experience, spending most of that time on audits for local governments. Ms. Ayala has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with Uniform Guidance, and compliance audits. She also oversees the annual GASB update presented in San Diego and offered to our clients on an annual basis.



PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
California Society of Certified Public Accountants

EDUCATION

Bachelor of Science – Accounting,
San Diego State University

AUDITS OF SPECIAL DISTRICTS AND AGENCIES

LAFCO – Imperial County
LAFCO – San Diego County
Leucadia Wastewater District
Rancho California Water District
Salton Sea Authority

San Diego Association of Governments
San Diego County Water Authority
San Dieguito River Park JPA
Sweetwater Authority
Vallecitos Water District

ADDITIONAL RELEVANT EXPERIENCE

San Diego County Water Authority – Local Water Supply Development Program Audits
Integrated Regional Water Management Program – Local Project Sponsor Agreed Upon Procedures
Metropolitan Water District of Southern California - Local Resource Program Audits
Eastern Municipal Water District – Various Agreed Upon Procedures

INTRODUCTION

Ms. Lam has eight years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Ms. Lam has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with Uniform Compliance; and Federal compliance audits.



PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

EMPLOYMENT HISTORY

Davis Farr LLP: June 2015 to present

National CPA firm: 2012 to 2015

EDUCATION

Bachelor of Arts in Business Administration/Accounting
California State University, Fullerton

AUDITS OF SPECIAL DISTRICTS

Cucamonga Valley Water District
Eastern Municipal Water District
Irvine Ranch Water District
Los Angeles Homeless Services Authority
Los Angeles Interagency Metropolitan Police
Apprehension Crime Task Force

Rancho California Water District
San Bernardino Municipal Water Department
San Diego Association of Governments
Sweetwater Authority
Tahoe Regional Planning Agency

AUDITS OF CITIES

City of Avalon
City of Carlsbad
City of Commerce
City of Del Mar
City of El Segundo
City of Fountain Valley

City of Huntington Beach
City of Inglewood
City of Mission Viejo
City of Torrance
City of Victorville
City of Woodland

Section E – Audit Approach

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of District staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by the District staff to avoid duplication or unnecessary requests for audit supporting schedules. Typically, we request support for balance sheet items, the year ending trial balance and cash and long-term debt confirmations.
- Our firm's expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances at your District to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software – We utilize CaseWare audit software for the electronic workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. CaseWare allows us the ability to import trial balances that can be provided in either excel or a text document. Some of the benefits of using CaseWare trial balance software are as follows:

- We create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide the District with financial statements almost immediately after receiving the trial balance from the District. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized.
- We can provide the District with reports showing the coding of the financial statement schedules for ease of review by District staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

Data Mining Software

We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed
<i>Planning and inquiry</i>	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> • Meet with finance personnel to obtain an understanding of significant transactions during the year. • Communicate with the Board of Directors regarding fraud, compliance with laws, and any concerns they have regarding the finances of the District. • Perform internal control evaluations as noted on the previous page. • Determine materiality levels that will be used in selecting audit transactions. • Perform a risk assessment to develop the audit plan for the year. • Review minutes of Board of Directors meetings. • Review important new contracts, bond documents, and agreements. • Evaluate compliance with investments. • Test purchase orders and contract management. • Test a sample of cash disbursements to determine adherence to policies and internal controls. • Perform a review of the District’s information systems and controls. • Perform compliance testing of federal grants, as necessary.

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

	<ul style="list-style-type: none"> • Review the prior audited financial statements and provide feedback to District staff regarding best practices for financial reporting. • Provide a GASB Update and templates for implementing new accounting standards as necessary.
<p>Year-End Testing</p>	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none"> • We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians. • We will test for proper cutoffs of accounts receivable and grants receivable. • We will confirm and test material notes and loans receivable. • We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness. • We will test current liabilities and perform a search for unrecorded liabilities. • We will review unearned revenue balances for proper cutoffs. • We will test the balances of accrued payroll and employee related liabilities. • We will confirm long-term debt with independent parties. • In years of new debt issuances, we will review the journal entry to record the debt to ensure the accuracy of the accounting. • We will test actuarial valuations and calculations related to OPEB obligations and disclosures under GASB 75. • We will test actuarial valuations and calculations related to pension obligations and disclosures under GASB 68. • We will test reasonableness of claims and judgments payable. • We will test restrictions and classifications of net position. • We will analyze grant revenues and expenses to ensure proper matching within the fiscal year. • We will test the reasonableness of interest income, realized, and unrealized gains/losses on investments. • We will analytically and substantively test revenues and expenses reported in the financial statements. • We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

<p>Completion of the Audit and Preparation of Financial Statements</p>	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • We will review significant events after year end • We will review attorney letters for significant legal matters • We will review the Comprehensive Annual Financial Report (CAFR) with the latest GFOA checklist • We will ensure accurate and complete disclosures in the notes to the financial statements. • We will meet with the Finance & Budget Committee and Board of Directors to present the results of the audit.
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Section F – Implementation of New GASB Pronouncements

The District will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that may impact the Valley Sanitary District are listed below:

GASB	Description
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. We will work with the District to identify the activities required to be reported in these four fund types and provide transition guidance for the fiscal year ending June 30, 2021.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The standard will be effective for the fiscal year ending June 30, 2022.
<i>GASB 90: Majority Equity Interests</i>	This statement is intended to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
<i>GASB 91: Conduit Debt Obligations</i>	The primary objectives of this Statement are to eliminate diversity in practice associated with conduit debt obligations.

Section G – Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the Valley Sanitary District for the fiscal years ending June 30, 2021 through 2023. Our examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will prepare and submit the District's Financial Transaction Report to the State Controller.
- We will prepare a letter to the Board of Directors summarizing the audit results in accordance with the Codification of Auditing Standards Section 260.
- We will prepare a letter to the Board of Directors reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section 265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- We will attend Budget & Finance and Board of Directors meetings as requested and present the results of the audit to both the Budget and Finance Committee and the Board of Directors.
- We will provide a minimum of four (4) hours of continuing professional education (CPE) annually to the District.
- As requested, we will perform Agreed Upon Procedures over internal control relating to software upgrades. We will issue a report detailing the procedures and results and agreed upon by the District.
- Finally, we perceive the scope of our work as being advisors to the District regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of the District will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to the District. Each year, we will go over upcoming accounting standards in a meeting with District staff.

Identification of Anticipated Potential Audit Problems

We do not believe there will be any anticipated potential audit problems.

Valley Sanitary District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section H – Proposed Timing of the Audit

The following proposed timing is subject to the District’s revision and approval:

Task	Fiscal Year Ending June 30, 2021
<i>Interim Request List/Audit Plan</i>	30 days prior to interim
<i>Audit Planning Meeting</i>	Week of interim
<i>Interim Audit Procedures</i>	March as scheduled by the District
<i>Final Audit Request List Provided</i>	Final day of interim
<i>Final Audit Fieldwork</i>	September 2021 as schedule by District
<i>Exit Meeting</i>	Final day of fieldwork
<i>Draft Audit Reports</i>	Within 3 weeks after final fieldwork, no later than October 22, 2021
<i>Finalization of Audit Reports</i>	Within 5 days of receiving District’s approval
<i>Presentation to Committee and Board of Directors</i>	As schedule by the District

Section I – Proposed Costs and Audit Segmentation

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Total</u>
Financial Statement Audit	\$ 18,060	18,420	18,790	55,270
State Controller's Report	1,750	1,785	1,820	5,355
Total	<u>\$ 19,810</u>	<u>20,205</u>	<u>20,610</u>	<u>60,625</u>
<u>Additional services</u>				
Single Audit *	\$ 3,500	3,500	3,500	
Financial Statement Preparation	\$ 4,500	4,500	4,500	
Agreed Upon Procedures	\$ 3,000	3,000	3,000	

* Covers one major program, additional major programs may be audited for \$1,500 each

Estimated Hour Segmentation for Financial Statement Audit

	Rate	Hours	Cost
Partner	\$ 175	16	\$ 2,800
EQR	175	4	700
Manager	150	20	3,000
Supervisor	115	64	7,360
Staff	105	40	4,200
		<u>144</u>	<u>\$ 18,060</u>

APPENDIX



Report on the Firm's System of Quality Control

Davis Farr LLP

Irvine, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and examination of a service organization (SOC 1, Type 2 Report).

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

CPAs ■ Advisors

 4120 Concourse, Suite 100, Ontario, CA 91764
 909.948.9990 / 800.644.0696 / FAX 909.948.9633
 gyl@gylcpa.com
 www.gylcpa.com



Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
September 23, 2019

List of RFP's Submitted

Brown Armstrong Certified Public Accountants

4200 Truxtun Avenue, Suite 300

Bakersfield, CA 93309

Ndatta@bacpas.com

Phone (661) 324-4971

Davis Farr LLP

301 Dupont Drive, Suite 200

Irvine, CA 92612

jfoster@davisfarr.com

Phone (949) 474-2020

Eadie and Payne LLP

3880 Lemon Street, #300

Riverside, CA 92501

ecasareno@eadiepaynellp.com

Harshwal & Company LLP

16870 W. Bernardo Drive, Suite 250

San Diego, CA 92127

Phone (858) 939-0017

sanwar@harshwal.com

James Marta & Company LLP

701 Howe Avenue, Suite E3

Sacramento, CA 95825

Phone (916) 993-9494

DBecker@JPMCPA.com

List of RFP's Submitted

Nigro & Nigro

25220 Hancock Ave #400

Murrieta, CA 92562

Phone (951) 698-8783

pkaymark@nncpas.com

Rogers, Anderson, Malody & Scott, LLP

735 E Carnegie Drive, Suite 100

San Bernardino, CA 92408

Phone (909) 889-0871

smano@ramscpa.net

The Pun Group LLP

200 E. Sandpointe Ave, Suite 600

Santa Ana, CA 92707

Phone (949) 777-8801

Ken.pun@pungroup.com



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: **Amend Resolution No. 2020-1130 to Add Board Approved Two Percent (2%) Cost of Living Adjustment (COLA)**

<input checked="" type="checkbox"/> Board Approval	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input checked="" type="checkbox"/> Existing Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The proposed amended resolution authorizes a two percent (2%) Cost of Living Adjustment (COLA) to the current employee wages and benefits retroactive to July 1, 2020.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 1.1: Fully Staff with a Highly Trained and Motivated Team.

Fiscal Impact

The financial impact to this amendment is approximately \$53,403 and is included in the amended fiscal year 2020/21 budget.

Background

At the January 26, 2021 Board meeting the Board of Directors determined that, due to increases in the Consumer Price Index for Riverside County, a 2% COLA adjustment is warranted. The redlined resolution is included in this report.

Additionally, a new wage schedule was created to account for the 2% COLA adjustment and reconfigured from a monthly schedule to a biweekly schedule. The bi-weekly schedule better aligns with District’s employee benefits policies as paydays are bi-weekly.

Recommendation

Recommend that the Board of Directors adopt amended Resolution No 2020-1130 A Resolution of The Board of Directors of Valley Sanitary District Amending Employee Wages & Benefits Effective July 1, 2020.

Attachments

Attachment A: Amended Resolution No. 2020-1130 to Add Board Approved Two Percent (2%) Cost of Living Adjustment (COLA).

Attachment B: VSD Amended Wage Schedule

RESOLUTION NO. 2020-1130
A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY SANITARY DISTRICT AMENDING EMPLOYEE WAGES & BENEFITS EFFECTIVE JULY 1, 2020

WHEREAS, the General Manager submitted to the Board of Directors a draft budget for Fiscal Year 2020/21 that included employee wages and benefits; and,

WHEREAS, the Board of Directors has considered the issues relating to employee wages and benefits from an economic viewpoint and has concluded that a ~~two~~ **one** percent (~~2~~**1**%) Cost of Living Adjustment (COLA) adjustment is warranted.

NOW, THEREFORE, the Board of Directors of Valley Sanitary District **HEREBY RESOLVES**:

1. The Wage Schedule attached to this Resolution as Exhibit 1 replaces the Wage Schedules adopted effective July 1, 2019.
2. The District will contribute to CalPERS the established Employer Contribution Rate of 12.527% toward retirement of all "Classic" employees enrolled in the Tier 1 Retirement Plan and 7.874% for all "PEPRA" employees enrolled in the Tier 2 Retirement Plan.
3. Employees will contribute the Employee Contribution rate of 8% for all "Classic" employees enrolled in the Tier 1 Retirement Plan and 7.250% for all "PEPRA" employees enrolled in the Tier 2 Retirement Plan.
4. The District will contribute the required PEMHCA Minimum Employer Contribution to CalPERS on behalf of employees for enrollment in one of the available medical plans through CalPERS. The current contribution amount is \$139 per month.
5. The District will contribute up to \$1,800 into the District's cafeteria plan toward medical, dental, and vision plan premiums. The cost of the premiums in excess of the District's contribution will be paid by the employee through payroll deduction.
6. Employees who waive enrollment in one of the available medical plans, and who provide proof of enrollment in another qualifying medical plan, will receive a monthly stipend of \$450.
7. The District will enroll employees in a life insurance plan at no cost to the employee. The plan coverage is 1 x employee's annual base wages, with a minimum of \$50,000, \$10,000 per spouse, and \$5,000 per dependent child.
8. Employees will receive \$100 per month as an incentive to encourage longevity with the District upon completion of their 7th anniversary with the District. Each five-year anniversary following this milestone will increase the premium by \$100. The

premium, and each subsequent increase, becomes effective the first day of the pay period following each longevity milestone anniversary.

9. Employees assigned to Standby will receive special assignment pay of \$40.00 per weekday and \$80.00 per Saturday, Sunday, and District observed holidays.

10. Employees whose assigned shift includes Saturday or Sunday will receive special assignment pay of 5% of base hourly pay rate for the hours worked on Saturday or Sunday. This differential will not be paid for hours worked on the other days of the employee's shift.

11. Employees assigned to be available to translate or interpret in the course of their work will receive special assignment pay of \$100 per month.

12. Employees who obtain and maintain a certification that is **not** required by their classification will receive an incentive of 5% of the employee's base hourly pay rate for each type of certification that is obtained. If a higher level of certification is obtained, no additional incentive will be applied. This incentive pay will be applied as of the first pay period following when the employee provides certification documentation.

13. Board members are offered a medical, vision, and dental stipend for the calendar year. The annual amount is set at the monthly PEMHCA rate established by CalPERS multiplied by 12 months.

14. The District observes the following holidays. Employees will be paid for eight hours of time off on each holiday. Employees working alternative schedules (9/80) will be paid for eight hours of time off on each holiday and will be given the option for the remaining one or two hours to utilize Vacation or Administrative Leave or to work the one or two hours in the same pay period in which the holiday falls. For employees assigned to the "Operator of the Day" 4/10 shift, which is an additional two hours (for a total of 10 hours per holiday) and is consistent with long-standing practice.

Holiday	Day Observed
New Year's Day	January 1
MLK Jr. Birthday	Third Monday in January
Presidents' Day	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Veterans' Day	November 11
Thanksgiving Day	Fourth Thursday in November
Day After Thanksgiving	Friday after Thanksgiving Day
Christmas Eve	December 24
Christmas Day	December 25
New Year's Eve	December 31

15. The effective date of these changes is July 1, 2020.

16. Resolution 2019-1125 is rescinded.

AMENDED this 9TH-23rd-day of FebruaryJune 20210, by the following roll call vote.

AYES:

NAYES:

ABSENT:

ABSTAIN:

ATTEST:

Scott Sear~~Mike Duran~~, President

Debra Canero, Secretary

VSD Wage Schedule – AMENDED
Effective July 28, 2020

-	A	B	C	D	E	F	G
Accounting Technician	4,760	4,998	5,248	5,510	5,786	6,075	6,379
Accounting Analyst	5,039	5,291	5,555	5,833	6,125	6,431	6,753
Administrative Assistant	4,318	4,534	4,760	4,998	5,248	5,511	5,786
Assistant Engineer	5,785	6,075	6,378	6,697	7,032	7,384	7,753
Associate Engineer	7,374	7,743	8,130	8,536	8,963	9,411	9,882
Collection System Tech-in-Training	3,842	4,034	4,236	4,448	4,670	4,904	5,149
Collection System Tech I	4,318	4,534	4,760	4,998	5,248	5,511	5,786
Collection System Tech II	4,758	4,996	5,246	5,508	5,784	6,073	6,376
Collection System Tech III	5,248	5,511	5,786	6,076	6,379	6,698	7,033
Development Services Tech I	4,531	4,757	4,995	5,245	5,507	5,783	6,072
Development Services Tech II	4,984	5,233	5,495	5,770	6,058	6,361	6,679
Development Services Tech II (Y-rated)							7,567
Development Services Tech III	5,482	5,756	6,044	6,346	6,664	6,997	7,347
Electrician/Inst Tech I	4,318	4,534	4,760	4,998	5,248	5,511	5,786
Electrician/Inst Tech II	4,758	4,996	5,246	5,508	5,784	6,073	6,376
Electrician/Inst Tech III	5,248	5,511	5,786	6,076	6,379	6,698	7,033
Engineering Technician	4,984	5,233	5,495	5,770	6,058	6,361	6,679
Environmental Comp Tech I	4,760	4,998	5,248	5,510	5,786	6,075	6,379
Environmental Comp Tech II	5,236	5,498	5,773	6,061	6,365	6,683	7,017
Environmental Comp Tech III	5,760	6,048	6,350	6,668	7,001	7,351	7,719
Human Resources Specialist	5,039	5,291	5,555	5,833	6,125	6,431	6,753
Lab Technician I	4,760	4,998	5,248	5,510	5,786	6,075	6,379
Lab Technician II	5,236	5,498	5,773	6,061	6,365	6,683	7,017
Lab Technician III	5,760	6,048	6,350	6,668	7,001	7,351	7,719
Maintenance Tech-in-Training	3,842	4,034	4,236	4,448	4,670	4,904	5,149
Maintenance Tech I	4,318	4,534	4,760	4,998	5,248	5,511	5,786
Maintenance Tech II	4,758	4,996	5,246	5,508	5,784	6,073	6,376
Maintenance Tech III	5,248	5,511	5,786	6,076	6,379	6,698	7,033
Management Analyst	6,166	6,474	6,798	7,138	7,495	7,870	8,263
Procurement Technician	4,104	4,309	4,524	4,750	4,988	5,237	5,499
Wastewater Operator-in-Training	3,842	4,034	4,236	4,448	4,670	4,904	5,149
Wastewater Operator I	4,318	4,534	4,760	4,998	5,248	5,511	5,786
Wastewater Operator II	4,758	4,996	5,246	5,508	5,784	6,073	6,376
Wastewater Operator III	5,248	5,511	5,786	6,076	6,379	6,698	7,033
Collection System Supervisor	6,379	6,698	7,033	7,385	7,754	8,142	8,549
Development Services Supervisor	6,379	6,698	7,033	7,385	7,754	8,142	8,549
Electrical/Instrumentation Supervisor	6,379	6,698	7,033	7,385	7,754	8,142	8,549

Facilities Maintenance Supervisor	6,379	6,698	7,033	7,385	7,754	8,142	8,549
Laboratory & Compliance Supervisor	6,379	6,698	7,033	7,385	7,754	8,142	8,549
Wastewater Operations Supervisor	6,379	6,698	7,033	7,385	7,754	8,142	8,549
Business Services Manager	7,033	7,384	7,753	8,141	8,548	8,976	9,424
Engineering Services Manager	9,895	10,390	10,909	11,455	12,027	12,629	13,260
Facility Operations Manager	7,033	7,384	7,753	8,141	8,548	8,976	9,424
General Manager (Contract)							19,587

VSD Bi-Weekly Wage Schedule - AMENDED
Effective July 1, 2020

	A	B	C	D	E	F	G
Accounting Technician	2,241	2,353	2,470	2,594	2,724	2,860	3,003
Accounting Analyst	2,372	2,491	2,615	2,746	2,884	3,028	3,179
Administrative Assistant	2,033	2,134	2,241	2,353	2,471	2,594	2,724
Assistant Engineer	2,724	2,860	3,003	3,153	3,310	3,476	3,650
Associate Engineer	3,472	3,645	3,828	4,019	4,220	4,431	4,652
Collection System Tech-in-Training	1,809	1,899	1,994	2,094	2,199	2,308	2,424
Collection System Tech I	2,033	2,134	2,241	2,353	2,471	2,594	2,724
Collection System Tech II	2,240	2,352	2,469	2,593	2,723	2,859	3,002
Collection System Tech III	2,471	2,594	2,724	2,860	3,003	3,153	3,311
Development Services Tech I	2,133	2,239	2,351	2,469	2,592	2,722	2,858
Development Services Tech II	2,346	2,464	2,587	2,716	2,852	2,995	3,144
Development Services Tech III	2,581	2,710	2,845	2,988	3,137	3,294	3,459
Development Services Tech III (Y-rated)							3,492
Electrician/Inst Tech I	2,033	2,134	2,241	2,353	2,471	2,594	2,724
Electrician/Inst Tech II	2,240	2,352	2,469	2,593	2,723	2,859	3,002
Electrician/Inst Tech III	2,471	2,594	2,724	2,860	3,003	3,153	3,311
Engineering Technician	2,346	2,464	2,587	2,716	2,852	2,995	3,144
Environmental Comp Tech I	2,241	2,353	2,470	2,594	2,724	2,860	3,003
Environmental Comp Tech II	2,465	2,588	2,718	2,854	2,996	3,146	3,303
Environmental Comp Tech III	2,712	2,847	2,989	3,139	3,296	3,461	3,634
Human Resources Specialist	2,372	2,491	2,615	2,746	2,884	3,028	3,179
Lab Technician I	2,241	2,353	2,470	2,594	2,724	2,860	3,003
Lab Technician II	2,465	2,588	2,718	2,854	2,996	3,146	3,303
Lab Technician III	2,712	2,847	2,989	3,139	3,296	3,461	3,634
Maintenance Tech-in-Training	1,809	1,899	1,994	2,094	2,199	2,308	2,424
Maintenance Tech I	2,033	2,134	2,241	2,353	2,471	2,594	2,724
Maintenance Tech II	2,240	2,352	2,469	2,593	2,723	2,859	3,002
Maintenance Tech III	2,471	2,594	2,724	2,860	3,003	3,153	3,311
Management Analyst	2,903	3,048	3,200	3,360	3,528	3,705	3,890
Procurement Technician	1,932	2,029	2,130	2,237	2,348	2,466	2,589
Wastewater Operator-in-Training	1,809	1,899	1,994	2,094	2,199	2,308	2,424
Wastewater Operator I	2,033	2,134	2,241	2,353	2,471	2,594	2,724
Wastewater Operator II	2,240	2,352	2,469	2,593	2,723	2,859	3,002
Wastewater Operator III	2,471	2,594	2,724	2,860	3,003	3,153	3,311
	-						
Collection System Supervisor	3,003	3,153	3,311	3,477	3,650	3,833	4,025
Development Services Supervisor	3,003	3,153	3,311	3,477	3,650	3,833	4,025
Electrical/Instrumentation Supervisor	3,003	3,153	3,311	3,477	3,650	3,833	4,025
Maintenance Supervisor	3,003	3,153	3,311	3,477	3,650	3,833	4,025
Laboratory Supervisor & Compliance Supervisor	3,003	3,153	3,311	3,477	3,650	3,833	4,025
Wastewater Operations Supervisor	3,003	3,153	3,311	3,477	3,650	3,833	4,025
	-						
Business Services Manager	3,311	3,476	3,650	3,832	4,024	4,225	4,437
Engineering Services Manager	4,658	4,891	5,136	5,393	5,662	5,945	6,243
Facility Operations Manager	3,311	3,476	3,650	3,832	4,024	4,225	4,437
General Manager (Contract)							9,221



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: **Adopt Resolution No 2021-1141 A Resolution of The Valley Sanitary District Approving an Electronic Signature Use Policy**

<input checked="" type="checkbox"/> Board Approval	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input checked="" type="checkbox"/> Existing Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The proposed resolution authorizes an electronic signature use policy, for the use and acceptance of electronic signatures used to conduct business in the District. This Policy allows the use of electronic signatures in lieu of manual signatures, when permitted by law.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3: Improve Administration and Management.

Fiscal Impact

None.

Background

California has adopted statutes regulating the use of electronic signatures including California Civil Code section 1633.1 et seq., otherwise known as the “Uniform Electronic Transactions Act” (“UETA”) and California Government Code section 16.5. The policy, guidelines, and procedures are intended to comply with all applicable laws and regulations.

The convenience and low cost of conducting business over the Internet has the potential to increase efficiencies in all business including government business. Technological advances and an increase in the number of people using computers as part of everyday business will only continue to increase. The benefits of using electronic signatures and electronic records can reduce use of paper, save time, and reduce costs associated with handling physical documents. Additionally, implementing electronic signatures will assist in further adhering to social distancing protocols due the COVID-19 Pandemic.

Allowing the use of electronic signatures to electronic records, will promote efficiency, conserve public resources, and provide reasonable assurance of the integrity, authenticity, and nonrepudiation of electronic documents when electronic signatures are used by the District.

Recommendation

Recommend that the Board of Directors adopt Resolution No 2021-1141 A Resolution of The Valley Sanitary District Approving an Electronic Signature Use Policy.

Attachments

Attachment A: Resolution No 2021-1141 A Resolution of The Valley Sanitary District Approving an Electronic Signature Use Policy

Attachment: VSD Electronic Signature Policy

RESOLUTION NO. 2021-1141

A RESOLUTION OF THE VALLEY SANITARY DISTRICT APPROVING AN ELECTRONIC SIGNATURE USE POLICY

WHEREAS, it is the intent of the Valley Sanitary District (“District”) to improve District processes to become more efficient and cost effective by allowing for the use and acceptance of electronic signatures when conducting District business; and

WHEREAS, benefits of allowing electronic signatures include, but are not limited to, reduction of printed paper, time, and costs associated with the transmitting and approving of physical documents; and

WHEREAS, electronic signatures have been incorporated into federal law by the Electronic Signatures in Global and National Commerce Act and into California law by the Uniform Electronic Transactions Act (“UETA”) (Civil Code section 1633.1 et seq.) and Government Code section 16.5; and

WHEREAS, pursuant to Civil Code section 1633.2, “electronic signature” means an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record; and

WHEREAS, pursuant to California Govt. Code 16.5 (d), “digital signature” means an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature; and

WHEREAS, A “digital signature” as defined in subdivision (d) of Section 16.5 of the Government Code is a type of electronic signature.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Valley Sanitary District, as follows:

Section 1. Recitals. The Board of Directors does hereby find and declare that the above recitals are true and correct.

Section 2. Adoption of Policy. The Board of Directors hereby approves and adopts the Electronic Signature Use Policy attached hereto as Attachment A and incorporated herein.

Section 3. Severability. If any provision of this Resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Board of

Directors hereby declares that it would have adopted this Resolution irrespective of the invalidity of any particular portion thereof.

Section 4. CEQA. The Board of Directors finds that this Resolution is not subject to the California Environmental Quality Act (“CEQA”). The determination given in this Resolution does not commit the Valley Sanitary District to any action that may have a significant effect on the environment. As a result, pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines, such determination does not constitute a project subject to the requirements of CEQA.

Section 5. Effective Date. This Resolution shall become effective upon its adoption.

ADOPTED this 9th day of February 2021, at the meeting of the Board of Directors of Valley Sanitary District by the following majority vote of the Board:

Ayes:
Noes:
Absent:
Abstain:

Scott A. Sear
President of the Board of Directors
Valley Sanitary District

ATTEST:

Debra Canero
Secretary of the Board of Directors
Valley Sanitary District

APPROVED AS TO FORM:

General Counsel



VSD

ELECTRONIC SIGNATURE USE POLICY

Adopted: 2/9/2021

I. PURPOSE

The Valley Sanitary District (“District”) seeks in this Electronic Signature Use Policy (“Policy”) to implement guidelines for the use and acceptance of electronic signatures used to conduct business in the District. This Policy allows the use of electronic signatures in lieu of manual signatures, when permitted by law, and establishes when an electronic signature may replace a manual signature. The District has a vital interest in reducing the waste of paper, increasing the efficient use of public resources, and ensuring the security and authenticity of District of electronic records, including electronic signatures. The use of electronic signature technology will allow the District to collect and preserve signatures on documents quickly, securely, and efficiently.

II. LEGAL BACKGROUND

California has adopted statutes regulating the use of electronic signatures including California Civil Code section 1633.1 et seq., otherwise known as the “Uniform Electronic Transactions Act” (“UETA”) and California Government Code section 16.5. This Policy and the guidelines and procedures included hereunder are intended to comply entirely with all applicable laws and regulations including, without limitation, the aforementioned statutes. To the extent that any procedure, policy, or guideline contained herein conflicts with applicable law, District staff, officials, and agents and all other persons subject to this Policy are required and expected to comply with the requirements of the applicable law(s).

III. DEFINITIONS

A. “Approved List of Certification Authorities” means the list of Certification Authorities approved by the California Secretary of State to issue certification for digital signature transactions involving public entities in California. The current Approved List of Certification Authorities can be found at the following address:
<https://www.sos.ca.gov/administration/regulations/current-regulations/technology/digital-signatures/approved-certification-authorities/>.

B. “Certification Authority” means a person or entity that issues certification for a digital signature transaction.

C. "Digital signature" means an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature. A digital signature is a type of electronic signature.

D. "Electronic" shall mean relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

E. "Electronic record" shall mean a record, file, or document created, generated, sent, communicated, received, or stored by electronic means. An electronic record generally contains information or a data file that was created and stored in digitized form through the use of computers, machines, and software applications.

F. "Electronic signature" shall mean an electronic sound, symbol, or process, attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record.

G. "Electronically signed record" is a record, file, or document that has been signed by means of an electronic signature.

H. "External document" shall mean any document generated by or required to be signed by persons other than the District. Examples of external documents include contracts to which the District is a party that must be signed by a non-District party or applications completed by the members of the public and submitted to the District.

I. "Internal document" shall mean a form or document created by the District and for use exclusively by the District in which a signature is required or used.

J. "Manual signature" shall mean an original wet signature applied to a document.

K. "Transaction" shall mean an action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs.

IV. GENERAL POLICY RULES

The District encourages the use and acceptance of electronic signatures in internal and external documents when it is operationally feasible, where technology permits, and permitted by law.

A. Compliance with Law, Policy. To the extent permitted by law and this Policy, the District accepts electronic signatures as legally binding.

B. Use Optional. The use or acceptance of electronic signatures shall be at the option of the non-District signatories. Nothing in this policy shall require the District to use or permit the use of electronic signatures.

C. Consent. All parties that wish to use electronic signatures shall agree to follow this Policy, shall provide written or electronic consent as to the use of electronic

signatures, and shall agree to indemnify the District against any liability associated with electronically transmitting an electronically signed record.

D. Internal District Business.

1. The District requires that various internal documents be approved by an employee, supervisor, department head, or other District staff and approvals for internal documents may be signified by an electronic signature as a replacement for a manual signature.

2. Internal documents that create or impose a legal or fiduciary duty may require a digital signature, as determined by the District General Manager, or designee.

3. The use by the District of electronic records, electronic signatures, and digital signatures for internal District business, including internal documents, shall be in accordance with administrative procedures as designated and amended from time to time by the District General Manager, or designee.

E. External Documents and Transactions.

1. The security requirements for electronic signatures range from simple to the more complex, depending upon the level of transaction. The following are the classes of documents permitted for electronic signature. It is not intended to be an exhaustive list, nor does it impose electronic signature as a requirement for any particular transaction. The District will only accept electronic signatures that comply with requirements of this Policy.

- a. Contracts and Amendments
- b. Grant Documents
- c. Applications
- d. Invoices
- e. Certificates and Permits, as allowed by law
- f. Correspondence

2. Design professionals, such as architects and engineers, who wish to use an electronic signature and whose manual signature is required for submittal of hard copy plans, will be required to obtain and use a digital signature key for electronically submitted plans.

3. If an electronic signature is used for an external document involving a transaction with the District which creates or imposes a legal duty, such as a contract or amendment, the District General Manager, or designee, may require a digital signature.

F. Documents for Which Electronic Signatures are Prohibited.

1. Civil Code section 1633.3 contains a list of transactions for which electronic signatures are not available.

2. Unless otherwise allowed, documents that are recorded with the County of Riverside must contain a manual signature.

G. Valid Electronic Signatures. When a manual signature is required, the parties may agree that an electronic signature satisfies that requirement if:

1. The signature is in accordance with the requirements of the UETA;

2. The signature is created using an electronic signature technology that has been approved by the District General Manager, or designee, in accordance with the provisions of this Policy; and

3. The signature is in accordance with any and all other applicable laws and regulations.

H. Valid Digital Signatures.

1. Digital signatures used in compliance with this Policy shall have the same force and effect as the use of a manual signature provided that the digital signature has all of the following attributes:

a. It is unique to the person using it;

b. It is capable of verification;

c. It is under the sole control of the person using it;

d. It is linked to data in such a manner that if the data are changed, the digital signature is invalidated; and

e. It conforms to the regulations adopted by the Secretary of State including, but not limited to, the acceptable technology requirements set forth under Title 2, Division 7, Chapter 10, Section 22003 of the California Code of Regulations.

2. The Certification Authority issuing the certification for the digital signature transaction must appear on the Approved List of Certification Authorities.

3. Prior to accepting a digital signature, District staff shall ensure that the level of security used to identify the signer of a document is sufficient for the transaction being conducted, that the level of security used to transmit the signature is sufficient for the transaction being conducted, and that the certificate format used by the signer is sufficient for the security and interoperability needs of the District.

I. Minimum Standards. These are minimum standards. Any transaction must be analyzed under the facts and circumstances existing at the time a transaction has been executed. Depending upon the circumstances, the District may require a higher level of signature verification (i.e. out-of-state signatory). Nothing in this Policy prohibits

a District official or employee, with the consent from the District General Manager, from requiring a wet signature or higher form of secure electronic signature if he or she believes it is prudent or necessary.

J. Acceptable Electronic Signature Technologies. The District General Manager, or designee, shall identify the level of security procedures required for internal documents and external documents and also identify vendors and technology to execute those security procedures using industry best practices.

K. Notaries. This Policy shall comport with California Civil Code section 1633.11(a) which states, "If a law requires that a signature be notarized, the requirement is satisfied with respect to an electronic signature if an electronic record includes, in addition to the electronic signature to be notarized, the electronic signature of a notary public together with all other information required to be included in a notarization by other applicable law."

L. Penalty of Perjury. This Policy shall comport with California Civil Code section 1633.11(b) which states, "In a transaction, if a law requires that a statement be signed under penalty of perjury, the requirement is satisfied with respect to an electronic signature, if an electronic record includes, in addition to the electronic signature, all of the information as to which the declaration pertains together with a declaration under penalty of perjury by the person who submits the electronic signature that the information is true and correct."

M. Further Acts. Nothing in this Policy shall prevent the District General Manager, or designee, from adopting additional guidelines or taking further actions to implement this Policy or to add other permissible forms of electronic signatures to this Policy.

V. SANCTIONS

A. Any person that makes inappropriate, illegal, or fraudulent use of electronic signatures, digital signatures, or electronic records in violation of this Policy or of any applicable law or regulation is subject to sanctions up to and including dismissal, suspension, and criminal prosecution as specified in published District policies or ordinances and State law, regardless of whether such sanctions are directly referenced in this Policy. All inappropriate, illegal, or fraudulent uses of any electronic means of transmission shall be prosecuted to the fullest extent permitted by law, including the recovery of attorneys' fees and administrative costs.



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors

FROM: Jeanette Juarez, Business Services Manager

SUBJECT: **Continuing Disclosure Annual Reports for Fiscal Year 2019/2020**
 \$7,540,000 Wastewater Revenue Refunding Bonds, Series 2015, and
 \$8,848,000 Assessment District No. 2004-VSD (Shadow Hills
 Interceptor) Limited Obligation Improvement Bonds, Series 2005

<input type="checkbox"/> Board Approval	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Board of Directors to review the Continuing Disclosure Annual Reports for:

1. \$7,540,000 Wastewater Revenue Refunding Bonds, Series 2015
2. \$8,848,000 Assessment District No. 2004-VSD (Shadow Hills Interceptor) Limited Obligation Improvement Bonds, Series 2005.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 5.1: Align long-term financial planning with strategic priorities.

Fiscal Impact

None.

Background

Governments or governmental entities (Issuers) issuing bonds have an obligation to meet specific continuing disclosure standards set forth in Continuing Disclosure Agreements (CDA). Under these contractual agreements, the Issuer commits to provide to the marketplace certain financial information and notices of listed events.

Pursuant to the Continuing Disclosure Certificates, the Continuing Disclosure Annual Reports are due no later than February 15 each year.

Recommendation

Recommend that the Board of Directors receive this report for information.

Attachments

Attachment A: 2019/2020 Continuing Disclosure Annual Report for \$7,540,000
Wastewater Revenue Refunding Bonds, Series 2015

Attachment B: 2019/2020 Continuing Disclosure Annual Report for \$8,848,000
Assessment District No. 2004-VSD Improvement Bonds, Series 2005



HARRELL & COMPANY
A D V I S O R S , L L C

VALLEY SANITARY DISTRICT

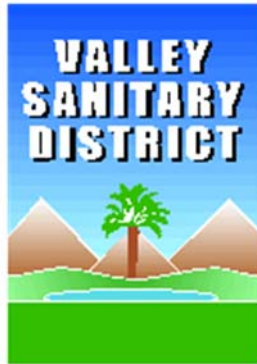
CONTINUING DISCLOSURE ANNUAL REPORT

VALLEY SANITARY DISTRICT

\$7,540,000

Wastewater Revenue Refunding Bonds, Series 2015

Issue Date: June 18, 2015



FISCAL YEAR 2019-20 ANNUAL REPORT
January 21, 2021

CONTACT INFORMATION

Beverli A. Marshall, General Manager
Valley Sanitary District
45-500 Van Buren Street
Indio, CA 92201
Telephone: (760) 238-5400
bmarshall@valley-sanitary.org

CUSIP NUMBERS

The information contained herein applies to Bonds with the following CUSIP numbers:

<u>Maturity</u>	<u>CUSIP</u>
6/1/2021	920075AF5
6/1/2022	920075AG3
6/1/2023	920075AH1
6/1/2024	920075AJ7
6/1/2025	920075AK4
6/1/2026	920075AL2

CONTENT OF ANNUAL REPORT

Pursuant to the Continuing Disclosure Certificate for this issue, the Annual Report is due no later than February 15 each year. This Fiscal Year 2019-20 Annual Report contains:

- (1) The audited Financial Statements of the District for the year ended June 30, 2020;
- (2) Customer Base;
- (3) Largest Customers for Fiscal Year 2019-20;
- (4) Net Revenues and Debt Service Coverage for Fiscal Year 2019-20;
- (5) Description of Additional Indebtedness Incurred by the District during Fiscal Year 2019-20; and
- (6) Event Notice Filing Summary.

FINANCIAL STATEMENTS

The audited Comprehensive Annual Financial Report of the District for the year ended June 30, 2020 ("2020 CAFR") has been filed separately on the MSRB's Electronic Municipal Market Access ("EMMA") website.

CUSTOMER BASE

A ten-year history of customer type by EDU can be found on page 72 of the 2020 CAFR.

LARGEST CUSTOMERS FOR FISCAL YEAR 2019-20

The largest customers for Fiscal Year 2019-20 can be found on page 75 of the 2020 CAFR.

NET REVENUES AND DEBT SERVICE COVERAGE FOR FISCAL YEAR 2019-20

Gross Revenues:	
Service Charges	\$11,198,100
Other Operating Income	34,865
Investment Income	1,143,028
Property Tax	909,075
Connection Fees	<u>832,348</u>
	14,117,416
Maintenance and Operation Costs:	
Salaries and Benefits	4,451,651
Service and Supplies	2,205,045
Chemicals	386,474
Utilities	633,390
Insurance	<u>289,120</u>
	7,965,680
Net Revenues	\$ 6,151,736
Debt Service:	
2015 Bonds	\$ 889,188
CSWRCB Loan	<u>553,360</u>
Total	\$ 1,442,548
Coverage Ratio	426%

**DESCRIPTION OF ADDITIONAL INDEBTEDNESS INCURRED IN
FISCAL YEAR 2019-20**

None.

EVENT NOTICE FILING SUMMARY

No Material Event Notices were required to be filed in 2020.

CERTIFICATION

This Annual Report constitutes the Annual Report required to be furnished under the Continuing Disclosure Certificate with respect to the Bonds for the Fiscal Year ending June 30, 2020.

/s/ Beverli A. Marshall
General Manager



Certificate of Filing

Valley Sanitary District
\$7,540,000 Wastewater Revenue Refunding Bonds, Series 2015

The 2019-20 Fiscal Year Annual Report for the above-referenced issue, together with the District Financial Statements, were filed electronically by Harrell & Company Advisors and posted on the EMMA website on January 21, 2021.

No Material Event Notices were filed in 2020.



VALLEY SANITARY DISTRICT

\$8,848,000 Assessment District No. 2004-VSD (Shadow Hills Interceptor) Limited Obligation Improvement Bonds, Series 2005

Riverside County, California
Dated: August 4, 2005
Base CUSIP*: 920068

2019/2020 ANNUAL CONTINUING DISCLOSURE INFORMATION STATEMENT AS OF FEBRUARY 3, 2021

27368 Via Industria, Suite 200
Temecula, California 92590
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www.willdan.com

LIST OF PARTICIPANTS

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DISTRICT ADMINISTRATOR AND DISCLOSURE CONSULTANT*	
Willdan Financial Services* 27368 Via Industria, Suite 200 Temecula, California 92590 Phone (951) 587-3500 www.willdan.com	
UNDERWRITERS	
Kinsell, Newcomb & De Dios, Inc.	Stinson Securities, LLC
BOND COUNSEL AND DISCLOSURE COUNSEL	
Best Best & Krieger LLP Riverside, California	
FISCAL AGENT AND DISSEMINATION AGENT	
The Bank of New York Mellon Trust Company, N.A. Los Angeles, California	

* In its role as Disclosure Consultant Willdan Financial Services has not passed upon the accuracy, completeness or fairness of the statements contained herein.

I. INTRODUCTION

Pursuant to an Official Statement dated July 21, 2005, the Valley Sanitary District (the “Sanitary District”) issued \$8,848,000 Assessment District No. 2004-VSD (Shadow Hills Interceptor) Limited Obligation Improvement Bonds, Series 2005 (the “Bonds”). The Bonds were issued to (i) finance the costs of certain public improvements serving property within Assessment District No. 2004-VSD (Shadow Hills Interceptor) (the “District”) of the Sanitary District, (ii) fund capitalized interest on the Bonds through September 2, 2006, (iii) pay costs related to the issuance of the Bonds, and (iv) make a deposit to a Reserve Fund.

The District is comprised of approximately 2,389 residential lots in ten separate developments throughout the City of Indio. Building permits have been issued in eight of the ten developments. All building permits have been issued in three of the developments, with the percent issued in the remaining five developments ranging from 69% to 100%.

This Annual Continuing Disclosure Information Statement (the “Report”) is being provided pursuant to a covenant made by the Sanitary District for the benefit of the holders of the Bonds and includes the information specified in a Continuing Disclosure Agreement, dated as of July 1, 2015 (the “Continuing Disclosure Agreement”). For further information and a more complete description of the Sanitary District, City of Indio, the District, and the Bonds, reference is made to the Official Statement.

The information set forth herein has been furnished by the Sanitary District and by other sources, which is believed to be accurate and reliable, but is not guaranteed as to accuracy or completeness. Statements contained in this Report that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Sanitary District or any other parties described herein.

THIS REPORT IS OF A FACTUAL NATURE WITHOUT SUBJECTIVE ASSUMPTIONS, OPINIONS, OR VIEWS AND MAY NOT BE RELIED UPON AS ADVICE OR RECOMMENDATION TO PURCHASE OR SELL ANY PRODUCT OR UTILIZE ANY PARTICULAR STRATEGY RELATING TO THE ISSUANCE OF MUNICIPAL SECURITIES OR PURCHASE OF FINANCIAL PRODUCTS. IN PROVIDING THIS REPORT, WILLDAN FINANCIAL SERVICES AND ITS EMPLOYEES (COLLECTIVELY "WILLDAN") DO NOT RECOMMEND ANY ACTIONS AND ARE NOT ACTING AS AN ADVISOR TO ANY MUNICIPAL ENTITY, BOARD, OFFICER, AGENT, EMPLOYEE OR OBLIGATED PERSON PURSUANT TO SECTION 15B OF THE EXCHANGE ACT UNLESS SPECIFICALLY AGREED TO IN A SEPARATE WRITING WITH THE RECIPIENT. PRIOR TO ACTING ON ANY INFORMATION OR MATERIAL CONTAINED IN THIS REPORT, YOU SHOULD DISCUSS IT WITH APPROPRIATE INTERNAL OR EXTERNAL ADVISORS AND EXPERTS AND ONLY RELY UPON THEIR ADVICE.

II. BOND INFORMATION

A. PRINCIPAL OUTSTANDING

Issue	As of September 30, 2020
Limited Obligation Improvement Bonds, Series 2005	\$4,670,000.00

B. FUND BALANCES

Fund	As of June 30, 2020	As of September 30, 2020
Reserve Fund	\$618,183.31	\$618,201.95
Reserve Requirement	\$612,060.00	\$612,060.00
Redemption Fund	\$10,948.10	\$6.45

Source: The Bank of New York Mellon Trust Company, N.A.

There have not been any funds withdrawn from the Reserve Fund to pay interest or principal payments on the Bonds since the date of the last Annual Continuing Disclosure Information Statement.

C. DEBT SERVICE PAYMENTS

There have not been any failures to pay interest or principal payments on the Bonds since the date of the last Annual Continuing Disclosure Information Statement.

III. FINANCIAL INFORMATION

THE SANITARY DISTRICT'S AUDITED FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE SANITARY DISTRICT ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE SANITARY DISTRICT IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE SANITARY DISTRICT TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE SANITARY DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

The audited financial statements for the Sanitary District for the fiscal year ended June 30, 2020 will be separately filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") and are hereby incorporated by reference into this Annual Continuing Disclosure Information Statement.

IV. OPERATING INFORMATION

A. TOTAL DELINQUENCIES

The following tables set forth delinquency information for all Fiscal Years with delinquencies. There are no delinquencies prior to Fiscal Year 2013/2014.

Fiscal Year	Annual Special Tax	Amount Delinquent as of June 30 of the Fiscal Year	Percent Delinquent as of June 30 of the Fiscal Year	Amount Delinquent as of September 15, 2020	Percent Delinquent as of September 15, 2020
2013/2014 ⁽¹⁾	\$645,039.38	\$3,800.04	0.59%	\$136.77	0.02%
2014/2015 ⁽¹⁾	\$648,398.90	\$2,997.19	0.46%	\$274.98	0.04%
2015/2016 ⁽¹⁾	\$638,499.02	\$2,687.63	0.42%	\$135.37	0.02%
2016/2017 ⁽¹⁾	\$638,341.82	\$3,538.81	0.55%	\$407.94	0.06%
2017/2018	\$627,605.16	\$13,023.62	2.08%	\$824.16	0.13%
2018/2019 ⁽²⁾	\$627,252.42	\$2,868.26	0.46%	\$2,187.95	0.35%
2019/2020 ⁽³⁾	\$625,846.96	\$2,703.23	0.43%	\$2,703.23	0.43%

⁽¹⁾ All current delinquencies are in payment plan for parcels 692-140-047 and 692-570-070

⁽²⁾ June 30, 2019 data was not available, October 15, 2019 data used in its place

⁽³⁾ June 30, 2020 data was not available, September 15, 2020 data used in its place

Source: Fiscal Years 2013/2014 through 2016/2017 – Riverside County Tax Collector, as compiled by Shepherd and Staats, Inc.

Source: Fiscal Years 2017/2018 through current – Riverside County Tax Collector, as compiled by Willdan Financial Services.

B. STATUS OF FORECLOSURE PROCEEDINGS

The Assessment Bond Law provides that in the event any Assessment installment or any interest thereon is not paid when due, the Sanitary District may order the institution of a court action to foreclose the lien of the unpaid assessment. In such an action, the real property subject to the unpaid assessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory under the Assessment Bond Law. However, the Sanitary District has covenanted in the Fiscal Agent Agreement that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Assessment installments in excess of \$750 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Assessment installments by the October 1 following the close of each Fiscal Year in which it receives Assessment Revenues in an amount which is less than ninety-five percent (95%) of the total Assessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

Currently, there is one parcel that meets the criteria to commence foreclosure proceedings by sending a pre-foreclosure letter to the delinquent property owner. The letter was sent to the property owner on January 20, 2021. The following table summarizes the total amount delinquent for this parcel.

Assessor's Parcel Number	Delinquent Amount Per Fiscal Year			Total Delinquent Amount
	2017/2018	2018/2019	2019/2020	
692-070-084	\$275.12	\$274.98	\$274.38	\$824.48

C. BUILDING PERMITS

There were 44 building permits issued during Fiscal Year 2019/2020 for the construction of single-family homes within the boundaries of the District. Between July 1, 2020 and November 30, 2020, there were 66 building permits issued. As summarized in the table below, there have been a total of 1,897 building permits issued within the boundaries of the District as of November 30, 2020.

Year	Building Permits Issued	
	As of June 30 th	As of November 30 th
2005	124	637
2006	1,330	1,357
2007	1,381	1,388
2008	1,450	1,454
2009	1,461	1,461
2010	1,466	1,471
2011	1,476	1,483
2012	1,483	1,483
2013	1,505	1,530
2014	1,561	1,578
2015	1,601	1,616
2016	1,679	1,692
2017	1,756	1,756
2018	1,787	1,787
2019	1,787	1,787
2020	1,831	1,897

Source: Valley Sanitary District as compiled by Willdan Financial Services.

D. CHANGE IN OWNERSHIP

The following table sets forth the total number of parcels in the District as to which the County Assessor's roll for the current fiscal year represents a change in ownership from a home builder to a homeowner as compared to the prior Fiscal Year as well as the total number of parcels owned by persons/entities other than a home builder.

Ownership	Fiscal Year 2019/2020	Fiscal Year 2020/2021	Difference
Home Builders			
WSI MOJAVE INV	300	300	0
DR HORTON LOS ANGELES HOLDING CO INC ⁽¹⁾	0	43	43
KENNA IV ⁽¹⁾	81	38	(43)
SEVILLE AT PARADISO ⁽²⁾	0	9	9
PARADISO 177 INDIO ⁽²⁾	95	86	(9)
D R HORTON CA3 INC	15	0	(15)
Subtotal	491	476	(15)
Other Persons			
Homeowners	1,584	1,602	18
Other ⁽³⁾	66	63	(3)
Subtotal	1,650	1,665	15
Grand Total	2,141	2,141	0

⁽¹⁾ The 43 lots owned by DR Horton Los Angeles Holding Co. Inc for Fiscal Year 2020/2021 were previously owned by Kenna IV.

⁽²⁾ The 9 lots owned by Seville At Paradiso for Fiscal Year 2020/2021 were previously owned by Paradiso 177 Indio

⁽³⁾ Other represents owners that own more than one parcel

Source: Riverside County Assessor's Office as compiled by Willdan Financial Services.

E. TOTAL ASSESSED VALUE

The following table summarizes the total assessed value of all parcels within the District.

Fiscal Year	Assessed Land	Assessed Structure	Total Assessed Value
2006/2007	\$136,498,203	\$96,379,193	\$232,877,396
2007/2008	\$197,465,993	\$281,986,605	\$479,452,598
2008/2009	\$221,889,102	\$266,739,130	\$488,628,232
2009/2010	\$119,395,592	\$219,293,713	\$338,689,305
2010/2011	\$96,192,295	\$225,173,060	\$321,365,355
2011/2012	\$86,282,581	\$215,290,545	\$301,573,126
2012/2013	\$78,505,620	\$209,226,145	\$287,731,765
2013/2014	\$81,311,249	\$226,283,067	\$307,594,316
2014/2015	\$91,083,260	\$260,662,329	\$351,745,589
2015/2016	\$110,691,191	\$293,479,924	\$404,171,115
2016/2017	\$118,401,831	\$311,034,602	\$429,436,433
2017/2018	\$124,800,261	\$329,980,700	\$454,780,961
2018/2019	\$134,030,130	\$356,540,099	\$490,570,229
2019/2020	\$140,758,695	\$379,975,312	\$520,734,007
2020/2021	\$138,345,991	\$409,716,651	\$548,062,642

Source: Riverside County Assessor's Office as compiled by Willdan Financial Services.

F. OVERLAPPING DEBT

In July 2014, the City of Indio issued \$8,499,000 in Special Tax Refunding Bonds (Series 2014), under Community Facilities District (CFD) 2006-1. CFD 2006-1 includes all parcels within the District's Tract 32402.

In August 2017, the City of Indio issued \$3,910,000 in Assessment Revenue Refunding Bonds (Series 2017), under Assessment District (AD) No. 2004-3 (Desert Trace). AD 2004-3 includes all parcels within the District's Tract 30643.

A summary of the current liens outstanding, by Tract Map, along with the percentage of the 2020/2021 tax roll levy and the resulting 2020/2021 value-to-lien ratios, is below-listed.

Tract	Active Parcels	Percent of CY Levy	Valley Sanitary AD 2004-1 VSD Remaining Lien	Secured Bonded Debt ⁽¹⁾	City of Indio AD No. 2004-3 ⁽¹⁾	City of Indio CFD No. 2006-1 ⁽¹⁾	Total Liens	Total Assessed Value	Value To Lien
30605	56	2.31%	\$109,133	\$206,418	\$0	\$0	\$315,552	\$14,743,230	46.72
30643	421	18.20%	862,324	1,628,936	3,127,555	0	5,618,815	117,348,045	20.88
31562	300	13.07%	619,425	134,618	0	0	754,043	9,614,900	12.75
31686	147	6.28%	297,424	623,144	0	0	920,568	44,507,468	48.35
31815	328	17.88%	852,228	1,260,640	0	0	2,112,869	90,326,548	42.75
31974	3	3.98%	193,351	23,148	0	0	216,499	1,653,310	7.64
31975	137	6.01%	284,770	674,793	0	0	959,563	48,339,703	50.38
32149	263	11.21%	531,073	978,817	0	0	1,509,890	70,322,991	46.57
32304	123	5.23%	247,870	598,016	0	0	845,884	43,214,066	51.09
32402	363	15.83%	751,121	1,494,939	0	6,884,000	9,130,060	107,992,381	11.83
Total	2,141	100.00%	\$4,748,719	\$7,623,469	\$3,127,555	\$6,884,000	\$22,383,743	\$548,062,642	24.48

⁽¹⁾ California Municipal Statistics, Inc., as compiled by Willdan Financial Services.

Differences are due to rounding

G. LISTED EVENTS

There have not been any notices of any Listed Events filed pursuant to Section 5 of the Continuing Disclosure Agreement since the date of the last Annual Continuing Disclosure Information Statement.

The Listed Events identified in the above-referenced Section 5 are as follows:

1. Principal and interest payment delinquencies on the Bonds.
2. Occurrence of any default under the Fiscal Agent Agreement dated July 1, 2005 (the "Fiscal Agent Agreement") other than as described in clause (1) above.
3. Amendment to or modification of the Fiscal Agent Agreement or the Continuing Disclosure Agreement modifying the rights of the Owners of the Bonds.
4. Giving of a notice of optional or unscheduled redemption of any of the Bonds.
5. Defeasance of the Bonds or any portion thereof.
6. Any change in any rating on the Bonds.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Any unscheduled draw on the Reserve Fund or any account therein reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. The release, substitution, or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

H. CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC) REPORT FILINGS

There are no reports required to be filed with the California Debt and Investment Advisory Commission for the Bonds pursuant to the Fiscal Agent Agreement.



Comprehensive Annual Financial Report

For Fiscal Year ended
June 30, 2020

www.valley-sanitary.org



**VALLEY SANITARY DISTRICT
INDIO, CALIFORNIA**

Valley Sanitary District

Indio, California

Comprehensive Annual Financial Report

For the Years Ended June 30, 2020 and 2019

Prepared by:
Administration and Finance Department

Valley Sanitary District

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**INTRODUCTORY SECTION
(UNAUDITED)**

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November 10, 2020

Board of Directors
Valley Sanitary District
Indio, California

Subject: Comprehensive Annual Financial Report
For the Years Ended June 30, 2020 and 2019

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Valley Sanitary District (District) for the fiscal years ended June 30, 2020 and 2019. This report was prepared by the District's Administration and Finance Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and in accordance with Generally Accepted Accounting Principles (GAAP). The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner believed to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

The District is a California special district, which operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, § 6400 et seq. The District was formed June 1, 1925 and is governed by a five (5) member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs 32 regular employees, organized in three (3) departments. The District's Board of Directors meet on the second and fourth Tuesdays of each month. Meetings are publicly noticed, and citizens are encouraged to attend.

The District provides sanitary sewer services to approximately 28,028 connections within its 19.5 square mile service area, located in the eastern desert area of Riverside County. The District encompasses portions of the City of Indio, the City of Coachella, and adjacent unincorporated areas of Riverside County, California.

District Services

Residential customers represent approximately 97% of the District's customer base and produce approximately 81% of the sewage flow. Currently, the District can treat approximately 12.5 million gallons of sewage a day.

Economic Condition and Outlook

In fiscal year 2019/2020, the COVID-19 Pandemic impacted the economy at a national and global level. Businesses, schools, entertainment venues and other services deemed non-essential were forced to close as public health policies were enforced to reduce the spread of the virus. The COVID-19 Pandemic created a unique economy, according to the Employment Development Department, California's unemployment rate rose to a record high of 15.5% in April 2020. The Leisure & Hospitality industry posted the largest job loss (-866,200), followed by Trade, Transportation, and Utilities (-388,700). According to UCLA Anderson Forecast, the rate of growth is expected to accelerate in early 2021 as the effects of COVID-19 abate; however, a recovery to an employment level equivalent to 2019 is expected in late 2023. The forecast shows a gradual increase in wages commencing in 2021. The executive team with the support of the Board of Directors, brought their diverse insights to effectively and efficiently allocate resources to maintain essential services. We acknowledge that this economic atmosphere has higher levels of uncertainty than years passed. However, the District has a good history of sound financial management and planning. The District's quick ability to adapt to situations is the reason we have been successful and continue to be successful.

Major Initiatives

During fiscal year 2020, the District completed or initiated several significant projects:

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

Architects for the initial design of the new building which includes a schematic layout of the building and the estimated construction cost.

- ✓ **Van Buren Slope Protection Project** – The slope along the south end of the District’s property is being eroded by flooding events which is causing the posts of the chain link fence to become exposed and weakened. The District has awarded the project to Desert Concepts who will grade the existing slope and install filter fabric and rock material to prevent erosion from future rain events.

Internal Control Structure

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

Budgetary Control

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

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinances and resolutions, prudent money management and the “prudent person” standards. The objectives of the Investment Policy are safety, liquidity, and yield. District funds are invested in the State Treasurer’s Local Agency Investment Fund (LAIF) and CalTRUST.

Sewer Rates and District Revenues

District policy direction ensures that all revenues from sewer use charges generated from District customers must support all District operations, including capital project funding. Accordingly, all sewer use charges are reviewed on an annual basis. The sewer use charges imposed upon the customers for service are the primary component of the District’s revenue. Sewer use charges are calculated on an equivalent dwelling unit (EDU) basis.

Audit and Financial Reporting

State law and bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm, The Pun Group, LLP, Accountants & Advisors, has conducted the audit of the District’s financial statements. Their unmodified Independent Auditors’ Report appears in the Financial Section.

Risk Management

The District annually renews its commercial insurance package which includes a primary package, umbrella, earthquake, and excess earthquake coverage.

The District is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA administers the District’s workers’ compensation and employer liability program of insurance.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Financial Statements found in the Financial Section of the report.

Awards/Recognition

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

- ❖ California Water Environmental Association (CWEA) Colorado River Basin Section Laboratory Person of the Year-Anna Bell
- ❖ CWEA Colorado River Basin Section Plant of the Year (medium)
- ❖ CWEA State Award Gimmicks & Gadgets – Pork Fork
- ❖ District Transparency Award of Excellence
- ❖ Government Finance Officers Association (GFOA)–Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Sanitary District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the eighth consecutive year that the District received this prestigious award. To award a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgements

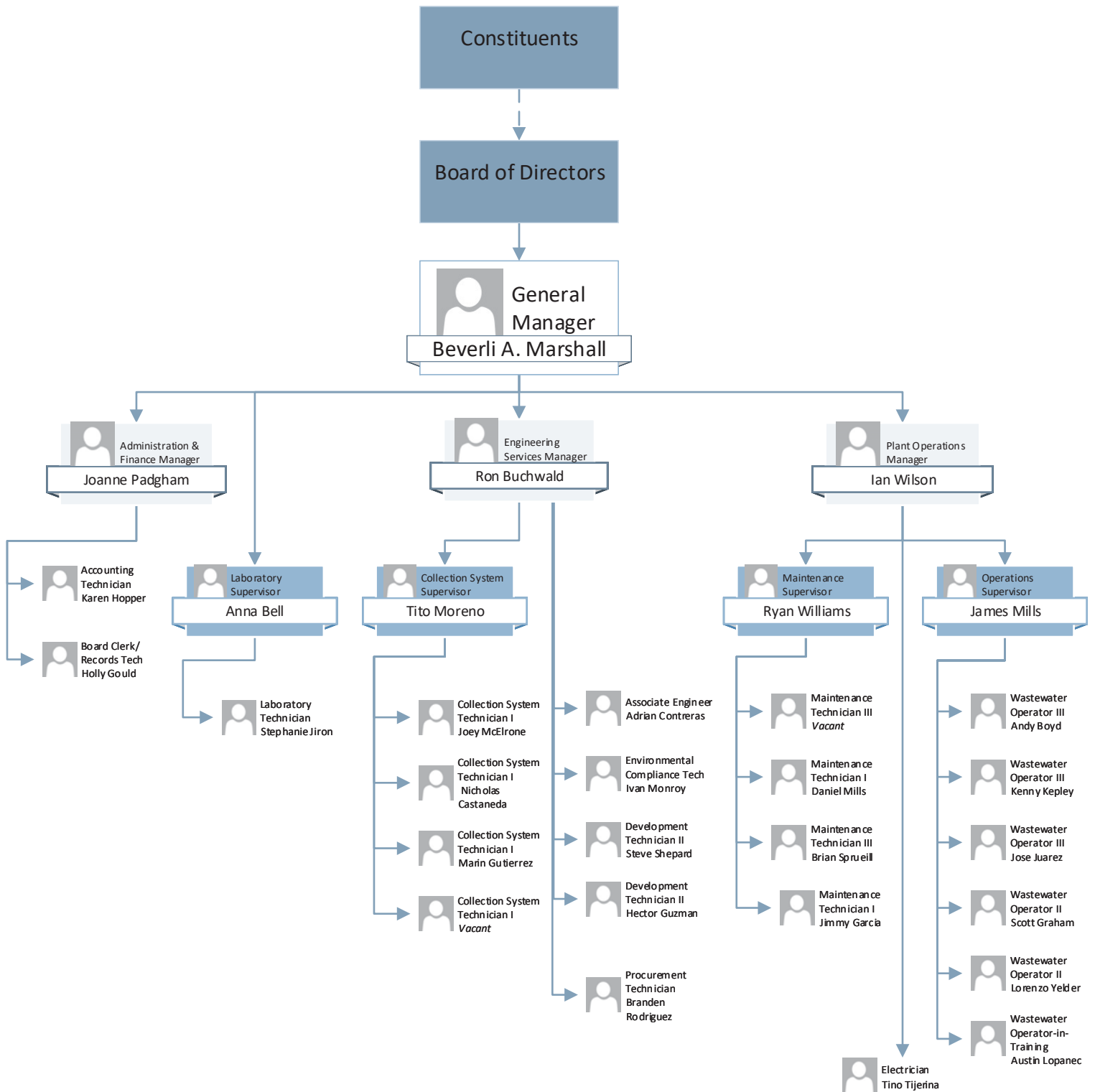
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation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

Respectfully submitted,

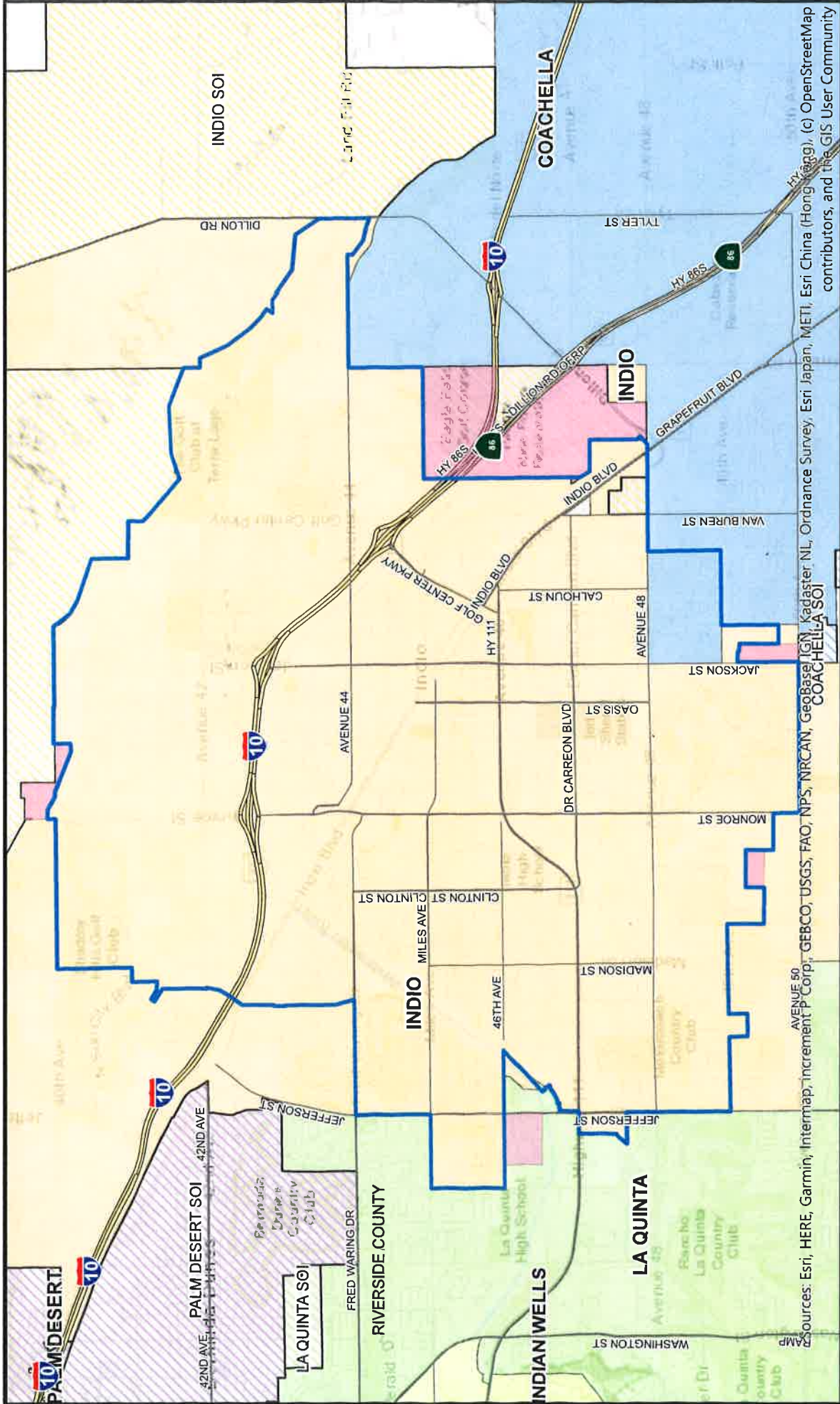


Beverli A. Marshall

General Manager



Valley Sanitary District and Sphere of Influence



Data Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, Geobase, IGN, Kagaster, NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community



Data Sources: County of Riverside; Registrar of Voters, LAFCO



Disclaimer: The information shown is intended to be used for reference and general display purposes only and is not to be used as an official map.

Sewer provided by District

Legend

-  Valley Sanitary District Boundary
-  Valley Sanitary District Boundary Sphere of Influence (SOI)

SOI Adopted: 2006

Author: Crystal M. Craig

Map Created on 9/24/19

Valley Sanitary District Board of Directors



The five-member Board of Directors are elected by the citizens who reside within Valley Sanitary District to set policy and govern the District. The current Board of Directors are:

Mike Duran, President

Scott A. Sear, Vice President

Debra A. Canero, Secretary/Treasurer

Dennis M. Coleman, Director William

R. Teague, Director



Government Finance Officers Association

**Certificate of
Achievement
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Reporting**

Presented to

**Valley Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Valley Sanitary District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund financial statements of the Valley Sanitary District (the "District"), California, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary fund financial statements of the District as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedules of Contributions – Other Postemployment Benefits on pages 5 through 13, 52 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, the Schedules of Operating Expenses, the Schedules of Changes in Fiduciary Assets and Liabilities – Agency Fund and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating Expenses and the Schedules of Changes in Fiduciary Assets and Liabilities – Agency Fund, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 Schedules of Operating Expenses and the Schedules of Changes in Fiduciary Assets and Liabilities – Agency Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and the Statistical Sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors
of the Valley Sanitary District
Indio, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 4, 2020

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Valley Sanitary District Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)

The management of the Valley Sanitary District (District) presents the District's financial statements with a narrative overview and analysis of the financial activities for the fiscal years ended June 30, 2020 and 2019. Readers are encouraged to consider the information presented here in conjunction with the audited financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resource of the District exceeded its liabilities and deferred inflows of resources by \$100.7 million and \$97.3 million as of June 30, 2020 and 2019 respectively. Of this amount, \$50.7 million and \$46.4 million as of June 30, 2020 and 2019, respectively, may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$3.4 million during the year ended June 30, 2020, from \$97.3 million to \$100.7 million or 3.5%. This is primarily due to a decrease in non-operating expenses. The District's total net position increased \$1.7 million during the year ended June 30, 2019, from \$95.5 million to \$97.2 million or 1.8%. This is primarily due to a 148.8% increase in investment income.
- Current assets increased by 9.1% and 10.1% as of June 30, 2020 and 2019, respectively. The 2020 difference is due to an increase in cash and investments, and inventory of materials. The 2019 difference was due in part to an increase in cash and investments, accounts receivable, and inventory of materials.
- Noncurrent assets decreased by 2.8% and decreased by 5.5% as of June 30, 2020 and 2019 respectively. The decrease in 2020 is due to depreciation and the decrease in 2019 is due to depreciation and decommission of the Biological Treatment System.
- The District's total liabilities decreased 2.7% and decreased 3.8% as of June 30, 2020 and 2019 respectively. The key factor in the decrease in total liabilities in fiscal years 2020 and 2019 is due to debt repayment.

Overview of the Financial Statements

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

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

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

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

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

Fiduciary Funds. Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the *statement of net position* or the *statement of revenue, expenses, and changes in net position* because the resources of the funds are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 25 of this report.

Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)

Required Supplementary Information. The Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios are presented as required supplementary information and can be found starting on page 52 of this report.

Supplementary Information. The Schedule of Operating Expenses presents the functional expenses by activity and is presented as supplementary information beginning on page 61 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$100.7 million and \$97.3 million as of June 30, 2020 and 2019, respectively.

The largest portion of the District's net position during June 30, 2020 (48%) and 2019 (50%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

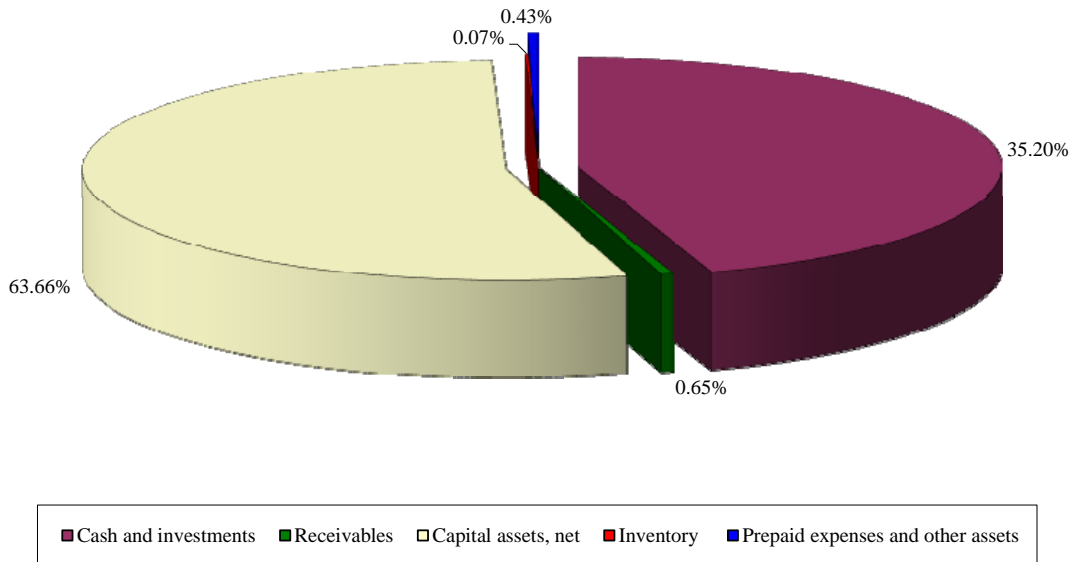
DISTRICT'S NET POSITION

At the end of the current fiscal year, the District is able to report positive balances in all three (3) categories of net position. The same situation held true for the prior fiscal years.

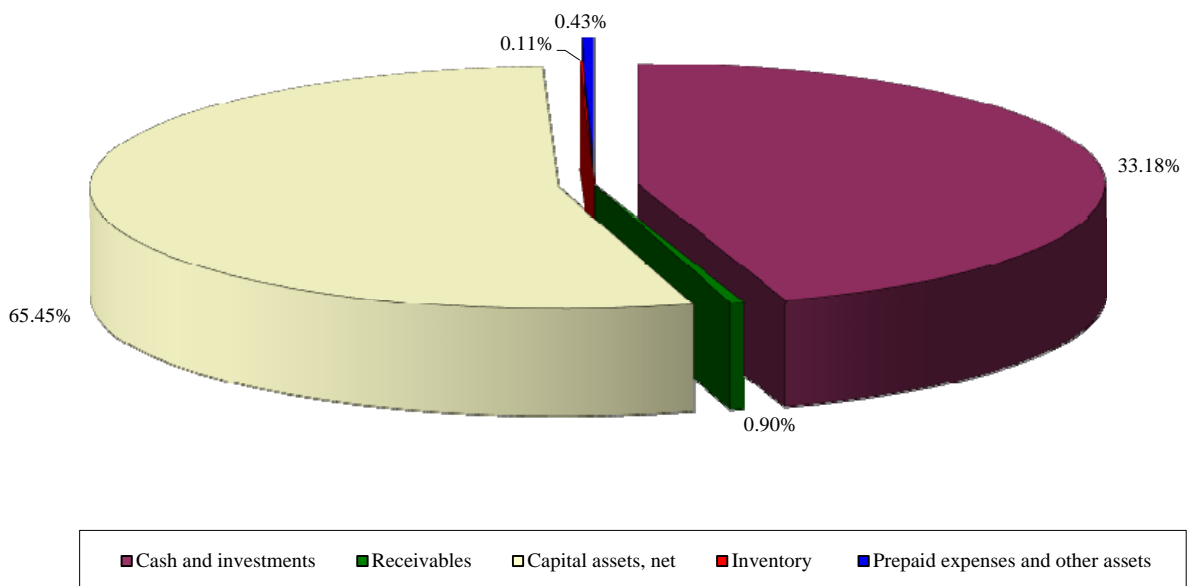
	2020	2019	2018
Other assets	\$ 55,356,934	\$ 50,738,300	\$ 46,072,003
Capital assets	65,163,815	67,050,501	71,016,573
Total assets	<u>\$ 120,521,749</u>	<u>\$ 117,788,801</u>	<u>\$ 117,088,576</u>
Deferred outflows of resources	<u>\$ 1,776,971</u>	<u>\$ 1,554,327</u>	<u>\$ 1,412,197</u>
Current liabilities	\$ 1,941,827	\$ 1,749,663	\$ 1,498,144
Noncurrent liabilities	19,523,970	20,307,266	21,436,658
Total liabilities	<u>\$ 21,465,797</u>	<u>\$ 22,056,929</u>	<u>\$ 22,934,802</u>
Deferred inflows of resources	<u>\$ 133,956</u>	<u>\$ 35,761</u>	<u>\$ 55,671</u>
Net position:			
Net investment in capital assets	\$ 48,005,841	\$ 48,843,501	\$ 51,797,220
Restricted	2,005,722	2,005,722	1,958,648
Unrestricted	50,689,404	46,401,215	41,754,432
Total net position	<u>\$ 100,700,967</u>	<u>\$ 97,250,438</u>	<u>\$ 95,510,300</u>

**Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)**

Assets 2020

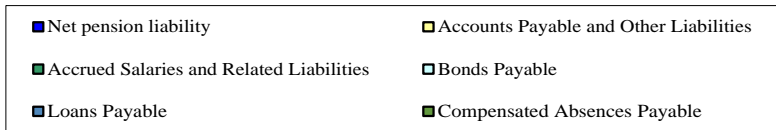
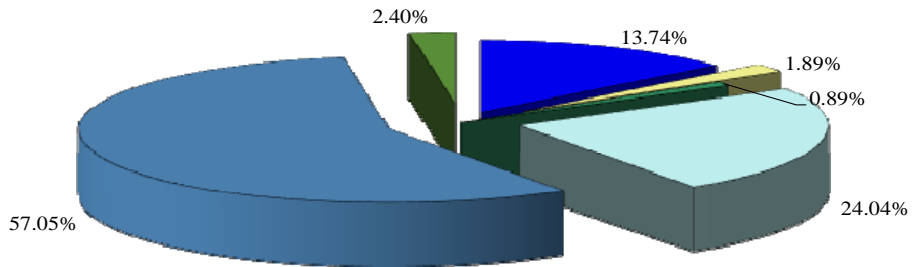


Assets 2019

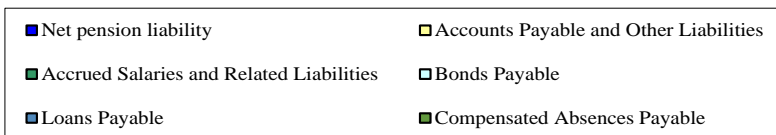
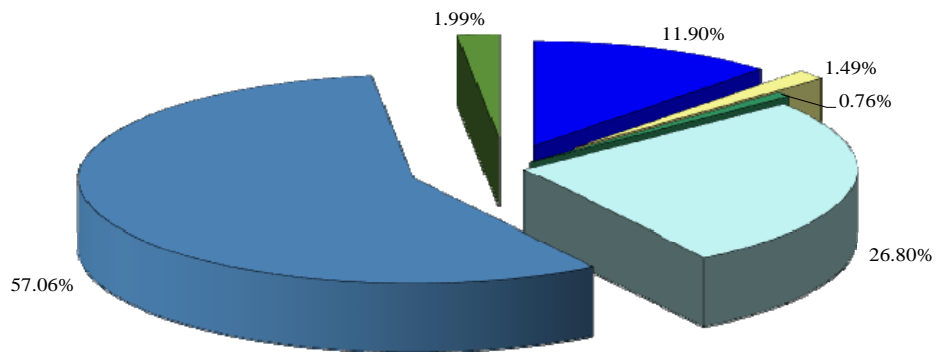


**Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)**

Liabilities 2020



Liabilities 2019



Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)

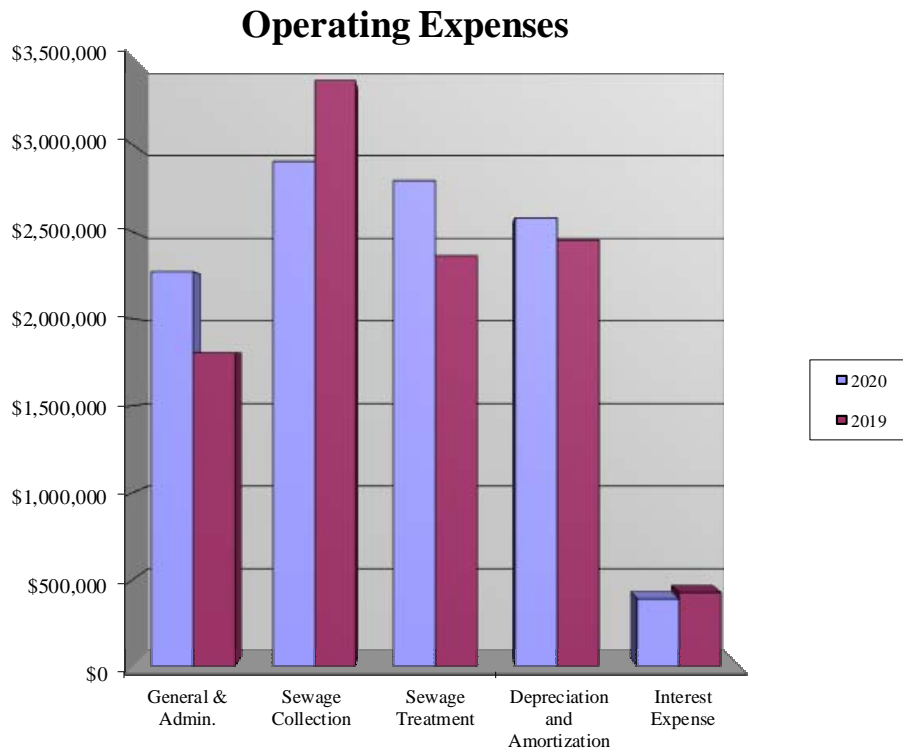
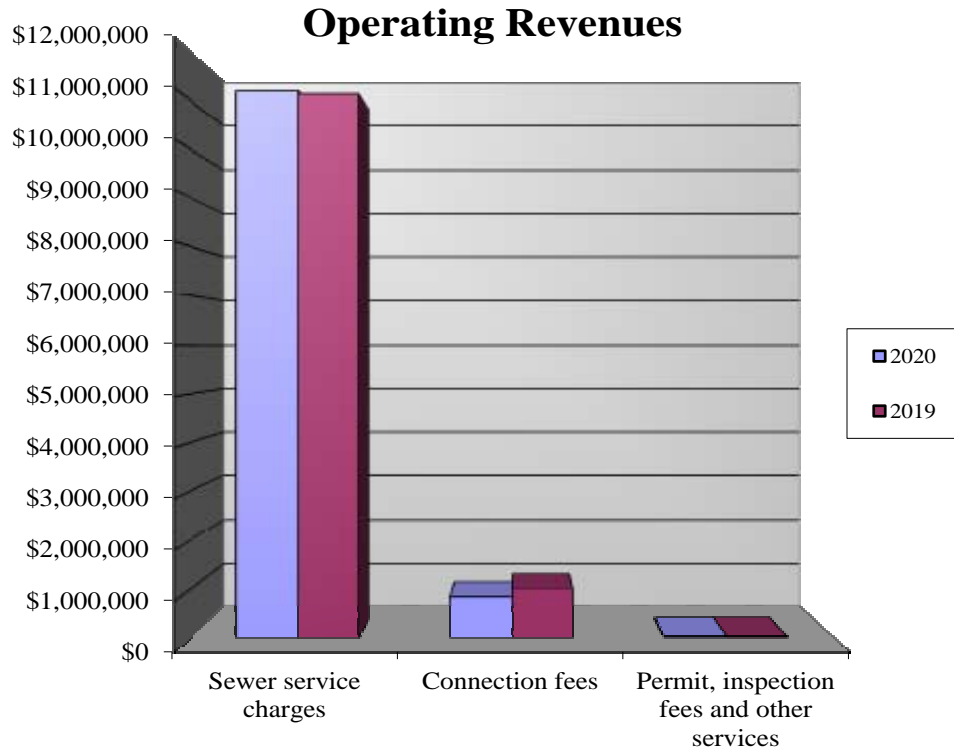
Changes in the District's net position reflect an increase of \$3,450,529 and \$1,740,138 for the years ended June 30, 2020 and 2019, respectively. The District's operating revenue decreased during the year ended June 30, 2020 by \$120,638 due to a decrease in connection fees and permit and inspection fees, while the District's operating expenses increased by \$559,779 due an increase in material and supply expenditures, higher utility costs, and pension related adjustments.

The District's operating revenue during the year ended June 30, 2019 decreased by \$119,081 due to a decrease in sewer connection fees, while the operating expenses increased by \$862,798 due to increased security for the plant, a rate study, and recruitment for a new General Manager.

DISTRICT'S CHANGES IN NET POSITION

	2020	2019	2018 (Restated)
Revenues:			
Sewer service charges	\$ 11,198,100	\$ 11,139,580	\$ 11,004,428
Connection fees	832,348	1,010,031	1,272,580
Permits & inspections	21,225	25,390	17,885
Other operating	13,640	10,950	10,139
Nonoperating	2,321,526	2,087,638	1,300,428
Total Revenues	\$ 14,386,839	\$ 14,273,589	\$ 13,605,460
Expenses:			
Depreciation & nonoperating	\$ 2,970,630	\$ 5,000,105	\$ 2,857,366
Administrative	2,270,072	1,804,611	1,652,714
Sewage collection	2,903,125	3,367,054	2,604,267
Sewage treatment	2,792,483	2,361,681	2,413,567
Total Expenses	\$ 10,936,310	\$ 12,533,451	\$ 9,527,914
Increase in net position	\$ 3,450,529	\$ 1,740,138	\$ 4,077,546
Beginning net position	97,250,438	95,510,300	91,432,754
Ending net position	\$ 100,700,967	\$ 97,250,438	\$ 95,510,300

**Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)**



Valley Sanitary District
Management’s Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)

Capital Asset Administration

The District’s capital assets (net of accumulated depreciation) as of June 30, 2020 and June 30, 2019 were in the amounts of \$65.2 million and \$67.1 million, respectively. This includes land, buildings, system improvements, machinery, and equipment. The decrease in the District’s capital assets is due to the disposal of fixed assets that have met their useful life (e.g., influent pump, call box kiosk, autoclave) and the annual depreciation expense for all fixed assets.

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

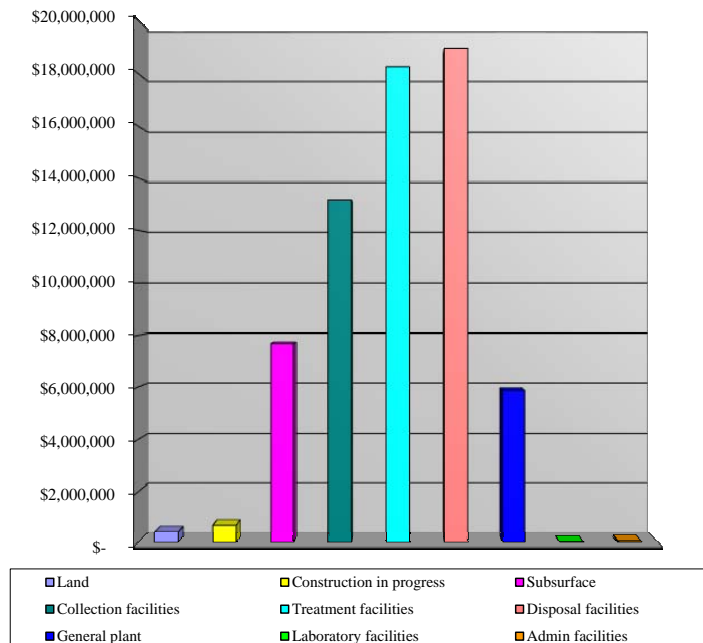
- **Purchase of computer hardware and software for the Operations Department Asset Management Program**
- **Purchase of a new Ford F450 for Operations Department June 2020**
- **Purchase of a new Ford F250 for Collection Systems June 2020**
- **Headworks PLC Panel Replacement**

DISTRICT’S CAPITAL ASSETS

Net of Accumulated Depreciation

	June 30, 2020	June 30, 2019	June 30, 2018
Land	\$ 448,364	\$ 448,364	\$ 448,364
Construction in progress	718,456	292,300	722,597
Subsurface	7,690,083	7,980,723	8,271,735
Collection facilities	13,155,905	13,531,132	13,950,048
Treatment facilities	18,257,395	18,974,861	21,784,467
Disposal facilities	18,942,666	19,612,224	20,234,863
General plant	5,872,052	6,161,329	5,590,486
Laboratory facilities	19,970	-	3,847
Admin facilities	59,923	49,568	10,166
Total	<u>\$ 65,164,815</u>	<u>\$ 67,050,501</u>	<u>\$ 71,016,573</u>

Capital Assets-Net



Additional information on the District’s capital assets can be found on page 33, Note 5, of this report.

**Valley Sanitary District
Management’s Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)**

Long-term Debt Administration

At the end of June 30, 2020 and 2019, the District had total long-term debt of \$17.4 million and \$18.5 million, respectively. The Certificates of Participation (COPs) was debt incurred to help fund Phase I of the District’s Treatment Plant Expansion and Renovation in 2006. On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of \$7,540,000, refinancing the COPs and reducing payments by about \$1,596,780 over the term of the certificates which runs through 2026. Repayment of the debt is funded through sewer use fees of the District.

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

DISTRICT’S OUTSTANDING DEBT

	2020	2019	2018
Revenue refunding bond	\$ 4,565,000	\$ 5,215,000	\$ 5,835,000
Bond premium	594,697	695,209	795,721
CWSRF loan	12,247,046	12,586,437	12,920,155
Total	\$ 17,406,743	\$ 18,496,646	\$ 19,550,876

Additional information on the District’s long-term debt can be found on page 35, Note 8, of this report.

Economic Factors and Next Year’s Budgets and Rates

Pre COVID-19, the economic outlook for the City of Indio had shown continual growth in residential and commercial development following a trend over the last three (3) years. The City of Indio had seen significant gains with positive indicators in each of the five (5) sectors (tourism, health care, agriculture, retail sales, and housing) primarily responsible for Indio’s economic health. However, due to COVID-19 strict public health policies were implemented and enforced causing the closure of businesses, schools, and other services deemed non-essential. According to the Employment Development Department, California’s unemployment rate rose to a record high 15.5% in April 2020. To help illustrate the economic outlay for the next two (2) years, staff used various sources including, the Congressional Budget Office (CBO), University of California Los Angeles (UCLA) Anderson Forecast, and the California Department of Finance. According to UCLA Anderson Forecast, the rate of growth is expected to accelerate in early 2021 as the effects of COVID-19 abate; however, a recovery to an employment level equivalent to 2019 is expected to occur in late 2023. The forecast shows a gradual increase in wages commencing in 2021. The executive team along with the Board of Directors were proactive, reviewed, and adjusted resources to maintain essential services. The fiscal year 2020/2021 operating and capital budget will ensure that the District can continue with its mission of serving the City of Indio and the surrounding communities by collecting, treating, and recycling wastewater to ensure a healthy environment and sustainable water supply.

The annual sewer use fee of \$313 per equivalent dwelling unit (EDU) remained the same for fiscal year 2019/2020 as fiscal year 2018/2019. The connection capacity increased to \$4,400 per EDU for the fiscal year 2019/2020 compared to \$4,265 per EDU in fiscal year 2018/2019.

In fiscal year 2020/2021 the financial planning process focused on prioritizing resources and aligning with the core strategic goals. This fiscal year the operating budget for 2020/2021 is \$8.8M million and is supplemented with \$12.9 million in capital improvement projects, to produce a total financial program of \$21.7 million. This represents an increase of \$531,475 over the 2019/2020 operating budget and an increase of \$4.7 million over the 2019/2020 capital improvement plan. The operating budget encompasses costs such as administrative salaries, materials, supplies, insurance premiums, and the overhead costs required to run day to day operations. The capital budget incorporates key projects to help further advance the District’s Capital Improvement Program (CIP) as well as the rehabilitation and replacement of assets that have met their useful life.

Valley Sanitary District
Management's Discussion and Analysis (Continued)
(Required Supplementary Information) (Unaudited)

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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Valley Sanitary District
Statements of Net Position
June 30, 2020 and 2019

	Business-type Activities	
	2020	2019
ASSETS		
Current assets:		
Cash and investments	\$ 54,150,457	\$ 49,192,557
Accounts receivable, net	383,581	693,944
Interest receivable	177,659	279,942
Inventories of materials	128,557	123,733
Prepaid items	361,680	318,124
Total current assets	55,201,934	50,608,300
Noncurrent assets:		
Capital assets, not being depreciated	1,166,821	740,664
Capital assets, being depreciated	63,997,994	66,309,837
Investment in joint venture	155,000	130,000
Total noncurrent assets	65,319,815	67,180,501
Total assets	120,521,749	117,788,801
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding, net	247,769	289,646
Deferred outflows of resources related to pensions	1,486,255	1,250,545
Deferred outflows of resources related to other postemployment benefits	42,947	14,136
Total deferred outflows of resources	1,776,971	1,554,327
LIABILITIES		
Current liabilities:		
Accounts payable	388,476	308,465
Accrued payroll and related liabilities	190,485	167,833
Interest payable	17,224	19,932
Compensated absences, due within one year	315,481	264,042
Bonds payable, due within one year	685,000	650,000
Loans payable, due within one year	345,161	339,391
Total current liabilities	1,941,827	1,749,663
Noncurrent liabilities:		
Compensated absences, due in more than one year	199,017	174,729
Bonds payable, due in more than one year	4,474,697	5,260,209
Loans payable, due in more than one year	11,901,885	12,247,046
Net pension liabilities	2,772,698	2,490,030
Net other postemployment benefits liabilities	175,673	135,252
Total noncurrent liabilities	19,523,970	20,307,266
Total liabilities	21,465,797	22,056,929
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	131,956	35,698
Deferred inflows of resources related to other postemployment benefits	-	63
Total deferred inflows of resources	131,956	35,761
NET POSITION		
Net investment in capital assets	48,005,841	48,843,501
Restricted for debt service	2,005,722	2,005,722
Unrestricted	50,689,404	46,401,215
Total net position	\$ 100,700,967	\$ 97,250,438

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Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	Business-type Activities	
	2020	2019
OPERATING REVENUES:		
Sewer service charges	\$ 11,198,100	\$ 11,139,580
Connection fees	832,348	1,010,031
Permit and inspection fees	21,225	25,390
Other services	13,640	10,950
Total operating revenues	12,065,313	12,185,951
OPERATING EXPENSES:		
General and administrative	2,270,072	1,804,611
Sewage collection	2,903,125	3,367,054
Sewage treatment	2,792,483	2,361,681
Depreciation	2,578,816	2,451,371
Total operating expenses	10,544,496	9,984,717
NET OPERATING INCOME	1,520,817	2,201,234
NONOPERATING REVENUES (EXPENSES):		
Property taxes	902,872	862,297
Homeowners' tax relief	6,203	5,873
Investment income	1,143,028	1,193,840
Interest expenses	(391,814)	(428,612)
Other revenues	239,253	25,628
Gain (loss) on disposal of assets	30,170	(2,120,122)
Total nonoperating revenues (expenses)	1,929,712	(461,096)
CHANGE IN NET POSITION	3,450,529	1,740,138
NET POSITION:		
Beginning of year	97,250,438	95,510,300
End of year	\$ 100,700,967	\$ 97,250,438

Valley Sanitary District
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	Business-type Activities	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 12,375,676	\$ 12,235,472
Cash payments to suppliers and vendors for goods and services	(3,482,398)	(3,570,393)
Cash payments to employees for services	(4,198,509)	(4,009,205)
Net cash provided by operating activities	4,694,769	4,655,874
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes	902,872	862,297
Homeowners' tax relief	6,203	5,873
Other nonoperating revenues	239,253	25,628
Net cash provided by noncapital financing activities	1,148,328	893,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(693,130)	(641,329)
Proceeds from sale of assets	30,170	35,908
Principal paid on bonds payable	(650,000)	(620,000)
Interest paid on bonds and loans payable	(453,157)	(489,831)
Principal paid on loans payable	(339,391)	(333,718)
Net cash (used in) capital and related financing activities	(2,105,508)	(2,048,970)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,245,311	1,092,972
Cash payment to joint venture	(25,000)	(25,000)
Net cash provided by investing activities	1,220,311	1,067,972
Net increase in cash and cash equivalents	4,957,900	4,568,674
CASH AND CASH EQUIVALENTS:		
Beginning of year	49,192,557	44,623,883
End of year	\$ 54,150,457	\$ 49,192,557

Valley Sanitary District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2020 and 2019

	Business-type Activities	
	2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 1,520,817	\$ 2,201,234
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,578,816	2,451,371
Changes in operating assets and liabilities:		
Accounts receivable	310,363	49,521
Inventories of materials	(4,824)	(33,761)
Prepaid items	(43,556)	12,485
Pensions related deferred outflows of resources	(235,710)	(197,470)
OPEB related deferred outflows of resources	(28,811)	13,463
Accounts payable	80,011	165,286
Accrued payroll and related liabilities	22,652	19,926
Compensated absences	75,727	49,779
Net pension liability	282,668	(61,251)
Other postemployment benefits liability	40,421	5,201
Pensions related deferred inflows of resources	96,258	(19,973)
OPEB related deferred inflows of resources	(63)	63
Net cash provided by operating activities	\$ 4,694,769	\$ 4,655,874
NONCASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of deferred loss on refunding	\$ 41,877	\$ 41,877
Amortization of premium	\$ (100,512)	\$ (100,512)

Valley Sanitary District
Statements of Fiduciary Assets and Liabilities
June 30, 2020 and 2019

	Fiduciary Fund	
	2020	2019
ASSETS		
Cash and investments	\$ 691,120	\$ 666,784
Cash with fiscal agent	629,134	623,134
Assessment receivable	8,831	15,129
Interest receivable	2,401	4,042
Total assets	\$ 1,331,486	\$ 1,309,089
LIABILITIES		
Due to bondholders	\$ 1,331,486	\$ 1,309,089
Total liabilities	\$ 1,331,486	\$ 1,309,089

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Valley Sanitary District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1 – Reporting Entity

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

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

Blended Component Unit

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Business-Type Activities

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Business-Type Activities (Continued)

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

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

Fiduciary Fund Financial Statements

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

Cash, Cash Equivalents, and Investments

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

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

Receivables and Allowance for Doubtful Accounts

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Inventory of Materials

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

Prepaid Items

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

Capital Assets

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

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

Major outlays for capital assets are capitalized as projects are constructed, and repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income on construction bond proceeds.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Compensated Absences

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

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

For the year ended June 30, 2020

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

For the year ended June 30, 2019

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

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

Other Postemployment Benefits

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

For the year ended June 30, 2020

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

For the year ended June 30, 2019

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (Continued)

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

Long-Term Debt

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

Arbitrage Rebate Requirement

The District is subject to the Internal Revenue Code (“IRC”) Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2020.

Net Position

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets, net of deferred outflows/inflows of resources related to the debt.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Property taxes are recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

Use of Estimates

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

Note 3 – Cash and Investments

At June 30, 2020 and 2019, cash and investments are classified in the accompanying statements of net position as follows:

	2020			2019		
	Business-Type Activities	Fiduciary Fund	Total	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	\$ 54,150,457	\$ 691,120	\$ 54,841,577	\$ 49,192,557	\$ 666,784	\$ 49,859,341
Cash and investments with fiscal agent	-	629,134	629,134	-	623,134	623,134
Total cash and investments	\$ 54,150,457	\$ 1,320,254	\$ 55,470,711	\$ 49,192,557	\$ 1,289,918	\$ 50,482,475

At June 30, 2020 and 2019, cash and investments consisted of the following:

	2020	2019
Cash on hand	\$ 500	\$ 500
Demand deposits	1,920,002	1,966,854
Investments	53,550,209	48,515,121
Total cash and investments	\$ 55,470,711	\$ 50,482,475

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 3 – Cash and Investments (Continued)

Demand Deposits

At June 30, 2020 and 2019, the carrying amount of cash deposit was \$1,920,002 and \$1,966,854, respectively, which was fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

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

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

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

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

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

Local Agency Investment Fund

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

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

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 3 – Cash and Investments (Continued)

Local Agency Investment Fund (Continued)

As of June 30, 2020 and 2019, the District had \$51,829,740 and \$46,841,897 invested in LAIF, which had invested 3.37% and 1.77% of the pooled investment funds in Structured Notes and Asset-Backed Securities, respectively. LAIF is reported at amortized costs, which approximates fair value.

CalTrust Medium Term Fund

As of June 30, 2020 and 2019, the District had \$1,091,335 and \$1,050,090, respectively, invested in CalTrust Medium Term Fund. CalTrust Medium Term Fund is reported at amortized costs, which approximates fair value.

Money Market Fund

As of June 30, 2020 and 2019, the District had \$629,134 and \$623,134, respectively, invested in money market fund and held by the bond trustee. The District’s investments in money market fund are considered cash equivalents as they are short-term, highly liquid investments that are readily convertible to known amounts of cash that they present insignificant risk of changes in value because of changes in interest rates.

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2020, all of the District’s investments had maturity dates of twelve (12) months or less.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2020 and 2019, the District had the following investments with the following ratings:

	2020				2019		
	Minimum Legal Rating	AAA	Not Rated	Total	AAA	Not Rated	Total
Local Agency Investment Fund	N/A	\$ -	\$ 51,829,740	\$ 51,829,740	\$ -	\$ 46,841,897	\$ 46,841,897
CalTrust Medium Trust Fund	N/A	-	1,091,335	1,091,335	-	1,050,090	1,050,090
Held by bond trustee:							
Money market fund	N/A	629,134	-	629,134	623,134	-	623,134
Total investments		\$ 629,134	\$ 52,921,075	\$ 53,550,209	\$ 623,134	\$ 47,891,987	\$ 48,515,121

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 4 – Accounts Receivable

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

As of June 30, 2020 and 2019, the accounts receivable were as follows:

	2020	2019
Direct billing, connection fee and reimbursement receivables	\$ 125,799	\$ 409,123
Property taxes and sewer use receivable from County of Riverside	257,782	281,993
Other receivables	-	2,828
Total accounts receivables	\$ 383,581	\$ 693,944

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Reclassification	Balance June 30, 2020
Capital assets, not depreciated					
Land	\$ 448,364	\$ -	\$ -	\$ -	\$ 448,364
Construction in progress	292,300	426,157	-	-	718,457
Total capital assets, not depreciated	740,664	426,157	-	-	1,166,821
Capital assets, being depreciated					
Subsurface	20,431,393	-	-	-	20,431,393
Sewage collection facilities	16,628,745	44,315	(74,196)	-	16,598,864
Wastewater treatment facilities	35,492,563	-	(27,403)	-	35,465,160
Sludge disposal facilities	24,711,950	-	-	-	24,711,950
General plant facilities	8,534,858	164,830	(28,141)	-	8,671,547
Laboratory facilities	10,123	22,727	(10,124)	-	22,726
Administrative facilities	93,130	35,101	-	-	128,231
Total capital assets, being depreciated	105,902,762	266,973	(139,864)	-	106,029,871
Less accumulated depreciation					
Subsurface	(12,450,670)	(290,641)	-	-	(12,741,311)
Sewage collection facilities	(3,097,613)	(419,543)	74,196	-	(3,442,960)
Wastewater treatment facilities	(16,517,702)	(717,464)	27,403	-	(17,207,763)
Sludge disposal facilities	(5,099,726)	(669,557)	-	-	(5,769,283)
General plant facilities	(2,373,529)	(454,108)	28,141	-	(2,799,496)
Laboratory facilities	(10,123)	(2,757)	10,124	-	(2,756)
Administrative facilities	(43,562)	(24,746)	-	-	(68,308)
Total accumulated depreciation	(39,592,925)	(2,578,816)	139,864	-	(42,031,877)
Total capital assets, being depreciated, net	66,309,837	(2,311,843)	-	-	63,997,994
Total capital assets, net	\$ 67,050,501	\$ (1,885,686)	\$ -	\$ -	\$ 65,164,815

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 5 – Capital Assets (Continued)

Summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
Capital assets, not depreciated					
Land	\$ 448,364	\$ -	\$ -	\$ -	\$ 448,364
Construction in progress	722,597	239,194	(14,263)	(655,228)	292,300
Total capital assets, not depreciated	1,170,961	239,194	(14,263)	(655,228)	740,664
Capital assets, being depreciated					
Subsurface	20,483,529	-	(52,136)	-	20,431,393
Sewage collection facilities	16,700,965	-	(72,220)	-	16,628,745
Wastewater treatment facilities	39,116,395	-	(3,623,832)	-	35,492,563
Sludge disposal facilities	24,752,529	-	(40,579)	-	24,711,950
General plant facilities	7,615,186	355,801	(91,357)	655,228	8,534,858
Laboratory facilities	31,120	-	(20,997)	-	10,123
Administrative facilities	87,903	46,334	(41,107)	-	93,130
Total capital assets, being depreciated	108,787,627	402,135	(3,942,228)	655,228	105,902,762
Less accumulated depreciation					
Subsurface	(12,211,794)	(291,012)	52,136	-	(12,450,670)
Sewage collection facilities	(2,750,917)	(418,915)	72,219	-	(3,097,613)
Wastewater treatment facilities	(17,331,928)	(671,688)	1,485,914	-	(16,517,702)
Sludge disposal facilities	(4,517,666)	(622,639)	40,579	-	(5,099,726)
General plant facilities	(2,024,700)	(440,186)	91,357	-	(2,373,529)
Laboratory facilities	(27,273)	(127)	17,277	-	(10,123)
Administrative facilities	(77,737)	(6,804)	40,979	-	(43,562)
Total accumulated depreciation	(38,942,015)	(2,451,371)	1,800,461	-	(39,592,925)
Total capital assets, being depreciated, net	69,845,612	(2,049,236)	(2,141,767)	655,228	66,309,837
Total capital assets, net	\$ 71,016,573	\$ (1,810,042)	\$ (2,156,030)	\$ -	\$ 67,050,501

Included in the disposal of wastewater treatment facilities is the Wetlands project developed in 1998. The development of the Wetlands project was a mitigating measure to reduce the environmental impact of the District's wastewater treatment plant expansion in meeting the California Environmental Quality Act ("CEQA") requirement. The wastewater treatment expansion was completed with the construction of Wetlands area to treat primary effluent to secondary effluent standards. No unavoidable adverse significant environmental impacts from the Wetlands project was identified in the initial measurement date of November 13, 1998. Certain mitigation measures were incorporated into the project to reduce the environmental effects to the level of insignificance. During the process of disposing the Wetlands, the District evaluated the environmental impact and obtained approval from United States Environmental Protection Agency on the disposal. It was determined that the District had no asset retirement obligation at June 30, 2019.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 6 – Investment in Joint Venture

On December 18, 2013, the District entered into a joint powers agreement with the City of Indio (the “City”) to form the East Valley Reclamation Authority (the “JPA”) to plan, program, finance, design and operate a reclaimed water facility to bring a sustainable water supply and manage the water resources for the customers of the Indio Water Authority (a blended component unit of the City) and the District. The costs and expenses of the JPA are generally shared equally by the City and the District unless otherwise determined by the JPA’s Board of Directors, except that the District is responsible for 100% of the costs and expenses associated with the design and construction of facilities for the District’s compliance with any permit terms. During both years ended June 30, 2020 and 2019, the District made contribution to the JPA in the amount of \$25,000. As of June 30, 2020 and 2019, the District reported investments in joint venture in the amounts of \$155,000 and \$130,000, respectively. Copies of the annual financial report for the JPA may be obtained from the finance department of the City of Indio.

	June 30,	
	2020*	2019
Total Asset	\$ 259,852	\$ 205,897
Total Liabilities	-	308
Total Net Position	\$ 259,852	\$ 205,589
Operating Loss	\$ (1,286)	\$ (3,973)
Nonoperating Revenues	\$ 55,549	\$ 52,621

*Unaudited balances

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2020 and 2019 is as follows:

Year Ended	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2020	\$ 438,771	\$ 334,373	\$ (258,646)	\$ 514,498	\$ 315,481	\$ 199,017
June 30, 2019	388,992	334,141	(284,362)	438,771	264,042	174,729

Note 8 – Long-term Debt

Summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
	2015 Wastewater Revenue Refunding Bonds	\$ 5,215,000	\$ -	\$ (650,000)	\$ 4,565,000	\$ 685,000
Bond Premium, net of amortization	695,209	-	(100,512)	594,697	-	594,697
State Water Resources Control Board Revolving Fund Loan	12,586,437	-	(339,391)	12,247,046	345,161	11,901,885
Total long-term debt	\$ 18,496,646	\$ -	\$ (1,089,903)	\$ 17,406,743	\$ 1,030,161	\$ 16,376,582

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 8 – Long-term Debt (Continued)

Summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	\$ 5,835,000	\$ -	\$ (620,000)	\$ 5,215,000	\$ 650,000	\$ 4,565,000
Bond Premium, net of amortization	795,721	-	(100,512)	695,209	-	695,209
State Water Resources Control Board Revolving Fund Loan	12,920,155	-	(333,718)	12,586,437	339,391	12,247,046
Total long-term debt	\$ 19,550,876	\$ -	\$ (1,054,230)	\$ 18,496,646	\$ 989,391	\$ 17,507,255

2015 Wastewater Revenue Refunding Bonds

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

On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of \$7,540,000. The purpose of the bond issuance was to provide funds to defease and refund on current basis the District’s outstanding 2006 Certificates of Participation (Treatment Plan Expansion) and pay the costs of issuing the bonds. The bonds are payable from and secured by a lien on net revenue of the wastewater system of the District. The aggregate difference in debt service as result of the refinancing was in the amount of \$1,596,780. The economic gain on the refinancing was \$500,181. Interest rate of 5% (except for 2.125% in 2023) is payable semi-annually on each December 1 and June 1 beginning December 1, 2015. The bonds are not subject to redemption prior to maturity. The outstanding balances as of June 30, 2020 and 2019 were in the amounts of \$4,565,000 and \$5,215,000, respectively.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	685,000	206,688	\$ 891,688
2022	715,000	172,437	887,437
2023	750,000	136,687	886,687
2024	765,000	120,750	885,750
2025	805,000	82,500	887,500
2026	845,000	42,250	887,250
Total	\$ 4,565,000	\$ 761,312	\$ 5,326,312

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 8 – Long-term Debt (Continued)

State Water Resources Control Board Revolving Fund Loan

The District executed the installment sale agreement with the State Water Resources Control Board (the “SWRCB”) for the construction of the Requa Avenue Sewer Interceptor Project. As part of the Requa Avenue Sewer Interceptor Project, the District constructed 4.2 miles of new gravity flow sewer pipeline and related utility improvements designed to collect and convey sanitary sewer flow within an existing public right-of-way through central Indio, California, to the existing District’s Water Reclamation Plant. The SWRCB provided financial assistance. The total amount of the loan funded was \$12,920,155 with no unused credit. There was no pledged asset as collateral. In event of default, the District upon demand by SWRCB, will immediately repay an amount equal to project funds disbursed, accrued interests, penalty assessments, and additional payments. Beginning June 2019, the District will repay the principal of the project funds, together with all interest accruing thereon, annually to the SWRCB. As of June 30, 2020 and 2019, the outstanding balances of the SWRCB revolving fund loan were in the amounts of \$12,247,046 and \$12,586,437, respectively.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	345,161	208,199	\$ 553,360
2022	351,029	202,332	553,361
2023	356,997	196,363	553,360
2024	363,065	190,296	553,361
2025	369,237	184,124	553,361
2026-2030	1,942,503	824,300	2,766,803
2031-2035	2,113,326	653,478	2,766,804
2036-2040	2,299,170	467,632	2,766,802
Thereafter	4,106,558	320,327	4,426,885
	<u>12,247,046</u>	<u>3,247,051</u>	<u>15,494,097</u>

A reserve account is required to be maintained equal to one (1) year of the SWRCB revolving fund loan debt service payments from unrestricted net revenues. The reserve requirement is \$553,360 for the duration of the loan. The balances held in the reserve at June 30, 2020 and 2019 were in the amounts of \$1,106,722 and \$1,106,722, respectively. Debt covenants of the SWRCB revolving fund loan require that the District have net revenues that are at least 125% of the total debt service payments (including 2015 Wastewater Revenue Refunding Bonds). Net revenue and total debt service paid during the year ended June 30, 2020 were in the amounts of \$4,099,633 and \$1,442,548, respectively, which resulted in ratio of 284%. Net revenue and total debt service paid during the year ended June 30, 2019 were in the amounts of \$4,652,605 and \$1,443,549, respectively, which resulted in ratio of 640%.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 9 – Conduit Debt

Limited Obligation Improvement Bonds

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

The bonds are limited obligations of the District payable solely from the installments of assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or interest on the bonds. Therefore, the limited obligation improvement bonds are not included in the accompanying financial statements. As of June 30, 2020 and 2019, the outstanding balances of the bonds were in the amounts of \$5,025,000 and \$5,365,000, respectively.

Note 10 – Pension Plans

General Information about the Pension Plan

Plan Description

The District contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2018 and 2017 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2018 and 2017 valuation dates, the following employees were covered by the benefit terms:

	2018		2017	
	Classic	PEPRA	Classic	PEPRA
Active employees	17	7	18	10
Transferred and terminated employees	17	6	18	3
Retired Employees and Beneficiaries	12	-	10	-
Total	46	13	46	13

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided

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

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

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the District to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

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

Contributions

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

For the measurement period ended June 30, 2019, the active employee contribution rate for miscellaneous plan and PEPRA miscellaneous plan is 8.00% and 6.50% of annual pay, respectively, and the employer's contribution rate is 10.832% and 7.266% of annual payroll, respectively.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Contributions (Continued)

For the measurement period ended June 30, 2018, the active employee contribution rate for miscellaneous plan and PEPPA miscellaneous plan is 8.00% and 6.50% of annual pay, respectively, and the employer’s contribution rate is 10.277% and 6.903% of annual payroll, respectively.

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 and 2017 valuations were rolled forward to determine the June 30, 2019 and 2018 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹The mortality table used in 2018 was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

The mortality table used in 2017 was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

Change of Assumption

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

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

Long-term Expected Rate of Return

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

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

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

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used

³An expected inflation of 2.92% used

Discount Rate

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

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

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

The following presents the District's proportionate share of the net pension liabilities of the Plan as of the measurement date at June 30, 2019 and 2018, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	- 1% (6.15%)	Rate (7.15%)	+ 1% (8.15%)
June 30, 2019	\$ 4,447,553	\$ 2,772,698	\$ 1,390,224
June 30, 2018	3,999,679	2,490,030	1,243,839

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/18 (Valuation date)	\$ 11,928,870	\$ 9,438,840	\$ 2,490,030
Balance at: 6/30/19 (Measurement date)	13,117,667	10,344,969	2,772,698
Net changes during 2018-2019	1,188,797	906,129	282,668
Balance at: 6/30/17 (Valuation date)	\$ 11,154,724	\$ 8,603,443	\$ 2,551,281
Balance at: 6/30/18 (Measurement date)	11,928,870	9,438,840	2,490,030
Net changes during 2017-2018	774,146	835,397	(61,251)

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2019 and 2018.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2018 and 2017). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019 and 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2019 and 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-2019 and 2017-2018).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

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

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

2020		2019	
Measurement Date		Measurement Date	
June 30, 2018	0.02584%	June 30, 2017	0.02573%
June 30, 2019	0.02706%	June 30, 2018	0.02584%
Change - Increase		Change - Increase	
(Decrease)	0.00122%	(Decrease)	0.00011%

For the years ended June 30, 2020 and 2019, the District recognized pension expense in the amounts of \$859,369 and \$536,288, respectively.

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2019 and 2018 are both 3.8 years, which was obtained by dividing the total service years of 530,470 and 516,147 (the sum of remaining service lifetimes of the active employees) by 140,593 and 135,474 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 716,153	\$ -	\$ 814,982	\$ -
Changes of assumptions	132,216	(46,869)	229,059	-
Difference between expected and actual experience	192,576	(14,921)	67,368	-
Projected earnings on pension plan investments under/(in excess of) actual earnings	-	(48,479)	13,158	-
Adjustment due to differences in proportions	160,647	-	125,978	-
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	284,663	(21,687)	-	(35,698)
Total	<u>\$ 1,486,255</u>	<u>\$ (131,956)</u>	<u>\$ 1,250,545</u>	<u>\$ (35,698)</u>

Deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date in the amount of \$716,153 and \$814,982 will be recognized as a reduction of the collective net pension liability in the years ended June 30, 2021 and 2020, respectively.

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

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
	2020		2019
2021	\$ 378,273	2020	\$ 305,550
2022	119,298	2021	190,872
2023	130,780	2022	(72,618)
2024	9,795	2023	(23,939)
2025	-	2024	-
Thereafter	-	Thereafter	-
	<u>\$ 638,146</u>		<u>\$ 399,865</u>

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 10 – Pension Plans (Continued)

Deferred Compensation Plans

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

Note 11 – Other Postemployment Benefits (“OPEB”)

General Information about the OPEB Plan

Plan Description

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

Benefits provided by the plan is as follow:

Benefit Types Provided	Medical only	
Duration of Benefits	Lifetime	
Required Services	5 years	
Minimum Age	50	
Dependent Coverage	Yes	
District Contribution %	100.00%	
District Cap	\$133.00 per month* for measurement period 18-19	\$126.35 per month* for measurement period 17-18

* This amount will increase as provided in California Government Code Section 22892

Employees Covered by Benefit Term

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

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

Contribution

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 – Other Postemployment Benefits (Continued)

Net OPEB Liability

The District’s 2020 and 2019 net OPEB liabilities were measured as of June 30, 2019 and 2018, respectively, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2019 and 2017, respectively.

Actuarial Assumptions

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

Actuarial Cost Method:	Entry age actuarial cost method
Actuarial Assumptions:	
Inflation	2.75%
Investment Rate of Return/Discount Rate	7.00%
Healthcare Cost Trend	4.00%
Payroll Increase	2.75%
Mortality Rate Table	2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rate	Hired < 1/1/2013: 2009 CalPERS 2.5% @ 55 Rates for Misc. Employees Hired > 12/31/2012: 2009 CalPERS 2.0% @ 60 Rates for Misc. Employees adjusted to reflect minimum retirement age of 52
Service Requirement	100% at 5 Years of Service
Medical Costs	Future Retirees Pre-65 \$1,650 Future Retirees Post-65 \$1,650
Participation Rate	< 65 Non-Medicare Participation % at 60% > 65 Medicare Participation % at 60%
Turnover	2009 CalPERS Turnover for Miscellaneous Employees

Discount Rate

The discount rate of 7% was used in the valuation. It was assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The District used historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption to set the discount rate. The District offset the expected investment return by investment expenses of 25 basis points. The following is the assumed asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43.00%	7.795%
US Small Cap	23.00%	7.795%
Long-Term Corporate Bonds	12.00%	5.295%
Long-Term Government Bonds	6.00%	4.500%
Treasury Inflation Protected Securities (TIPS)	5.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
	100.00%	

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

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)

Change in the Net OPEB Liability

	2020		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (measurement date)	\$ 265,685	\$ 130,433	\$ 135,252
Changes recognized for the measurement period:			
Service Cost	9,264	-	9,264
Interest on total OPEB liability	18,677	-	18,677
Difference between expected and actual experience	34,535	-	34,535
Difference in benefit payment	116	-	116
Employer contributions	-	14,136	(14,136)
Employee contributions	-	-	-
Actual investment income	-	8,063	(8,063)
Administrative expenses	-	(28)	28
Benefit payments	(7,126)	(7,126)	-
Net change during measurement period 2018-2019	55,466	15,045	40,421
Balance at June 30, 2019 (Measurement Date)	\$ 321,151	\$ 145,478	\$ 175,673

	2019		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Rolled back balance at June 30, 2017	\$ 245,539	\$ 115,488	\$ 130,051
Changes recognized for the measurement period:			
Service Cost	9,016	-	9,016
Interest on total OPEB liability	17,288	-	17,288
Employer contributions	-	27,960	(27,960)
Employee contributions	-	-	-
Actual investment income	-	8,919	(8,919)
Administrative expenses	-	(193)	193
Benefit payments	(6,158)	(6,158)	-
Other	-	(15,583)	15,583
Net change during measurement period 2017-2018	20,146	14,945	5,201
Balance at June 30, 2018 (Measurement Date)	\$ 265,685	\$ 130,433	\$ 135,252

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

Measurement Date	Net OPEB Liability		
	Discount Rate	Current Discount	Discount Rate
	- 1% (6.00%)	Rate (7.00%)	+ 1% (8.00%)
June 30, 2019	\$ 222,163	\$ 175,673	\$ 137,581
June 30, 2018	175,099	135,252	102,812

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 11 - Other Postemployment Benefits (Continued)

Change in the Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (4.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (4.0 percent increasing to 5.0 percent) than the current healthcare cost trend rates:

Measurement Date	Net OPEB Liability		
	Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	Healthcare Cost Trend Rate
	- 1% (3.00%)	Rate (4.00%)	+ 1% (5.00%)
June 30, 2019	\$ 136,740	\$ 175,673	\$ 221,697
June 30, 2018	79,760	135,252	206,373

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

For the years ended June 30, 2020 and 2019, the District recognized OPEB expense in the amounts of \$21,447 and \$32,863, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
OPEB contribution after measurement date	9,900	\$ -	14,136	\$ -
Changes of assumptions	32,045	-	-	-
Difference between expected and actual experience	1,002	-	-	-
Projected earnings on pension plan investments under/(in excess of) actual earnings	-	-	-	(63)
Total	\$ 42,947	\$ -	\$ 14,136	\$ (63)

Deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date in the amounts of \$9,900 and \$14,136 will be recognized as a reduction of the net OPEB liability in the years ended June 30, 2021 and 2020, respectively.

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

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
	2020		2019
2021	\$ 2,853	2020	\$ (16)
2022	2,853	2021	(16)
2023	2,854	2022	(16)
2024	2,866	2023	(15)
2025	2,606	2024	-
Thereafter	19,015	Thereafter	-
	\$ 33,047		\$ (63)

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the years ended June 30, 2020 and 2019, the District had insurance expenses in the amounts of \$289,120 and \$293,286 in premium payments, respectively.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2020 and 2019, there were no liabilities to be reported. During the past three fiscal years there have been no settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year.

Note 13 – Commitments and Contingencies

Indio Terrace Assessment District No. 2

In 1965, the District received proceeds from the sale of bonds from Indio Terrace Assessment District No. 2. Under the covenants of this assessment district, as parcels within Indio Terrace are developed and connected to the District's system, the Valley Sanitary District is required to give credits toward connection fees that are paid by the individual developers. As of June 30, 2020 and 2019, the total amount of unused credits were both in the amount of \$41,595. Estimated future revenue from connection fees based upon the current fee in effect is approximately \$162,000. Since no development occurred in the Indio Terrace Assessment District during the year, no connection fee income was reduced by these credits for both years ended June 30, 2020 and 2019.

Shadow Hills Assessment District

In September 1994, the District authorized oversize credits of \$343,403 against capital impact fees for developments occurring within Assessment District 90-1 that are benefiting from the sewer trunk line improvements installed in 1993. As of June 30, 2020 and 2019, credits of \$204,341 have been applied, leaving a balance of \$139,062 to be issued.

Pending Legal Actions

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

Construction Commitments

Outstanding construction commitments as of June 30, 2020:

	2020 Commitments
Projects:	
Sewer Main Rehabilitation or Replacement Design	\$ 451,900
Sewer Main Rehabilitation or Replacement Construction	529,510
Reclaim Water Project Phase I	2,200,000
	\$ 3,181,410

Valley Sanitary District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

Note 13 – Commitments and Contingencies (Continued)

Construction Commitments (Continued)

Outstanding construction commitments as of June 30, 2019:

	2019
	<u>Commitments</u>
Projects:	
Sewer Siphon Replacement Design	\$ 400,000
Collection System Design and Program Management	<u>101,000</u>
	<u>\$ 501,000</u>

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

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

Measurement date	June 30, 2014 ¹	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension liability	0.02185%	0.02397%	0.02461%	0.02573%	0.02584%
District's proportionate share of the net pension liability	\$ 1,359,412	\$ 1,645,582	\$ 2,129,724	\$ 2,551,281	\$ 2,490,030
District's covered payroll	\$ 1,805,145	\$ 1,980,191	\$ 2,004,667	\$ 2,279,280	\$ 2,059,259
District's proportionate share of the net pension liability as a percentage of covered payroll	75.31%	83.10%	106.24%	111.93%	120.92%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.77%	81.08%	77.15%	77.13%	79.13%

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

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

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

	June 30, 2019
Measurement date	
District's proportion of the net pension liability	0.02706%
District's proportionate share of the net pension liability	\$ 2,772,698
District's covered payroll	\$ 2,362,608
District's proportionate share of the net pension liability as a percentage of covered payroll	117.36%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	78.86%

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

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension
For the Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

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

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

¹ Historical information is presented only for measurement periods for which GASB No. 68 is available for periods after GASB 68 implementation in 2013-14. Additional years of information will be displayed as it becomes available.

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

Notes to Schedule:

Change in Benefit Terms: There were no changes to benefit terms.

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

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension (Continued)
For the Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

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

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

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

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

³ Payroll from prior year (2019-20) was assumed to increase by the 2.75 percent payroll growth assumption.

Notes to Schedule:

Change in Benefit Terms: There were no changes to benefit terms.

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

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Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	June 30, 2017 ¹	June 30, 2018	June 30, 2019
Total OPEB liability			
Service cost	\$ 8,775	\$ 9,016	\$ 9,264
Interest	15,962	17,288	18,677
Difference in benefit terms	-	-	116
Differences between expected and actual experience	-	-	34,535
Changes of assumption	-	-	-
Benefit payments	(5,921)	(6,158)	(7,126)
Net change in total OPEB liability	18,816	20,146	55,466
Total OPEB liability, beginning	226,723	245,539	265,685
Total OPEB liability, ending (a)	245,539	265,685	321,151
OPEB fiduciary net position			
Contributions - employer	21,565	27,960	14,136
Net investment income	9,580	8,919	8,063
Benefit payments	(5,921)	(6,158)	(7,126)
Administrative expense	(80)	(193)	(28)
Other	-	(15,583)	-
Net change in plan fiduciary net position	25,144	14,945	15,045
Plan fiduciary net position, beginning	90,344	115,488	130,433
Plan fiduciary net position, ending (b)	115,488	130,433	145,478
Plan net OPEB liability - ending (a) - (b)	\$ 130,051	\$ 135,252	\$ 175,673
Plan's fiduciary net position as a percentage of the total OPEB liability	47.03%	49.09%	45.30%
Covered payroll	\$ 2,279,280	\$ 2,059,259	\$ 2,362,608
Plan net OPEB liability as a percentage of covered payroll	5.71%	6.57%	7.44%

¹ Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-17.

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2016-17 ¹	2017-18	2018-19	2019-20
Actuarially determined contribution ²	\$ 15,225	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contribution ²	<u>(21,565)</u>	<u>(27,599)</u>	<u>(14,136)</u>	<u>(9,900)</u>
Contribution deficiency/(excess)	<u>\$ (6,340)</u>	<u>\$ (27,599)</u>	<u>\$ (14,136)</u>	<u>\$ (9,900)</u>
Covered payroll	<u>\$ 2,279,280</u>	<u>\$ 2,059,259</u>	<u>\$ 2,362,608</u>	<u>\$ 2,427,580</u>
Contributions as a percentage of covered payroll	<u>0.95%</u>	<u>1.34%</u>	<u>0.60%</u>	<u>0.41%</u>

¹ Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-17.

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

Notes to Schedule:

Valuation date:	June 30, 2019
Methods and assumptions used to determine contribution rates:	
Actuarial cost method:	Entry age actuarial cost method.
Inflation:	2.75% per year
Investment return/discount rate:	7.00% per year based on assumed long-term return on plan assets assuming 100% funding through CERBT. "Building Block Method" is used.
Healthcare cost trend:	4.00% per year
Payroll increase:	2.75% per year
Mortality:	2014 CalPERS active mortality for miscellaneous employees
Retirement rates:	Hired < 1/1/2013: 2009 CalPERS 2.5% @55 rates for miscellaneous employee Hired > 12/31/12: 2009 CalPERS 2.0% @62 rate for miscellaneous employees adjusted to reflect minimum retirement age of 52

SUPPLEMENTARY INFORMATION

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Valley Sanitary District
Schedule of Operating Expenses
For the Year Ended June 30, 2020

	<u>General and Administrative</u>	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Total</u>
Salaries and wages	\$ 637,574	\$ 1,319,663	\$ 854,090	\$ 2,811,327
Employee benefits	368,370	754,024	468,180	1,590,574
Directors' fees	49,750	-	-	49,750
Insurance	289,120	-	-	289,120
Memberships	47,680	4,415	3,112	55,207
Office expense	13,887	-	-	13,887
Permits	3,049	15,516	61,912	80,477
Operating supplies	8,475	37,693	81,778	127,946
Professional services	3,300	-	-	3,300
Repairs and maintenance	4,397	423,408	56,967	484,772
Travel and seminars	59,725	22,859	21,501	104,085
Utilities and telephone	19,297	9,507	604,586	633,390
Chemicals	-	1,268	385,206	386,474
Clothing	-	13,061	9,368	22,429
Certifications	50	3,858	758	4,666
Gas, oil, and fuel	-	-	29,179	29,179
County charges	16,611	-	-	16,611
Contractual services	659,717	260,178	209,933	1,129,828
Publication/legal notices	3,717	-	-	3,717
Small tools	55,941	24,647	236	80,824
Other expenses	29,412	13,028	5,677	48,117
Total	<u>\$ 2,270,072</u>	<u>\$ 2,903,125</u>	<u>\$ 2,792,483</u>	<u>\$ 7,965,680</u>

Note: The Schedule of Operating Expenses excludes depreciation expense.

Valley Sanitary District
Schedule of Operating Expenses
For the Year Ended June 30, 2019

	<u>General and Administrative</u>	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Total</u>
Salaries and wages	\$ 533,508	\$ 1,257,468	\$ 777,369	\$ 2,568,345
Employee benefits	241,868	593,243	374,987	1,210,098
Directors' fees	40,500	-	-	40,500
Insurance	293,286	-	-	293,286
Memberships	24,979	3,491	1,633	30,103
Office expense	20,439	-	-	20,439
Permits	8,358	12,269	53,130	73,757
Operating supplies	5,224	25,233	91,901	122,358
Professional services	3,400	-	-	3,400
Repairs and maintenance	1,607	461,053	59,672	522,332
Travel and seminars	25,284	9,307	4,172	38,763
Utilities and telephone	16,989	9,685	530,348	557,022
Chemicals	-	-	321,488	321,488
Clothing	-	20,595	12,000	32,595
Certifications	120	1,867	1,647	3,634
Gas, oil, and fuel	-	-	33,621	33,621
County charges	18,608	-	-	18,608
Contractual services	511,738	950,497	95,944	1,558,179
Publication/legal notices	1,633	-	-	1,633
Small tools	37,752	13,539	1,485	52,776
Other expenses	19,318	8,807	2,284	30,409
Total	\$ 1,804,611	\$ 3,367,054	\$ 2,361,681	\$ 7,533,346

Note: The Schedule of Operating Expenses excludes depreciation expense

Valley Sanitary District
Schedules of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Years Ended June 30, 2020 and 2019

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS				
Cash and investments	\$ 666,784	\$ 651,962	\$ (627,626)	\$ 691,120
Cash with fiscal agent	623,134	7,848	(1,848)	629,134
Assessment receivable	15,129	625,847	(632,145)	8,831
Interest receivable	4,042	6,443	(8,084)	2,401
Total assets	\$ 1,309,089	\$ 1,292,100	\$ (1,269,703)	\$ 1,331,486
LIABILITIES				
Due to bondholders	\$ 1,309,089	\$ 1,292,100	\$ (1,269,703)	\$ 1,331,486
Total liabilities	\$ 1,309,089	\$ 1,292,100	\$ (1,269,703)	\$ 1,331,486
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
ASSETS				
Cash and investments	\$ 631,153	\$ 654,420	\$ (618,789)	\$ 666,784
Cash with fiscal agent	624,042	12,523	(13,431)	623,134
Assessment receivable	18,596	627,252	(630,719)	15,129
Interest receivable	2,699	8,084	(6,741)	4,042
Total assets	\$ 1,276,490	\$ 1,302,279	\$ (1,269,680)	\$ 1,309,089
LIABILITIES				
Due to bondholders	\$ 1,276,490	\$ 1,302,279	\$ (1,269,680)	\$ 1,309,089
Total liabilities	\$ 1,276,490	\$ 1,302,279	\$ (1,269,680)	\$ 1,309,089

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**STATISTICAL SECTION
(UNAUDITED)**

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Valley Sanitary District
Statistical Section
(Unaudited)

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

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

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

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8	Pledged Revenue Coverage	77

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

9	Principal Employers	78
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Operating Information - These schedules contain service and infrastructure data to help the reader understanding how the information in the District's financial report relates to the services the District provides and the activities it performs.

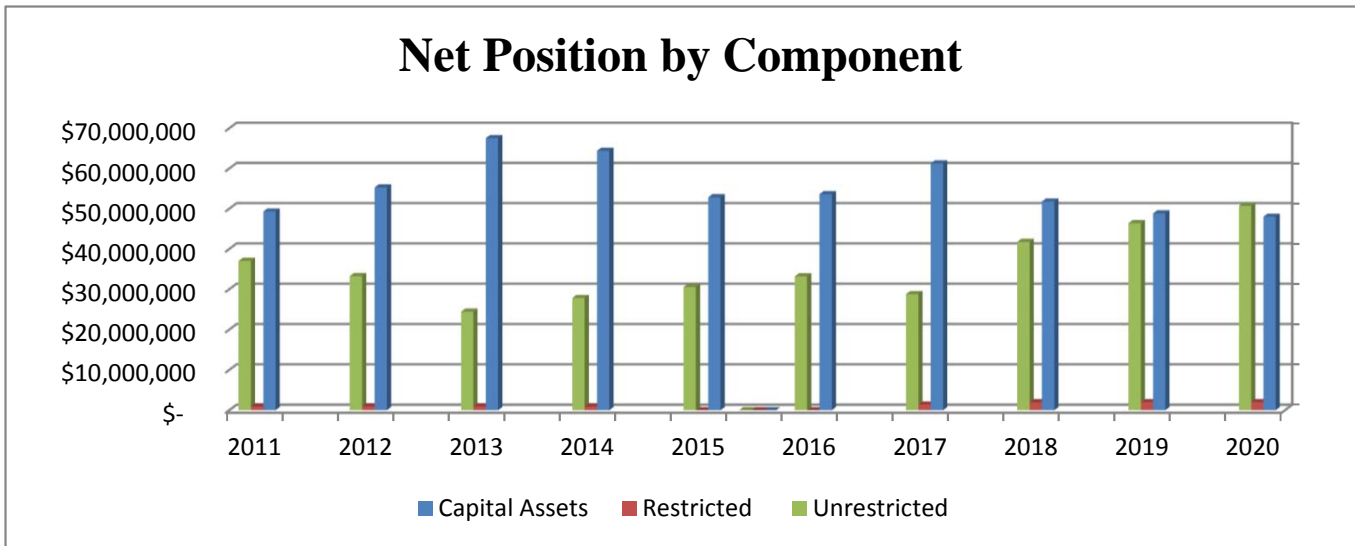
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Valley Sanitary District
Table of Net Position By Component
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2020	2019	2018	2017	2016
				As Restated	
<u>NET POSITION:</u>					
Net investment in					
Capital Assets	\$ 48,005,841	\$ 48,843,501	\$ 51,797,220	\$ 61,242,162	\$ 53,603,070
Restricted	2,005,722	2,005,722	1,958,648	1,413,000	-
Unrestricted	50,689,404	46,401,215	41,754,432	28,777,592	33,187,943
TOTAL NET POSITION	<u>\$ 100,700,967</u>	<u>\$ 97,250,438</u>	<u>\$ 95,510,300</u>	<u>\$ 91,432,754</u>	<u>\$ 86,791,013</u>

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

	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
	As Restated	As Restated	As Restated	As Restated	
<u>NET POSITION:</u>					
Net investment in					
Capital Assets	\$ 52,839,192	\$ 64,388,904	\$ 67,535,369	\$ 55,265,910	\$ 49,305,860
Restricted	-	964,900	964,900	967,394	967,394
Unrestricted	30,548,647	27,817,622	24,444,820	33,266,658	37,028,724
TOTAL NET POSITION	<u>\$ 83,387,839</u>	<u>\$ 93,171,426</u>	<u>\$ 92,945,089</u>	<u>\$ 89,499,962</u>	<u>\$ 87,301,978</u>

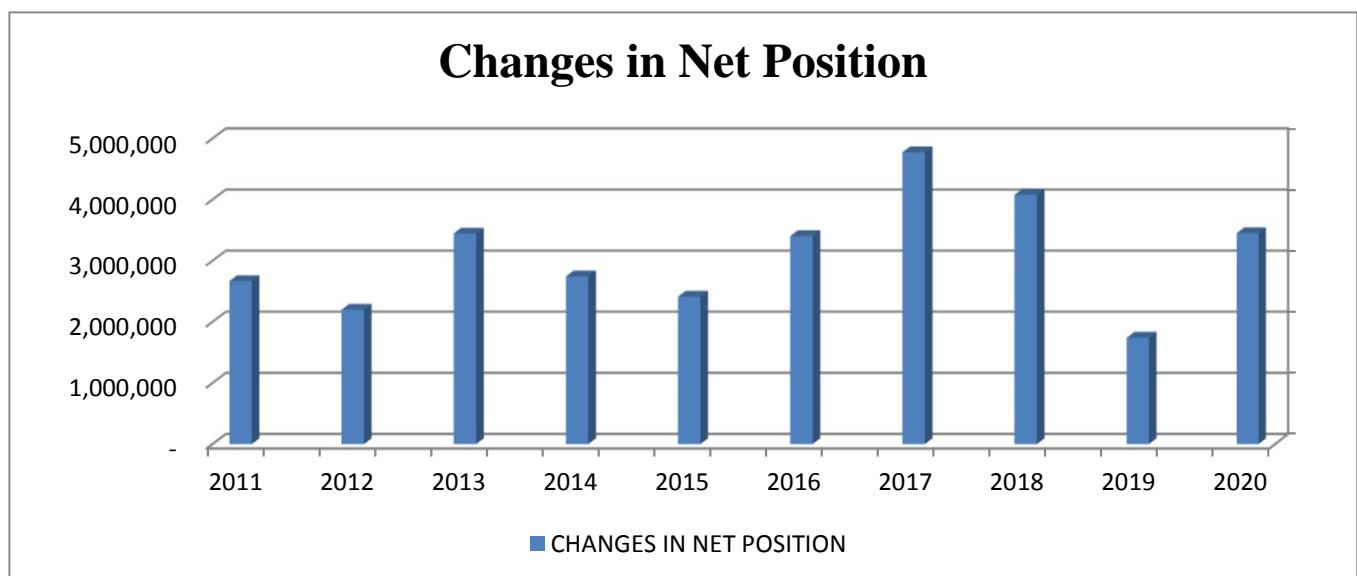


Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
Changes in Net Position

	Fiscal Year Ended June 30				
	2020	2019	2018	2017	2016
OPERATING REVENUES:					
Sewer service charges	\$ 11,198,100	\$ 11,139,580	\$ 11,004,428	\$ 10,846,682	\$ 9,347,928
Connection fees	832,348	1,010,031	1,272,580	791,280	1,446,315
Permits and inspection fees	21,225	25,390	17,885	22,442	21,735
Other services	13,640	10,950	10,139	11,300	7,495
TOTAL OPERATING REVENUES	12,065,313	12,185,951	12,305,032	11,671,704	10,823,473
OPERATING EXPENSES:					
General and administrative	2,270,072	1,804,611	1,652,714	1,297,345	1,744,274
Sewage collection	2,903,125	3,367,054	2,604,267	2,091,041	856,871
Sewage treatment	2,792,483	2,361,681	2,413,567	2,048,207	3,104,860
Sewage disposal	-	-	-	-	-
Total administrative and plant	7,965,680	7,533,346	6,670,548	5,436,593	5,706,005
Other Operating Expenses					
Depreciation	2,578,816	2,451,371	2,444,764	1,980,043	2,309,350
TOTAL OPERATING EXPENSES	10,544,496	9,984,717	9,115,312	7,416,636	8,015,355
NET OPERATING INCOME	1,520,817	2,201,234	3,189,720	4,255,068	2,808,118
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	902,872	862,297	794,367	761,756	709,233
Homeowner's tax relief	6,203	5,873	5,978	6,203	6,343
Investment income	1,143,028	1,193,840	479,862	170,869	142,649
Bond issue cost	-	-	-	-	-
Interest expense	(391,814)	(428,612)	(412,602)	(267,220)	(279,125)
Amortization	-	-	-	-	-
Gain (loss) on disposed assets	30,170	(2,120,122)	19,976	(160,033)	12,188
Other revenues	239,253	25,628	245	6,565	3,768
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,929,711	(461,096)	887,826	518,140	595,056
CHANGES IN NET POSITION	3,450,528	1,740,138	4,077,546	4,773,208	3,403,174
NET POSITION, beginning of the year	97,250,438	95,510,300	91,564,221	86,791,013	83,387,839
Prior period adjustments	-	-	(131,467)	-	-
NET POSITION, end of the year	\$100,700,966	\$ 97,250,438	\$ 95,510,300	\$ 91,564,221	\$ 86,791,013

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

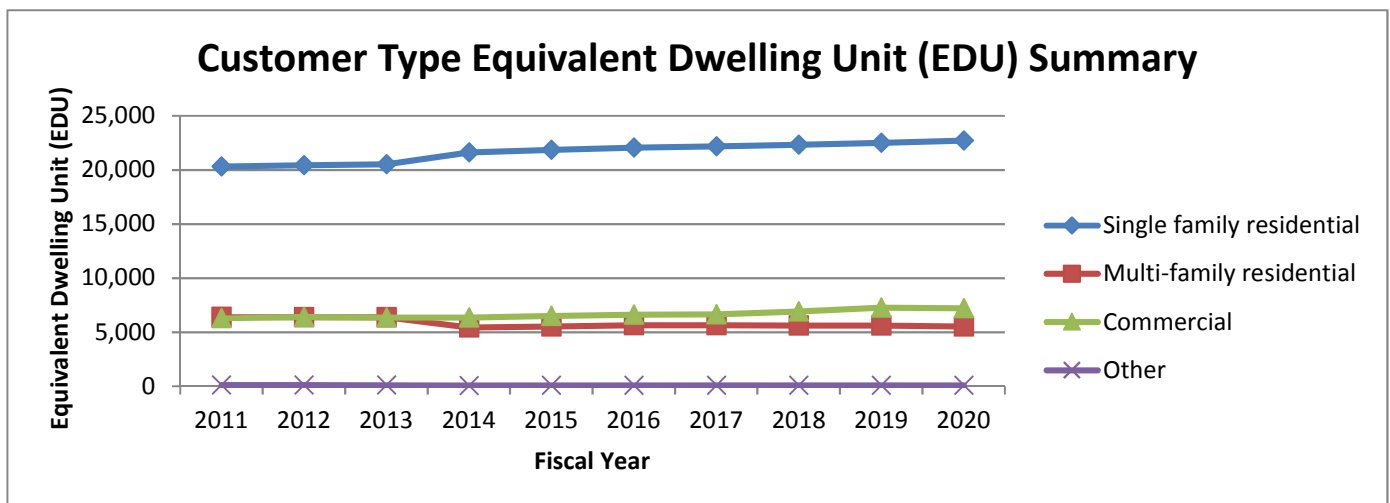
	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
	As Restated	As Restated	As Restated	As Restated	
OPERATING REVENUES:					
Sewer service charges	\$ 9,218,538	\$ 9,187,360	\$ 9,053,022	\$ 8,808,414	\$ 8,385,726
Connection fees	897,863	1,998,788	548,527	192,763	723,985
Permits and inspection fees	17,264	40,202	12,017	7,362	28,544
Other services	27,425	46,100	7,039	11,173	4,726
TOTAL OPERATING REVENUES	10,161,090	11,272,450	9,620,605	9,019,712	9,142,981
OPERATING EXPENSES:					
General and administrative	1,819,626	1,997,332	1,403,644	1,559,137	1,501,410
Sewage collection	866,622	855,884	917,799	846,598	809,998
Sewage treatment	3,140,480	3,631,992	2,588,299	2,147,581	2,019,251
Sewage disposal	-	-	338	317,791	551,369
Total administrative and plant	5,826,728	6,485,208	4,910,080	4,871,107	4,882,028
Other Operating Expenses					
Depreciation	2,334,398	2,335,264	1,841,601	1,835,054	1,870,504
TOTAL OPERATING EXPENSES	8,161,126	8,820,472	1,841,601	1,835,054	6,752,532
NET OPERATING INCOME	1,999,964	2,451,978	2,868,924	2,313,551	2,390,449
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	745,800	605,711	899,670	585,004	585,628
Homeowner's tax relief	6,461	6,604	6,690	6,851	7,183
Investment income	75,611	52,007	75,110	123,009	154,896
Bond issue cost	(193,516)	-	-	-	-
Interest expense	(175,454)	(402,257)	(422,157)	(638,155)	(458,830)
Amortization	-	-	-	(205,908)	(21,966)
Gain (loss) on disposed assets	(46,408)	14,176	-	-	-
Other revenues	310	14,735	16,890	13,632	9,556
TOTAL NON-OPERATING REVENUES (EXPENSES)	412,804	290,976	576,203	(115,567)	276,467
CHANGES IN NET POSITION	2,412,768	2,742,954	3,445,127	2,197,984	2,666,916
NET POSITION, beginning of the year	94,251,725	92,945,089	89,499,962	87,301,978	84,635,062
	(13,276,654)	(1,436,318)			
NET POSITION, end of the year	\$ 83,387,839	\$ 94,251,725	\$ 92,945,089	\$ 89,499,962	\$ 87,301,978



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

Customer Type	Fiscal Year Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Single family residential	22,704	22,516	22,321	22,180	22,061	21,863	21,623	20,514	20,433	20,326
Multi-family residential	5,521	5,613	5,623	5,635	5,643	5,513	5,431	6,389	6,389	6,394
Commercial	7,209	7,267	6,913	6,633	6,629	6,504	6,344	6,353	6,409	6,275
Other	67	67	66	63	62	62	59	103	103	103
Total	35,501	35,463	34,923	34,511	34,395	33,942	33,457	33,359	33,334	33,098

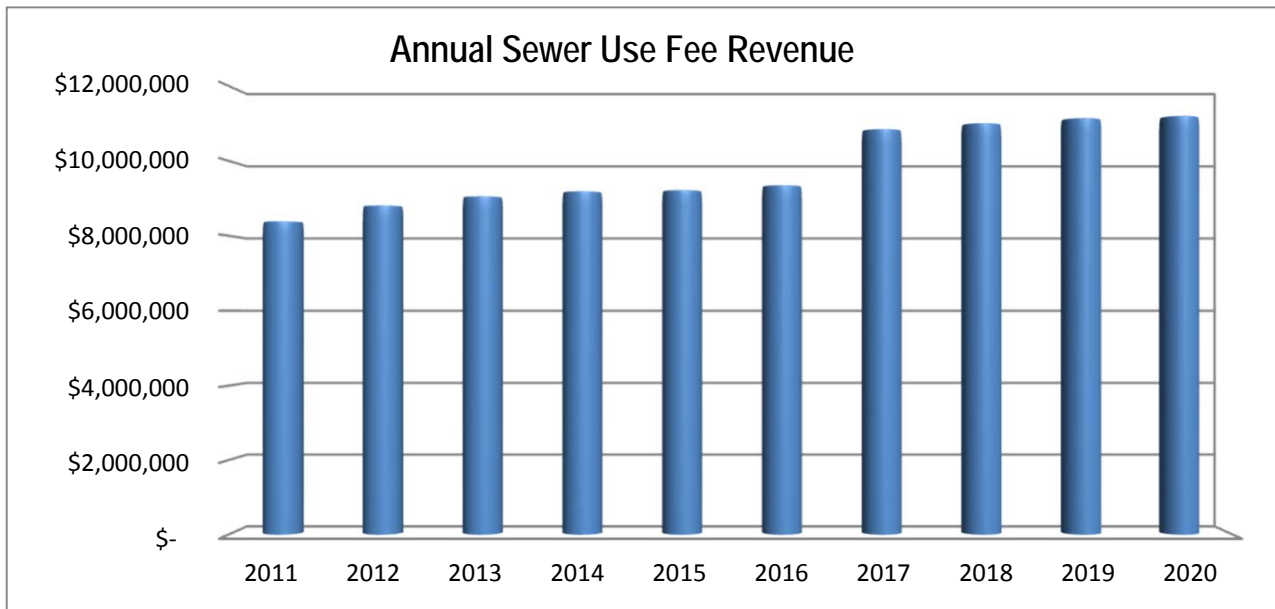
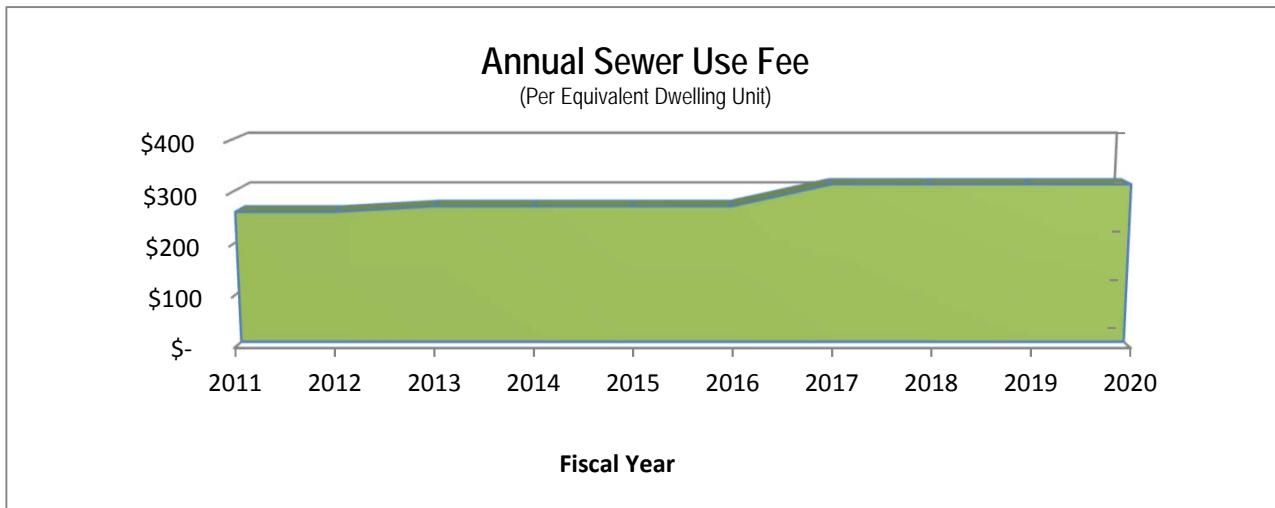
Source: Valley Sanitary District



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

Fiscal Year Ended June 30	Annual fee / EDU		Revenue	
2020	\$	313	\$	11,198,100
2019		313		11,139,580
2018		313		11,004,428
2017		313		10,846,682
2016		270		9,347,928
2015		270		9,218,538
2014		270		9,187,360
2013		270		9,053,022
2012		259		8,808,414
2011		259		8,385,726

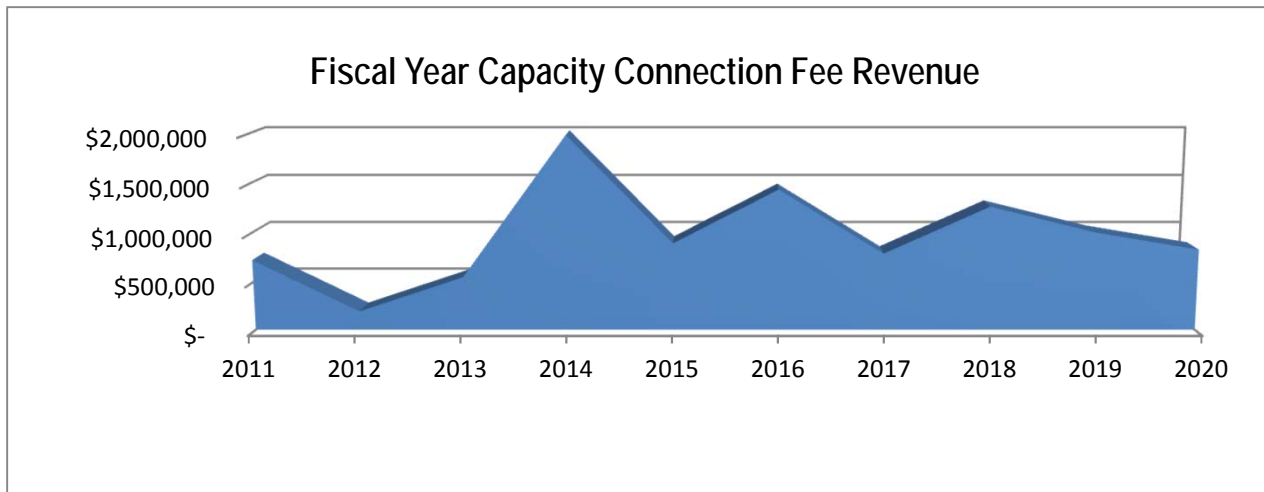
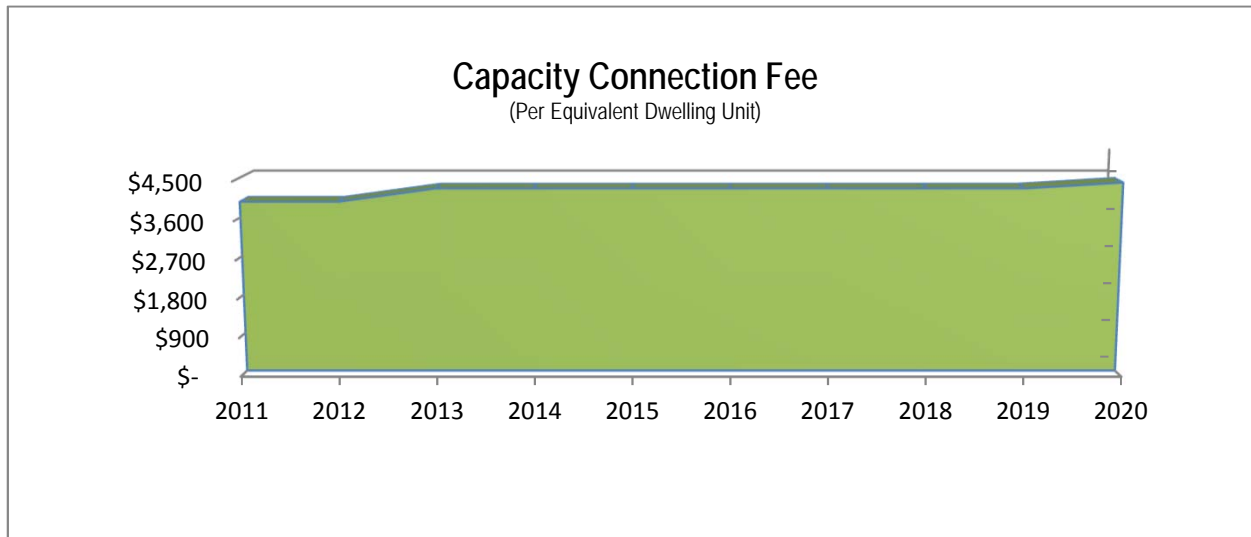
Source: Valley Sanitary District



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

Fiscal Year Ended June 30	Fee / EDU	Revenue
2020	\$ 4,400	\$ 832,348
2019	4,265	1,010,031
2018	4,265	1,272,500
2017	4,265	791,280
2016	4,265	1,446,315
2015	4,265	897,863
2014	4,265	1,998,788
2013	4,265	548,527
2012	3,957	192,763
2011	3,957	723,985

Source: Valley Sanitary District



**Valley Sanitary District
Principal Users
Current Year and Nine Years Ago**

Principal Users	Year Ended June 30			Year Ended June 30		
	2020			2011		
	Amount Billed	Rank	Percent of District Total \$	Amount Billed	Rank	Percent of District Total \$
Desert Sands Unified School District	\$ 245,079	1	2.19%	\$ 223,258	1	2.66%
The Wells Mobile Home Association	93,900	2	0.84%	77,700	3	0.93%
Forager Project Inc	93,132	3	0.83%	-		0.00%
Smoketree Polo Club Apartments	90,144	4	0.80%	74,592	4	0.89%
Fantasy Springs Casino	88,892	5	0.79%	73,556	5	0.88%
Sunrise Point Apartments	85,136	6	0.76%	70,448	6	0.84%
Casa Monroe Apartments	70,738	7	0.63%	87,801	2	1.05%
Indio Palms Apartments	69,486	8	0.62%	60,347	8	0.72%
Del Mar Apartments	58,844	9	0.53%	48,692	9	0.58%
Arabian Gardens Mobile Estates	58,218	10	0.52%	48,174	10	0.57%
Fred Young Housing				67,599	7	0.81%
Bermuda Palms Mobile Estates				-		0.00%
						0.00%
Total	\$ 953,569			\$ 832,167		
District total customer charges	\$ 11,198,100			\$ 8,385,726		

Source: Valley Sanitary District

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

Fiscal Year Ended June 30	Business-Type Activities			Total				
	Certificates of Participation (1) (net of amortization)	Wastewater Revenue Refunding Bonds Series 2015 (2) (net of amortization)	State Water Resource Control Board Revolving Fund Loan	Debt	Population (3)	Personal Income (3)	Percentage of Personal Income	Debt Per Capita
2020	\$ -	5,159,697	\$12,247,046	\$17,406,743	90,387	\$ 25,143	0.77%	193
2019	-	5,910,209	12,586,437	18,496,646	89,863	24,398	0.84%	206
2018	-	6,630,721	12,920,155	19,550,876	89,127	24,994	0.88%	219
2017	-	7,321,233	7,643,459	14,964,692	88,485	23,103	0.73%	169
2016	-	7,986,745	-	7,986,745	86,544	22,336	0.41%	92
2015	-	8,637,257	-	8,637,257	84,201	20,607	0.50%	103
2014	9,379,080	-	-	9,379,080	82,398	21,702	0.52%	114
2013	9,920,254	-	-	9,920,254	81,393	20,645	0.59%	122
2012	10,436,428	-	-	10,436,428	77,165	19,748	0.68%	135
2011	11,403,307	-	-	11,403,307	83,675	22,350	0.61%	136

Sources: (1) Valley Sanitary District
(2) Valley Sanitary District - Refinancing of Certificates of Participation
(3) CA Department of Finance

**Valley Sanitary District
Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Revenue & Expenses			Debt Service			Coverage Ratio (3)
	Net Revenues	Operating Expenses (1)	Net Available Revenues	Principal (2)	Interest	Total	
2020	\$ 14,356,669	\$ 7,965,680	6,390,989	\$ 989,391	\$ 453,157	\$ 1,442,548	4
2019	14,273,589	7,533,346	6,740,243	953,718	489,831	1,443,549	5
2018	13,192,858	6,670,548	6,522,310	590,000	299,688	889,688	7
2017	12,189,844	5,436,593	6,753,251	565,000	327,938	892,938	8
2016	11,418,529	5,706,005	5,712,524	550,000	338,653	888,653	6
2015	10,573,894	5,826,728	4,747,166	-	415,378	415,378	11
2014	11,563,426	6,485,208	5,078,218	570,000	402,257	972,257	5
2013 As Restated	10,196,808	4,910,080	5,286,728	550,000	422,157	972,157	5
2012 As Restated	8,904,145	4,871,107	4,033,038	525,000	440,705	965,705	4
2011	9,419,448	4,882,028	4,537,420	505,000	458,830	963,830	5

Notes:

(1) Excludes Depreciation

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

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

Source: Valley Sanitary District

**Valley Sanitary District
Principal Employers
Current Year and Nine Years Ago**

Employer (1) (2)	Fiscal Year Ended June 30 2020			Fiscal Year Ended June 30 2011		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Desert Sands Unified School District	1,179	1	3.02%	1,070	3	4.71%
County of Riverside	1,163	2	2.98%	1,288	1	5.67%
Fantasy Springs Casino	1,157	3	2.97%	1,200	2	5.29%
John F. Kennedy Memorial Hospital	630	4	1.62%	681	4	3.00%
Walmart Supercenter	265	5	0.68%	-	-	-
Granite Construction	250	6	0.64%	324	5	-
City of Indio	246	7	0.63%	241	6	1.06%
Riverside Superior Court	176	8	0.45%	218	7	0.96%
Mathis Brothers	127	9	0.33%	-	-	0.00%
Cardena's Market	94	10	0.24%	-	-	-
Home Depot		-	0.00%	137	9	0.60%
Ralphs		-	0.00%	-	-	0.00%
Super Targer		-	0.00%	175	8	0.77%
Jackalope Ranch		-	0.00%	125	10	0.55%
Total Employment Listed	5,287		13.56%	5,459		24.05%
Total City Employment (2)	39,000			22,700		

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

Sources: (1) City Indio 2019 CAFR
(2) Valley Sanitary District

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

Fiscal Year Ended June 30	Total Customers	Number of Permits Issued
2020	28,028	67
2019	27,849	67
2018	27,668	71
2017	27,535	87
2016	27,417	86
2015	27,164	69
2014	26,908	83
2013	26,807	45
2012	26,762	44
2011	26,648	46

Source: Valley Sanitary District

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Valley Sanitary District
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Median Age (2)	Average Household Size (1)	Median Household Income (1)	Per Capita Personal Income (1)	Unemployment Rate (3)
2020	90,387	44.70	3.18	\$ 57,645	\$ 25,143	17.80%
2019	89,863	43.50	3.19	56,961	24,398	5.40%
2018	89,127	40.50	3.19	56,571	24,994	5.80%
2017	88,485	33.90	3.30	54,179	23,103	5.10%
2016	86,544	34.00	3.25	53,183	22,336	7.20%
2015	84,201	33.10	3.25	50,068	20,607	6.50%
2014	82,398	31.40	3.25	50,528	21,702	10.70%
2013	81,393	32.60	3.60	47,642	20,645	11.10%
2012	77,165	34.30	3.23	41,082	19,748	14.00%
2011	83,675	29.30	3.12	53,824	22,350	15.90%

Sources: (1) California Home Town Locator
(2) City of Indio 2019 CAFR
(3) U.S. Bureau of Labor Statistics

**Valley Sanitary District
Operating Indicators
Last Ten Fiscal Years**

	Fiscal Year Ended June 30				
	2020	2019	2018	2017	2016
Equivalent Dwelling Units (EDU)	35,501	35,463	34,923	34,511	34,395
Rainfall (inches) (1)	5.42	6.14	2.19	6.46	2.90
Flow (MGD) (2)	5.60	5.49	5.44	5.31	5.30
CBOD (mg/L)	256.50	280.00	281.00	289.00	257.40
CBOD (PE) (3)	70,468	75,413	74,993	75,285	66,928
Suspended solids (mg/L)	252.30	279.00	266.00	262.00	234.2
Suspended solids (PE) (4)	58,917	63,872	60,342	68,252	51,755
Tonnage of biosolids produced	853	805	1,411	1,362	468
Tonnage of biosolids applied to land	950	1,438	0	1,162	0
Total waste treated (million gallons/year)	2,211	2,169	2,081	2,080	2,022

Notes:

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

(2) Million gallons per day

(3) Carbonaceous Biochemical Oxygen Demand (CBOD) Population Equivalent (PE) based on a conversion factor of 0.17

(4) Suspended solids population equivalent based on a conversion factor of 0.20

Source: Valley Sanitary District

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

	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
Equivalent Dwelling Units (EDU)	33,942	33,457	33,359	33,334	33,098
Rainfall (inches) (1)	2.70	0.92	2.02	1.75	5.43
Flow (MGD) (2)	5.57	5.97	6.18	6.10	6.12
CBOD (mg/L)	246.92	219.75	215.66	213.50	216.33
CBOD (PE) (3)	68,446	63,706	65,385	63,892	64,951
Suspended solids (mg/L)	192.08	188.25	219.83	171.66	176.08
Suspended solids (PE) (4)	45,096	47,083	57,263	44,937	44,936
Tonnage of biosolids produced	1,440	1,505	1,882	1,849	1,685
Tonnage of biosolids applied to land	1,440	1,200	718	2,007	1,117
Total waste treated (million gallons/year)	2,034	2,254	2,257	2,227	2,234

Notes:

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

(2) Million gallons per day

(3) Carbonaceous Biochemical Oxygen Demand (CBOD) Population Equivalent (PE) based on a conversion factor of 0.17

(4) Suspended solids population equivalent based on a conversion factor of 0.20

Source: Valley Sanitary District

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

	Fiscal Year Ended June 30				
	2020	2019	2018	2017	2016
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	35,501	35,463	34,923	34,511	34,395
Treatment Plant Operations					
Plant flow (Units = Million Gallons Per Day (mgd))					
Monthly average	170	167	165	161	161
Permit limitation (dry weather)	12.50	12.50	12.50	12.50	12.50
Annual rainfall (inches) (1)	5.42	6.14	2.19	6.46	2.90
Collection System Operations					
Sewer lines					
Length (ft)	1,341,120	1,341,120	1,351,680	1,335,840	1,336,682
Inspected (ft)	167,913	158,940	174,030	135,472	175,178
Cleaned (ft)	610,629	741,600	728,314	731,159	796,840

Notes:

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

Source: Valley Sanitary District

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

	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	33,942	33,457	33,359	33,334	33,098
Treatment Plant Operations					
Plant flow (Units = Million Gallons Per Day (mgd))					
Monthly average	170	182	188	186	186
Permit limitation (dry weather)	13.50	13.50	11.00	11.00	11.00
Annual rainfall (inches) (1)	2.70	0.92	2.02	1.75	5.43
Collection System Operations					
Sewer lines					
Length (ft)	1,323,035	1,298,880	1,288,320	1,276,660	1,275,836
Inspected (ft)	136,838	106,350	95,040	56,203	86,241
Cleaned (ft)	708,071	562,472	776,160	538,569	671,085

Notes:

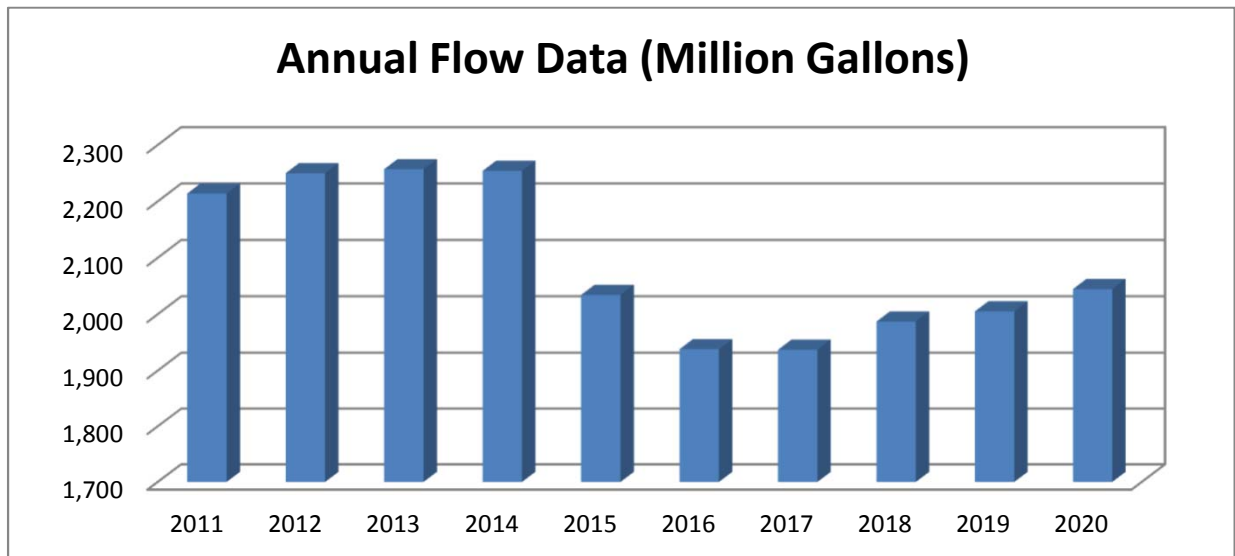
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

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

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Flow</u>
2020	2,045
2019	2,005
2018	1,987
2017	1,937
2016	1,938
2015	2,034
2014	2,254
2013	2,257
2012	2,250
2011	2,214

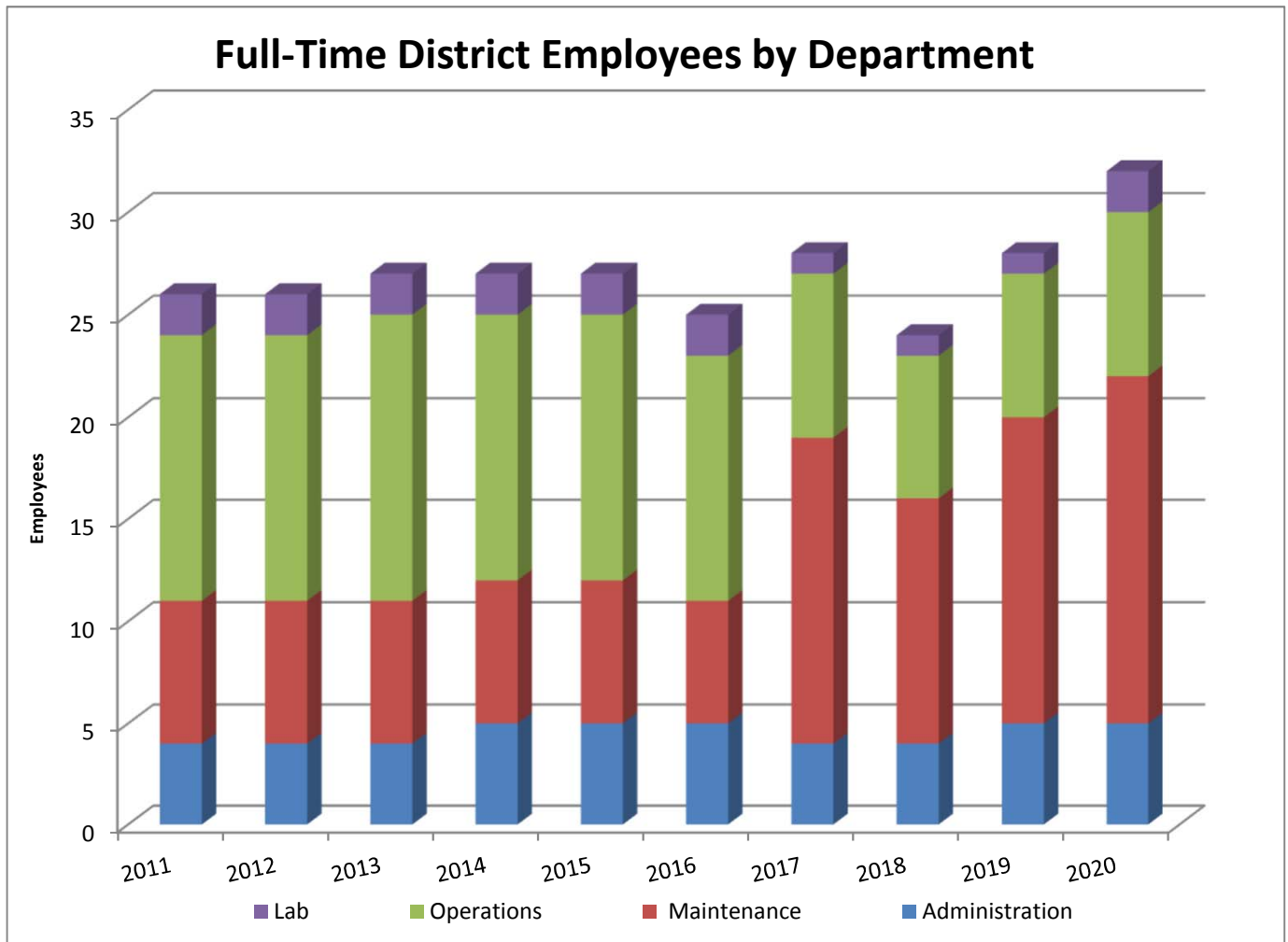
Source: Valley Sanitary District



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

Fiscal Year Ended June 30	Administration	Engineering & Maintenance	Operations	Lab	Total
2020	5	17	8	2	32
2019	5	15	7	1	28
2018	4	12	7	1	24
2017	4	15	8	1	28
2016	5	6	12	2	25
2015	5	7	13	2	27
2014	5	7	13	2	27
2013	4	7	14	2	27
2012	4	7	13	2	26
2011	4	7	13	2	26

Source: Valley Sanitary District



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**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***

Independent Auditors' Report

To the Board of Directors
of the Valley Sanitary District
Indio, California

We have audited, in accordance with the 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 business-type activities and fiduciary fund of the Valley Sanitary District, California (the "District"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2020.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 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*.

To the Board of Directors
of the Valley Sanitary District
Indio, California
Page 2

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 District'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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 4, 2020



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

SUBJECT: Monthly General Managers Report – December 2020

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is to keep the Board and public informed on VSD’s day-to-day operations.

Strategic Plan Compliance

The recommendation complies with the VSD Strategic Plan Goal 6: Improve Planning, Administration, and Governance.

Fiscal Impact

There is no fiscal impact from this report.

Background

The following data represents the activities and metrics for the month of December 2020.

Administrative Services

- The 2020 Cal/OSHA Form 300A, Summary of Work-Related Injuries and Illnesses, has been completed, posted, and uploaded to Cal/OSHA. There was one (1) reportable injury for calendar year 2020, with 0 days of work missed.
- Form 700 is available for 2020. Submission of completed and signed forms is April 1, 2021 for board members and designated staff members.
- The District office will be closed on February 15, 2021 for Presidents’ Day.
- The Finance team completed seven (7) days of Pre-Live training for Caselle. The training included Utility Management, Cash Receipting, Accounts Payable, Purchases & Requisitions, and General Ledger. Next steps are to continue to work with the project manager to finalize modules, start live data pull, and live training in March.

Operations & Maintenance

- The mechanical seal for anaerobic digester mixing pump P-741 was changed.

- Staff performed scheduled cleaning of the waste activated sludge flow meter.
- Primary clarifier #3 was taken out of service for cleaning and inspection. Primary clarifier #4 was put into service.
- The results from the first quarter of mandatory PFAS monitoring were reported to the state GEOtracker reporting system.
- Results from the fourth quarter Whole Effluent Toxicity test were a pass. Results were reported to the Regional Water Quality Control Board. VSD is permitted to return to the normal quarterly sampling schedule.
- The primary sludge flow meter FIT-331 was found to be recording flow while no fluid was running through it. Primary sludge pumping was shut down while the maintenance staff removed the meter and cleaned accumulated sludge off the flow sensor.
- The new chlorine analyzer for the activated sludge effluent was received and staff has it running parallel with the old unit before permanently removing the old unit.
- The chlorine contact chamber for the activated sludge plant was switched out for cleaning.
- Pond aerators were serviced.
- Continued discussions with the design/build teams have been occurring regarding the influent pump station and reclaimed water projects.

Development Services

- A new Starbucks is being constructed on the southwest corner of Golf Center Parkway and Avenue 44. The Chandi Group owns this location.
- Quick Quack Carwash has begun construction on a new car wash location near the corner of Monroe St. and Ave. 42 in the Walmart shopping center.
- Villa Hermosa Phase III has started construction of 100 apartment units. The new units will be constructed at the Fred Young Farm Labor Camp, near the intersection of Van Buren St. and Dr. Carreon Blvd.

Collection Services

- No-Spill report for January 2021 will be submitted to the California Integrated Water Quality System, as required by the Waste Discharge Requirements Monitoring and Reporting Program. The report is due on or before February 31, 2021.
- Carver Lift Station: a set of "X-Peller" non-clog pump impellers were purchased to prevent any further issues of pumps ragging up. Staff is in the process of installing the impellers, all work being done in house. Work will be completed by the end of the week of February 1st.
- The field vector crew is currently jetting in the area of Avenue 46 and Madison.

Capital Improvement Program

- The Preliminary Design Report for the replacement of the sewer siphon at Westward Ho Drive is complete. This is a FEMA funded project to replace the damaged sewer siphon from the February 2019 storm. The design is in progress. Staff and the consultant had a preliminary meeting with CVWD regarding requirements for crossing the channel. 50% of design plans and an updated project cost schedule have been submitted by Carollo. Staff reviewed the plans

and sent comments back to Carollo for revision. Update: 90% of design plans and specifications have been submitted by Carollo and staff is currently reviewing them for corrections.

- Staff is continuing to work with Harris and Associates on the Collections System Rehabilitation and Maintenance project. Harris has put together bid documents for the CCTV inspection of sewer mains that need special requirements or technology which have been approved by VSD and the City of Indio. This project was put out to bid and advertised to potential bidders on November 23rd, 2020, and sealed bids will be opened on January 14th, 2021. The first rehabilitation project was put out to bid and advertised to potential bidders on August 3, 2020, and the bid was closed on September 10, 2020, with 5 companies submitting bids. The lowest responsible bidder was Insituform with a bid of \$240,483. Harris is also developing plans for the first sewer construction project near Salton Street. This is being done to replace deficient sewer mains in the allies and alleviate service from businesses and residences with old laterals between Sage and Flower Street. Preliminary plans for the Salton Street improvement are expected by end of February 2021. Update: Lining for the first rehabilitation project is scheduled to occur starting the third week of February 2021. The CCTV inspection project has been awarded to National Plant Services, Inc. Staff is currently awaiting the necessary signed contract and insurance documents to issue the Notice to Proceed.
- VSD has chosen SGH Architects as the architectural firm for the preliminary design of a new single-story training/office building. Staff had a second meeting with the architect to discuss ideas for a functional and adequate building. Staff has selected a new location for the building that will allow the single-story building with minimal demolition. Staff comments and revisions based on the single-story design have been submitted to the architect who is currently preparing a revised floor plan, conceptual cost estimate, and new proposal for the construction of a new laboratory building. Update: The architect has completed the schematic design cost estimate for the training/office building. The architect is currently developing preliminary floor plans for the proposed new laboratory building.
- VSD is currently working with Stantec, who is acting as an Owner's Representative, on the repair and rehabilitation of the Influent Pump Station. Stantec and staff have received five (5) Statement of Qualifications as part of the Request for Qualification (RFQ) solicitation. Staff and Stantec shortlisted three (3) of the firms to move on to the next step of submitting a proposal for the work to be completed. The Request for Proposal (RFP) was released on August 28, 2020 and was closed on September 28, 2020. The Board awarded the project to the DCI / Dudek team and a pre-construction meeting was held on December 4th, 2020. The DCI / Dudek has developed a preliminary bypass plan for the initial inspection and shutdown of the influent pump station structure. Update: DCI will be setting up bypass equipment from February 8th to the 12th, and the inspection and bypass will take place from February 16th to the 18th.
- VSD has received one bid for a landscape contractor to install gravel and rock material along the existing fence line alongside Cabazon Road to prevent washout during heavy rain events. The project was awarded to Desert Concepts who completed the first phase of the project. The Board has approved the first project change order which extends the work to the north of the original project

site up to the corner of the Bird Rescue Center gate. This work was completed in the middle of December 2020. The Board has approved the second project change order for the remaining length of the VSD fence line along Cabazon Road. Update: The project has been completed and staff is currently processing the final and retention invoices.

- Staff is working on implementing an asset management system for the treatment plant using Lucity web software. VSD is currently working on building out the Lucity Web system with the help of a Lucity implementor. The latest session of virtual training from the implementor was completed on August 25, 2020. The next session will be scheduled once the Operations and Maintenance staff has had an opportunity to practice using the system. Staff has finished the installation of Lucity Mobile and is pursuing the implementation of plant wide Wi-Fi that will allow access to the asset management system from a mobile device anywhere in the plant facility. Update: Staff is currently working on populating the system with scheduled work orders and system configuration.

Recommendation

Staff recommends that the Board receive the Manager's Report for activities during the month of December.

Attachments

- Attachment A: Administrative Services Report for December
- Attachment B: Monthly NPDES Report for December
- Attachment C: Collection Services Report for December
- Attachment D: Development Services Report for December
- Attachment E: Capital Improvement Program Update for December

Administrative Services - Task Summary 2020

Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total To Date
Active litigation filed	1	-	-	-	-	-	-	-	-	-	-	-	1
Board meeting	2	2	2	2	2	2	2	2	3	2	2	2	25
Budget/Finance Committee meeting	-	-	-	-	-	-	-	-	1	-	1	-	2
Operations Committee meeting	-	-	-	-	-	-	-	-	-	-	-	1	-
Employee anniversaries	-	3	2	-	3	4	4	3	2	2	-	6	29
Employee promotions	1	1	-	-	1	1	2	1	1	1	-	-	9
Facebook postings	1	9	9	6	7	7	2	2	10	8	5	4	70
Insurance claims initiated	-	-	-	-	-	-	-	-	1	-	-	-	1
Lost time work incidents	-	-	-	-	-	-	-	-	-	-	-	-	-
Media coverage items	-	-	-	1	-	-	-	-	-	-	-	-	1
New hires	-	2	-	-	2	1	1	-	-	-	1	-	7
Press release	-	-	3	1	1	-	-	-	-	-	-	-	5
Public records request	-	-	-	-	-	-	-	-	1	-	-	1	2
Resignations	1	1	1	-	-	-	-	-	-	1	-	-	4
Retirements	-	-	-	-	-	-	1	-	-	-	-	-	1

Report Name: Monthly

December 2020	Plant Influent		ASP Effluent			Pond Effluent		
	TSS (mg/L)	CBOD (mg/L)	Monthly Average Flow (MGD)	TSS (mg/L)	CBOD (mg/L)	Monthly Average Pond Effluent Flow (MGD)	CBOD (mg/L)	TSS (mg/L)
1								
2								
3	238	321		2.1	6.33		19.3	32.5
4								
5								
6								
7	256	301		2.9	7.62		17.5	36.7
8								
9								
10								
11								
12								
13								
14								
15								
16								
17	352	332		4.2	8.54		20.1	39.2
18								
19								
20								
21								
22								
23	354	338		3	9.26		27.4	46.1
24								
25								
26								
27								
28								
29								
30	314	354		8.3	12.7		25.8	49
31			5.31			1.001		
Average	302.80	329.20	5.31	4.10	8.89	1.00	22.02	40.70
Minimum	238.0	301.0	5.3	2.1	6.3	1.0	17.5	32.5
Maximum	354.00	354.00	5.31	8.30	12.70	1.00	27.40	49.00

Permit LIMITS			25	30		40.0	49.0
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Laboratory	Collected (# of Samples)	319
	Analyzed (# of Tests)	698

Total Plant Discharge (Outfall)								
EColi (MPN/100ml)	Oil and Grease (mg/L)	Copper (ug/L)	Di(2-ethylhexyl)phthalate (ug/L)	Cyanide (total) (ug/L)	Ammonia (total, as N) (mg/L)	Nitrate (as N) (mg/L)	Nitrite (as N) (mg/L)	Total Nitrogen (mg/L)
14.2	< 1.4	1.9	< 0.5	3.4	1.3	10	1.3	14
15.8								
42.0								
17.1								
5.1								
15.20	#DIV/0!	1.90	#DIV/0!	3.40	1.30	10.00	1.30	14.00
5.1	0.0	1.9	0.0	3.4	1.3	10.0	1.3	14.0
42.00	0.00	1.90	0.00	3.40	1.30	10.00	1.30	14.00
126	<0.01	25	9.0	5.9	4.3			

Collection Services Task Summary Report for 2020

Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total To Date
Customer Service Calls						3	2	3	3	6	-	2	19
F.O.G. Inspection - Completed	27	30	47	37	20	27	14						41
F.O.G. Inspection - Fail	-	-	-	-	-	-	-						-
F.O.G. Inspection - Pass	27	30	47	37	20	27	14						41
Hot spot cleaning (total)*						-	26	-	-	36	-		62
Lift station inspection						19	23	19	19	24	19	19	142
Manhole inspection						120	104	147	169	100	191	159	990
Sewer line CCTV (feet)						21,192	23,248	32,459	36,459	36,440	27,337	8,800	185,935
Sewer line cleaning (feet)						42,853	43,908	62,101	66,082	45,343	58,325	62,479	381,091
SSO Response - Cat 1						0	0	0	0	0	0	0	0
SSO Response - Cat 2						0	0	0	0	0	0	0	0
SSO Response - Cat 3						0	0	0	0	0	0	0	0
USA Markings						44	67	52	40	53	44	41	341
*Note: Hot spot cleaning is performed quarterly													



VALLEY SANITARY DISTRICT DEVELOPMENT SERVICES REPORT

8-Dec-20

Plan Check in Progress
Inspection in Progress
New Project

PROJECT NAME	STREET ADDRESS / CROSS STREET	CURRENT PROJECT STATUS	NEXT ACTION ITEM
7-Eleven Golf Center	44925 Golf Center/Avenue 45	Civil plans submitted for new 7-Eleven store approved. Arch. plans approved and returned to the applicant 10/26/20. Issued permit 3915 on 10/26/20.	Inspect work improvements as scheduled.
Abel Lupian Commercial Bldg.	45105 Commerce Street	Plans submitted for new commercial building. Completed 1st plan check and returned to the applicant 4/3/20.	Perform 2nd plan check upon plan resubmittal.
Albert Luna SFR Sewer Connection	46-161 Madison St/Mary Lane	Plans submitted for plan check. Completed 1st plan check and returned to applicant 10/19/20.	Perform 2nd plan check upon plan resubmittal.
Animal Samaritans - TI	42150 Jackson Street, Ste's 104-106	Plans submitted for building TI. Plans approved and returned to the applicant 2/4/2020. Issued permit 3874 on 2/28/2020.	Inspect work improvements as scheduled.
Autozone Jackson Street	41850 Jackson Street/aAvenue 42	Plans submitted for plan check. Sewer main relocation.	Perform 2nd plan check upon plan resubmittal.
Bel Cielo - Tr 32425	West of Clinton South of Ave 44	Model homes. No plan check is required. Permit and Inspection fees need to be paid. Issued permit 3840 on 9/13/19.	Inspect work improvements as scheduled.
Buzzbox	42625 Jackson Street #112	Plans submitted existing building TI. Completed 1st plan check and returned to the City 2/22/19.	Perform 2nd plan check upon plan resubmittal.
Cardenas Single Family Dwelling (SFD)	82266 Stallone Drive	Plans submitted for new SFD. Plans approved, notified the applicant 6/16/20.	Waiting for owner to process permit paperwork.
Carranza Residence -Additional Dwelling Unit	81-450 Palmyra Avenue	Plans submitted for additional dwelling unit. Plans approved and notified applicant 10/2/20. Issued permit 3907 on 10/5/20.	Inspect work improvements as scheduled.
Chandi Plaza	SW Corner of Indio Blvd/Avenue 44	Civil plans submitted for plan check. Completed 2nd plan check and notified applicant 9/30/20.	Perform 3rd plan check upon plan resubmittal.
Chandi Plaza Building "B" Shell	81-971 Indio Blvd/Avenue 44	Plans submitted for plan check. Completed 1st check and returned to the applicant 10/13/20.	Perform 2nd plan check upon plan resubmittal.
Chandi Plaza Building Restaurant Shell	81-977 Indio Blvd/Avenue 44	Plans submitted for plan check. Completed 1st plan check and returned to applicant 10/22/20.	Perform 2nd plan check upon plan resubmittal.
Chandi Plaza Car Wash	81-983 Indio Blvd/Avenue 44	Plans submitted for plan check. Completed 1st plan check and returned to applicant 9/16/20.	Perform 2nd plan check upon plan resubmittal.
Chandi Plaza Convenience Store	81-965 Indio Blvd/Avenue 44	Plans submitted for plan check. Completed 1st plan check and returned to applicant 9/16/20.	Perform 2nd plan check upon plan resubmittal.
Chavez Tenant Improvement	45330 Jackson St/Civic Center	Plans submitted for TI of existing building. Demolition of interior walls and facilities. Completed 4th plan check and returned to the City 6/25/18. Issued permit 3755 on 7/9/18.	Inspect work improvements as scheduled.
Chipotle Mexican Grill TI	42213 Jackson Street, Suite 106	Plans submitted for TI of existing shell building. Plans approved and returned to applicant 7/16/20. Issued permit 3917 on 10/29/20. Finaled 11/16/20.	No further action required
Citadel RV Storage-Phase 1	83667 Dr. Carreon Blvd/Calhoun Street	Plans submitted for construction of new RV storage facility. Plans approved and returned to the applicant 3/17/2020.	Waiting for owner to process permit paperwork.
Corso Residence	49491 Braley Court	Plans submitted for single family residence. Completed 1st plan check and notified applicant 8/25/20.	Perform 2nd plan check upon plan resubmittal.
Couthouse Bar & Grill	82910 Highway 111/Jackson Street	Plans submitted for new restaurant.	In Queue
Demo Unlimited Storage Yard	83-845 Ave 45/Vam Buren St	Plans submitted for plan check. Completed 2nd plan check and returned to applicant 9/25/20. Plans approved and returned 10/13/2020	Waiting for owner to submit Bonds before drafting agreement
Destiny Church	80250 Highway 111/Jefferson Street	Plans submitted for plan check.	Perform 2nd plan check upon plan resubmittal.
Donuts Bistro	82151 Avenue 42, Ste 104	Plans submitted for construction of new restaurant. Plans approved and returned to the City 8/28/19.	Waiting for owner to process permit paperwork.
Dunn Edwards Paint Store	81921 Hwy 111/Las Palmas	Plans submitted for new retail building. Plans approved and returned to applicant 4/13/20. Issued permit 3884 on 5/12/2020.	Inspect work improvements as scheduled.
Dutch Bros. Coffee	81776 Highway 111/Las Palmas Street	Plans submitted new coffee shop.	Perform 2nd plan check upon plan resubmittal.
EOS Fitness Ave 42 Gym	SWC of Spectrum Street & Avenue 42	Plans submitted for construction of new gym facility. Completed 2nd plan check and returned to the City 11/13/19.	Perform 3rd plan check upon plan resubmittal.
EOS Fitness Hwy 111	Highway/Jefferson Street	Plans submitted for construction of new gym facility. Plans approved and notified applicant 4/27/20.	Waiting for Development Agreement and Bonds before owner can process permit paperwork.
EOS Fitness Public Sewer Extension	SWC of Spectrum Street & Avenue 42	Plans approved and returned to the engineer 6/3/19. Bond and Development agreement in place. Waiting to receive recorded agreement.	Inspect work improvements as scheduled.

PROJECT NAME	STREET ADDRESS / CROSS STREET	CURRENT PROJECT STATUS	NEXT ACTION ITEM
Fred Young (Villa Hermosa Apts Phase III)	83801 Dr. Carreon Blvd / West of Van Buren	Plans submitted for apts at Fred Young Farm Labor Dev. Plans approved and returned to the applicant 7/17/2019. Submitted revision to approved plans 9/16/20	Perform plan check on revisions to approved plans
Gallery at Indian Springs	Jefferson St/Westward Ho Drive	Civil plans submitted for plan check. Completed 1st plan check and returned to the Engineer 1/10/18. Completed 2nd plan check and returned to the Engineer 1/25/18. Plans approved 1/31/18.	Inspect work improvements as scheduled.
Gallery Homes Tract -Indian Palms	Monroe & Avenue 50	Gallery Homes has recently purchased the 106 lots. Staff has inspected the site and prepared a list of improvements that need to be made prior to issuing connection permits. Plans submitted for home plans. Reviewed 1st plan check and returned back to the city on 6/4/2014. 2nd plan check returned to city 7/7/14. Model plans approved and returned to the City 8/22/14. New homes currently under construction.	Inspect work improvements as scheduled.
Gallery Links - 3	Indian Palms Country Club - Monroe/Avenue 48	Plans submitted for installation of 5 sewer laterals for new SFD. Plans approved and returned to the applicant 4/13/20.	Inspect work improvements as scheduled.
George Fregoso SFD	46600 Padua Circle	Plans submitted for new SFD. Plans approved and notified the applicant 5/7/20.	Waiting for owner to process permit paperwork.
Golden Corral Restaurant	Atlantic Ave/Caspian near Ave 42 and Jackson	Plans submitted for new restaurant building. Arch plans approved 6/12/20. Completed 1st plan check on civil plans and returned to the applicant 6/12/20.	Perform 2nd plan check upon plan resubmittal.
Habitat for Humanity SFD	43655 Towne Street	Received plans for the construction of a new home on vacant lot. Plans approved and returned to the applicant 3/11/20.	Waiting for owner to process permit paperwork.
Habitat for Humanity SFD	43689 Arabia Street	Received plans for the construction of a new home on vacant lot. Plans approved and returned to the applicant 3/11/20.	Waiting for owner to process permit paperwork.
Hampton Inn Sewer Main Extension	North West Corner of Spectrum St and Atlantic Ave	Plans submitted for the extension of a public sewer main for Hampton Inn at Atlantic Ave. Plan check fees paid 7/11/18. Completed 2nd plan check and returned plans to the engineer 8/9/18. Plans approved and returned to engineer 8/27/18. Sewer Finaled 5/12/20.	Waiting for owner to submit Warranty Bond
Indian Water RV Community Bldg.	47202 Jackson Street	Plans submitted for new community building. Completed 1st plan check and returned to applicant. 9/25/19. Issued permit 3873 on 2/26/2020.	Inspect work improvements as scheduled.
Indio Behavioral Health Hospital	81655 JFK Court	Civil plans submitted for new mental health facility. Completed 1st plan check and returned to the engineer 12/2/19. Plans approved 6/24/20. Issued permit 3900 on 8/29/20.	Inspect work improvements as scheduled.
Indio Juvenile Court	47671 Oasis St/ Ave 48	Plans submitted to demo existing juvenile court building and construct new building on the same site. Completed 1st plan check and returned to the City 2/23/16. Completed 2nd plan check and returned to the applicant 6/8/2020.	Perform 3rd plan check upon plan resubmittal.
Indio Palms Sewer Main Extension(Street A)	South East Corner of Avenue 42 and Monroe St	Plans submitted for the extension of a private sewer main for Indio Palms at Spectrum Street. Plan check fees paid 2/1/18. Plans approved and returned to engineer 5/10/18. Development agreement and Bonds in place.	Sewer Main Complete. Need recorded bond to release Bonds
Jackson Street Liquor Store	44350 Jackson Street/Ruby Avenue	Plans submitted existng building TI. Plans approved and returned to the City 4/29/19. Issued permit 3829 on 7/26/19.	Inspect work improvements as scheduled.
Jacqueline & Oscar Lua Residence	80-555 Ridgeback Court	Plans submitted for single family residence. Completed 1st plan check and notified applicant 8/25/20.	Perform 2nd plan check upon plan resubmittal.
John Nobles Apartments	TBD - Rubidoux Street/John Nobles Ave	Plans submitted new apartment complex. Completed 1st plan check and returned to the City 2/27/19.	Perform 2nd plan check upon plan resubmittal.
Kennedy School Bldg Additions	45100 Clinton Street	Plans submitted for new building additions. Completed 1st plan check and returned to the applicant 11/6/19. Plans approved check and returned to the applicant 2/3/2020. Issued permit 3875 on 2/28/2020.	Inspect work improvements as scheduled.
Maya Cinemas	82900 Avenue 42/Jackson Street	Plans submitted for construction of new building for theater. Completed 2nd plan check and returned to the City 10/16/19.	Perform 3rd plan check upon plan resubmittal.
Mex-American Tax Services	44250 Monroe St./South of Indio Blvd	Plans submitted for an office addition, Returned 1st plan check back to City on 1/21/2014. Received 2nd submittal 3/13/2014. 2nd plan check completed and returned to the city on 3/31/2014. Received 3rd submittal 4/21/14. Reviewed, approved and returned plans back to the city on 5/15/2014. Issued permit 3518 on 8/4/15. Permit expired with the City.	Inspect work improvements as scheduled.
Motorcoach CC - Casita Addition	80501 Avenue 48, Lot 225	Plans submitted for casita addition and storage building. Plans approved and returned to the City 5/8/19. Issued permit 3814 on 5/8/19.	Inspect work improvements as scheduled.

PROJECT NAME	STREET ADDRESS / CROSS STREET	CURRENT PROJECT STATUS	NEXT ACTION ITEM
Motorcoach CC - Casita Addition	80501 Avenue 48, Lot 145	Plans submitted for casita addition and storage building. Plans approved and returned to the City 5/9/19. Issued permit 3849 on 10/29/19.	Inspect work improvements as scheduled.
Motorcoach CC - Casita Addition	80501 Avenue 48, Lot 321	Plans submitted for casita addition and storage building. Plans approved and returned to the applicant 12/17/19. Issued permit 3863 on 12/30/19.	Inspect work improvements as scheduled.
Motorcoach CC - Casita Addition	80501 Avenue 48, Lot 328	Plans submitted for casita addition and storage building. Plans approved and returned to the applicant 5/5/20. Issued permit 3882 on 5/5/2020.	Inspect work improvements as scheduled.
Motorcoach CC - Casita Addition	80501 Avenue 48, Lot 6	Plans submitted for casita addition and storage building. Plans approved and notified applicant 7/7/20.	Inspect work improvements as scheduled.
Nargizyan Dental Group TI	81637 Highway 111, Suite 1-B	Plans submitted for TI of existing suite. Completed 1st plan check and returned to the City 7/1/19.	Perform 2nd plan check upon plan resubmittal.

Monthly Capital Improvement Project Update - December 2020				
Project Title	Project Description	Current Status	Fiscal Year Budget	Total Spent to Date
Westward Ho Sewer Siphon Replacement Design and Construction	Carollo Engineers is currently working with VSD on the final design of a new sewer siphon that crosses the CVWD storm channel at Westward Ho Drive that will be below the new channel scour depth. The design being proposed would utilize horizontal directional drilling to create a new sewer siphon alignment under the channel. Permit processing with at least CVWD and possibly other regulatory agencies may extend the design/permit period. Some or possibly all the project costs will be reimbursed by FEMA / CalOES.	Carollo Engineers is revising the submitted 50% design plans based on District comments.	\$1,325,000.00	\$331,038.00
Collections System Rehabilitation Projects	Harris & Associates is assisting the District in creating a 10-year rehabilitation and replacement program for the collections system. Staff is currently working with Harris to prepare two projects for this fiscal year. The first project will consist of the rehabilitation of approximately 2,300 feet of sewer located in Indio Boulevard and underneath the railroad near Cabazon Avenue using cured in place lining. The second project will consist of construction a new sewer main within the alley between Salton and Flower Street and replace existing sewer within the alley between Salton and Sage Street. This is being done replace deficient sewer mains in the allies and alleviate service from businesses and residences with old laterals between Sage and Flower Street. Near term projects are in the early planning & design stages and will continue towards bidding and construction.	The Rehab Project #1 preconstruction meeting has been scheduled for December 3rd, 2020. VSD is currently out to bid for the CCTV Services project. Harris is currently preparing a preliminary design for the new sewer near Salton Street.	\$2,643,928.00	\$69,545.00
Reclaimed Water Project Phase 1	The contract for this project was awarded to Schneider Electric / Stantec. The project design cost is \$2,200,000 and project schedule is approximately 460 days. Construction costs will be determined during the design phase and will be awarded to Schneider Electric / Stantec upon approval of the Board. The Reclaimed Water Project – Phase 1 will replace an aging and capacity restricting grit chamber and provide redundancy by adding a second digester and expanding the bar screens. This project will also include adding a biofilter, a sludge holding tank, and a sludge thickener building.	Schneider is currently gathering preliminary information and input from VSD staff in order to begin design of an additional bar screen and new grit chamber.	\$5,749,692.00	\$0.00
Influent Pump Station Rehabilitation	Stantec is assisting the District as an Owner's Representative for the rehabilitation of the influent pump station structure which is showing significant signs of deterioration. DCI and Dudek will act as the design-build team and Stantec will provide construction management services.	The project preconstruction meeting has been scheduled for December 4th, 2020.	\$1,200,000.00	\$16,965.50
New Training and Office Building	The District selected SGH Architects for the initial design of a new training and office building. As part of this initial design a schematic layout of the building will be determined along with an estimated construction cost. This building will provide space for new offices for collections and maintenance personnel as well as a training area for company events and meetings.	The architect is currently preparing a revised floor plan and conceptual cost estimate.	\$100,000.00	\$60,918.50
Van Buren Slope Protection	The slope along the south end of the District's property is being eroded during flooding events which is causing the posts of the chain link fence to become exposed and weakened.	The contractor is currently working on the second phase of the project.	\$250,000.00	\$38,403.75
Completion of Perimeter Fence Project	This project has been postponed due to the need for a design of the fence before construction. The location and terrain of the proposed fence is such that it will need design. Staff is limited with the number of projects already in process that have a higher priority than this project. Current night security patrol has limited the theft and damage of District property.	Project has not started.	\$280,000.00	\$0.00
Additional Parking and Landscaping	The District is need of additional parking for employees and customers. Staff proposes to remove the lawn at the front of the property and replace it with parking and drought tolerant landscaping. This project has been selected as a team building group project for staff to work on. Staff will be developing a preliminary plan showing the layout of the parking spaces and drought tolerant garden.	Project is in preliminary design process.	\$250,000.00	\$0.00

Monthly Capital Improvement Project Update - December 2020

Project Title	Project Description	Current Status	Fiscal Year Budget	Total Spent to Date
Steel WaterLine Replacement	The above ground, steel waterline adjacent to the aeration basins is old and prone to leaks, especially at the grooved joints, and has exceeded its useful life. The new steel waterline will have traditional joints that will provide a longer life. This project has been on the books for several years and has been a lower priority due to lack of leaks in recent years and the difficult nature of replacement.	Project has not started.	\$142,000.00	\$0.00
Recycled Water Main Extension	Staff would like to extend the secondary effluent pipeline system about 250 feet to the pond chlorine contact chamber to save significant potable water when cleaning the pond chlorine contact chamber. This will allow the use of secondary effluent water to be used to clean the chamber instead of potable water. This project has been in the budget for the second year. It has been on hold waiting for staff to have time to install the water main themselves.	Project has not started.	\$60,000.00	\$0.00

**VALLEY SANITARY DISTRICT
OPERATIONS COMMITTEE MEETING MINUTES**

February 2, 2021

Valley Sanitary District conducted this meeting in accordance with California Governor Newsom's Executive Orders N-29-20 and COVID-19 protocols.

A regular Meeting of the Valley Sanitary District (VSD) Operations Committee was held via videoconference on Tuesday, February 2, 2021.

1. CALL TO ORDER

Ron Buchwald called the meeting to order at 1:00 p.m.

1.1 Roll Call

Committee Members Present:

Ron Buchwald, Engineering Services Manager, Debra Canero, Director, William Teague, Director

Staff Present:

Ian Wilson, Facility Operations Manager, Beverli Marshall, General Manager, Holly Gould, Clerk of the Board

Guests:

Ehab Gerges, Harris & Associates, Elizabeth Reyes, Harris & Associates

1.2 Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

None.

3. DISCUSSION / ACTION ITEMS

3.1 Collection System Rehabilitation and Replacement Project Update

Ehab Gerges and Elizabeth Reyes of Harris and Associates presented an update on the Collection System Rehabilitation and Replacement Project. The presentation included total program costs, expenditures by year, condition of the sewer pipelines and manholes, capital improvement projects and tracking of progress. Currently approximately 1.1 million feet of pipeline has been inspected, and two projects are underway, the Indio Boulevard Sewer Rehabilitation project and the Sanitary Sewer Pipe Cleaning and Inspection project.

3.2 Influent Pump Station Rehabilitation Project Update

Ron Buchwald, Engineering Services Manager and Ian Wilson, Facility Operators Manager, updated the committee on the Influent Pump Station Rehabilitation Project. The influent pump station is showing significant signs of deterioration. Internal piping is losing their protective coating, the coating covering the walls is starting to show signs of failure, and gates sealing each pump bay are leaking. The District has awarded the Design/Build project to Downing Construction and Dudek Engineering. This project consists of installing sewer main by-pass to fully inspect the influent pump station to determine the necessary repairs. Once the inspection is done, the initial design and construction estimate will then be completed. There will be a change order coming before the board for approval. Staff has requested a more sophisticated bypass than what was in the original proposal. It will add a flow meter, jockey pump, backup pump, etc., which will allow for better supervision of flow through the treatment plant.

3.3 Reclaimed Water Project – Phase I Update

Ron Buchwald, Engineering Services Manager reported the staff, along with the Design/Build team, have made progress towards the 30% design milestone. The team has determined ways to save money by eliminating the sludge holding tank by using the second digester as a holding tank. However, we have also determined that we will need to retain the north cell (pond) and build a small pump station to treat the effluent from the belt filter press which is high in ammonia. Ian Wilson, Facility Operations Managers added that operations staff have been significantly involved in this project which has provided tremendous value in creating a well thought out initial design. A discussion took place regarding dissolved air floatation thicker (DAFT) and co-generation.

4. FUTURE MEETING ITEMS

None.

5. ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 2:41 p.m. The next regular committee meeting will be held April 6, 2021.

Respectfully submitted,

Holly Gould, Clerk of the Board
Valley Sanitary District



**Valley Sanitary District
Board of Directors Meeting
February 9, 2021**

TO: Board of Directors
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: Budget Timeline for Fiscal Year 2021/22

<input type="checkbox"/> Board Approval	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is to provide the Board of Directors information regarding the proposed fiscal year 2021/22 budget timeline.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 5.1: Align long-term financial planning with strategic priorities.

Fiscal Impact

None.

Background

The action for approval and adoption of the annual budget is completed in June of each calendar year. In preparation for the fiscal year 2021/22 budget, staff has prepared a budget timeline for the Board of Directors to review. The timeline includes deliverable due dates and meeting dates. The timeline will serve as a guide during the upcoming weeks to continue budget discussions and allow for any modifications if needed.

Fiscal Year 2021/22 Budget Timeline	
Task	Date
Board Approves Strategic Plan Updates	11/24/20
Budget & Finance Committee Reviews Draft Rate Scenarios	1/5/21
Board Presentation of Draft Rate Scenarios	1/19/21
Department Budget Worksheets Due to BSM	2/15/21
Budget & Finance Committee Reviews Rate Classes	3/2/21
Board Approves Proposed 5-Year Sewer Use Rates and Sets Date for Public Hearing	3/9/21
Staff Sends Prop 218 Notice to Counsel for Review	3/10/21
Staff Sends Prop 218 Notice to NBS	3/15/21
Budget & Finance Committee Reviews Draft Budget	3/30/21
Board Study Session on Draft Budget	4/20/21
NBS Sends Prop 218 Notice and Addresses to Printers	3/17/21
Prop 218 Hearing 1st Notice Published	3/20/21
Printer Mails Prop 218 Notice to Parcels	3/22/21
Prop 218 Hearing 2nd Notice Published	3/27/21
Operations Committee Reviews 5-Year CIP	4/6/21
Board Holds Public Hearing on Sewer Use Rates	5/11/21
Board Adopts Sewer Use Rates	5/25/21
Board Adopts FY 2021/22 Budget	6/8/21
Sewer Rates Due to County	8/10/21

Recommendation

Recommend that the Board of Directors receive this report for information.

Attachments

None.