

**VALLEY SANITARY DISTRICT**

# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**



**FISCAL YEAR  
ENDING JUNE  
30TH, 2022**

**PREPARED BY:  
THE ADMINISTRATION  
DEPARTMENT**

**GIVING WATER ANOTHER CHANCE**



**VALLEY SANITARY DISTRICT**  
**Annual Comprehensive Financial Report**  
**Year ended June 30, 2022**

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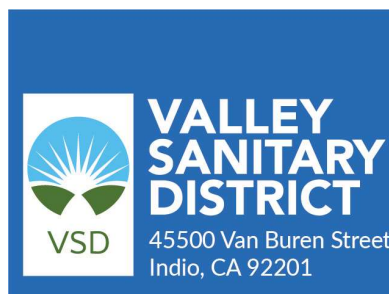
# INTRODUCTION



**INTRODUCTORY SECTION  
(UNAUDITED)**

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November 18, 2022

To: The Board of Directors and District Ratepayers

Subject: Annual Comprehensive Financial Report for the Years Ended June 30, 2022

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Valley Sanitary District (District) for the fiscal years ended June 30, 2022. This report was prepared by the District's Administration Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and in accordance with Generally Accepted Accounting Principles (GAAP). State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

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

The District's basic financial statements have been audited by Davis Farr, LLP, a firm of licensed certified public accountants. The independent firm audited the accompanying financial statements of the business-type activities and the fiduciary fund of the District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2022, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## District Structure and Leadership

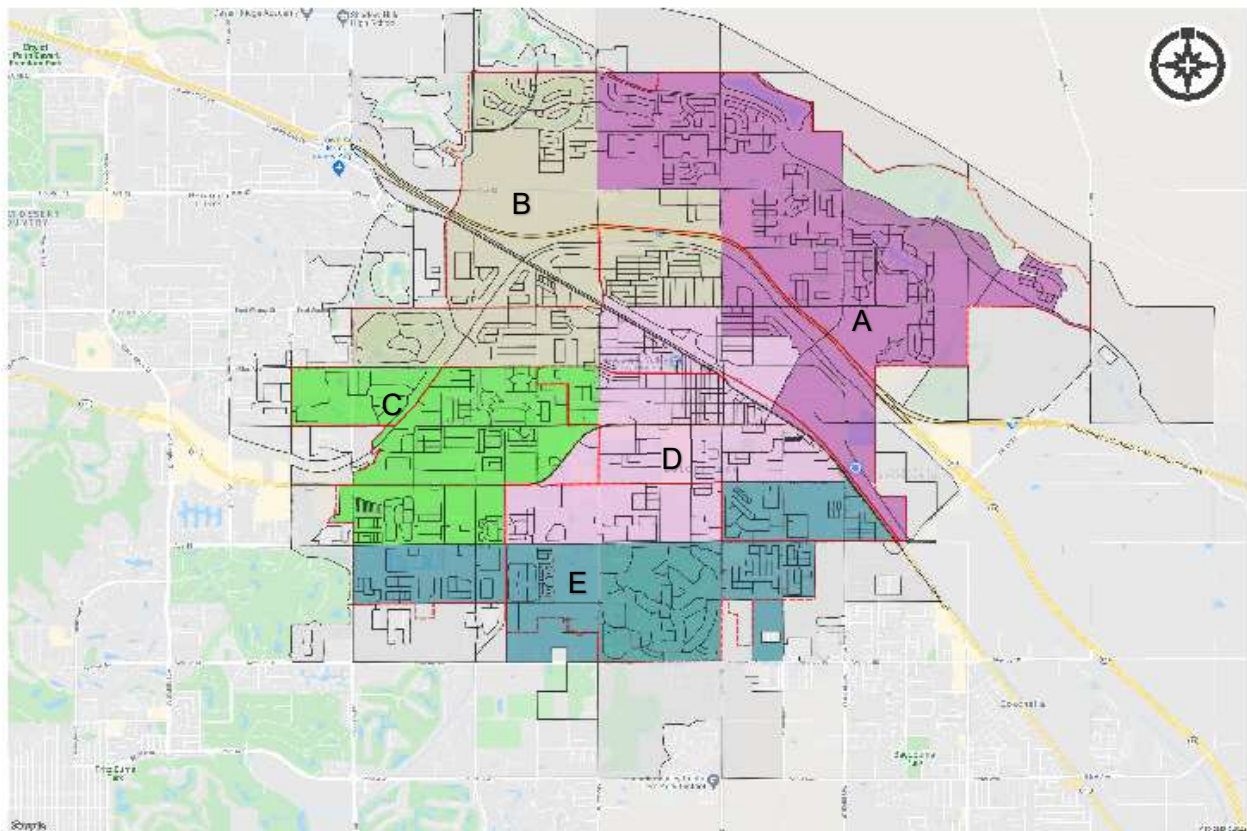
### Mission Statement

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

### District Governance

Valley Sanitary District is a California special district, which operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, § 6400 et seq. The District was formed June 1, 1925, and is governed by a five-member Board of Directors. Each Director is elected through a division-based election system. Each Director represents a specific geographic area within the District known as an Election Division.

#### Option 3



Under California law the Board of Directors establishes and implements policies for the operation of the District. The Board of Directors establishes goals and objectives, manages sound fiscal policy and control, sets rates and fees, approves the annual operating and capital budget, approves capital improvement plans, maintains strong communication between the Board of Directors and the General Manager, and advocates for the District. The Board of Directors makes decisions to serve the best interests of the community. The District's Board of Directors meet on the second and fourth Tuesday each month. Meetings are publicly noticed, and citizens are encouraged to attend.



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

### **District Services**

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

### **Budget Process**

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

- **Operating Fund:** This is the general operating fund of the District and the primary revenue source for this fund is derived from rates charged to customers for services provided. Other receipts that are not allocated by law or contractual agreement to some other funds are also accounted for in this fund. General operating expenditures, fixed charges, and maintenance costs not paid through other funds are paid from this fund.
- **Special Revenue Funds:** These funds receive support from various sources, mainly in the form of grants, loans and other aid and are restricted to expenditures for particular purposes. Currently, the District has three special revenue funds:
  - 2015 Wastewater Revenue Refunding Bonds
  - State Water Resources Control Board Revolving Fund Loan
  - Bank of America Loan
- **Fiduciary Fund:** The District reports an Agency Fund that is purely custodial in nature (assets equal liabilities), and thus does not involve measurement of results of operations. This fund is used to account for assets for the Assessment District No. 2004 (Shadow Hills Interceptor) for which the District acts as an agent for its debt service activities.
- **Capital Improvement Fund:** This fund is unrestricted and used to allocate for capital expenditures for identified projects.

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

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

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

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

### **Budgetary Control**

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

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

1. Cancel the project or reduce the scope of the project.
2. Transfer funds from another project with lower priority or excess funds available.
3. Appropriate funds from reserves, with Board approval.
4. Re-budget the project, with additional funding, in the following fiscal year.
5. Board approval is required for any new projects added during the fiscal year.

### **Internal Control Structure**

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

### **Economic Condition and Outlook**

The economy in Indio, unincorporated Riverside County, and Coachella improved after the initial challenges faced during the COVID-19 pandemic. According to the Coachella Valley

Economic Partnership's 2022 Greater Palm Springs Economic Report, employment in six of the nine cities improved to almost pre-pandemic peak levels from February 2020 to March 2022 and employment in the remaining three cities (Cathedral City, Desert Hot Springs, and Indio), employment showed a net gain<sup>1</sup>. With most of the pandemic restrictions removed or significantly loosened by March 2022, critical events like Coachella Valley Music and Arts Festival and Stagecoach country music festival returned and brought much-needed employment in the Leisure, Hospitality, and Retail Trade sectors.

Of the nine cities, only Coachella had an unemployment rate higher than 6% as of February 2022. Indio's unemployment rate was just under 5% and was the third highest of the nine cities. This continues to present a challenge to the pandemic recovery efforts. For the District, this poses a challenge in balancing the need for rate increases to fund critical infrastructure while remaining sensitive to the economic situation of many of its residential ratepayers and businesses.

Home sales was another area of significant economic growth in Coachella Valley during 2020-21. According to the California Desert Association of Realtors and the Greater Palm Springs Realtors, the home sales average price per square foot for detached homes increased from \$269 in 2020 to \$381 in 2021 with the average home sales average price increasing from \$680,953 to \$823,246.

Housing permits reached an all-time high in 2004 and then plummeted in 2007 with a low in 2011. In recent years, these permits were increasing at a slow but steady pace, even during the pandemic. Increases in housing and commercial permits were accounted for in the estimated annual growth that was the basis of the 2013 Reclamation Plant expansion. There is still significant capacity for continued growth for many years.

The City of Indio has continued to see an increase in home building, and new shopping centers have opened, and more are schedule to open within the coming fiscal year. The College of the Desert Indio Campus Expansion, which will more than double capacity, achieved a milestone with its groundbreaking ceremony on March 14, 2022. The expected completion is scheduled for the 2024 school year.

There is also progress regarding the remodel and redesign of the Indio Fashion Mall into the Indio Market Place. The new Indio Market Place will feature reimagined community shopping, dining, entertainment, hotels, and apartment housing. This could be a catalyst for further economic stimulus in this area of the District's service area.

In summary the City of Indio is taking full advantage of the opportunities to rebuild and implement strategic planning to actualize its goals. These initiatives benefit the District because it encourages residential and commercial development within the service area, which in turn leads to an increase in sewer connections. The District, like the City of Indio, will build on the current momentum to take full advantage of the opportunities and realize goals through strategic planning.

## **Major Initiatives**

During Fiscal Year 2021-2022, the District completed or initiated several significant projects:

- **Collections System Rehabilitation & Replacement Program** – The District operates and maintains approximately 254 miles of sanitary sewer line and delivers over six 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 & Associates to develop a \$60 million, 12-year rehabilitation and replacement

program. The District has completed the design for 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. The District expects to go out to bid on the project in Fall 2022 and begin construction in early 2023.

- **Westward Ho Sewer Siphon Replacement Project** – 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. A significant portion of the estimated project cost of \$5.2 million will be reimbursed by Federal Emergency Management Agency (FEMA) disaster recovery funds through the California Office of Emergency Management.
- **Reclaimed Water Project, Phase 1** – This \$73 million project will replace an aging and capacity-restricting infrastructure and provide redundancy by: adding a second digester and expanding the bar screens, add a biofilter and a sludge holding tank, and providing a sludge thickener building. Schneider Electric and Stantec were selected as the design-build partners for this project. The design should be completed by the end of 2022 with construction commencing in early 2023. The project is funded through a 20-year loan through the Banc of America Public Capital Corp.
- **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. DCI and Dudek have been selected as the design-build team for this project. The project budget is \$3 million. Installation of the replacement equipment is scheduled for November 2022.
- **New Training & Office Building Project** – The District identified a need for new space for offices for District personnel as well as an area for training, meetings, and events. 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. Due to lack of funding (approximately \$3 million), the project has been deferred to Fiscal Year 2023-24.
- **New Laboratory Building Project** – The District has identified a need for a new laboratory to comply with new regulatory standards. 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. Due to lack of funding (approximately \$3 million), the project has been deferred to Fiscal Year 2023-24.
- **Steel Water Line Replacement Project** – 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 in the CIP for several years but was identified as a lower priority due to fewer leaks and the difficult nature of replacement. The project was awarded to Dudek, and the development of the project design and specifications have begun.

### **Sewer Rates and District Revenues**

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

- Development of net revenue requirements from FY22 to FY41
- Establishing and maintaining reserve funds and targets
- Funding the Capital Improvement Program (CIP)

The findings of the completed study showed a significant funding shortfall in coming years if no adjustment to rates is implemented. Without the additional revenue, the District would not be able to maintain operating service levels, fund critical, high-risk projects identified in the 20-Year District-Wide Master Plan, and meet debt service requirements. The proposed rates are needed. In addition to using the additional SUC revenue, the District plans to finance \$165 million through various loan programs to bridge the gap.

The public had several opportunities to comment on the proposed rate increases, after which the Board approved the SUC effective July 1, 2021.

<b>Proposed Annual Sewer Rate Schedule Starting July 1, 2021 through June 30, 2026</b>						
<b>Annual Sewer Rate Schedule</b>	<b>Current</b>	<b>July 1, 2021</b>	<b>July 1, 2022</b>	<b>July 1, 2023</b>	<b>July 1, 2024</b>	<b>July 1, 2025</b>
<b>Programa Annual de Tarifas de Alcantarillado</b>	<b>Ahora</b>					
<b>Fixed Service Charge (Cargo Por Servicio Fijo)</b>						
	Per EDU	Rates per EDU (Tarifas por EDU)				
Single Family (Unifamiliar)	\$330.00	\$ 342.72	\$ 385.56	\$ 433.76	\$ 487.98	\$ 497.74
Multi-Family (Multifamilia)	\$330.00	\$ 150.00	\$ 168.75	\$ 189.84	\$ 213.57	\$ 217.84
Mobile Home (Casas Moviles)	\$330.00	\$ 181.28	\$ 203.94	\$ 229.43	\$ 258.11	\$ 263.27
RV Park (Parque RV)	\$330.00	\$ 141.25	\$ 158.91	\$ 178.77	\$ 201.12	\$ 205.14
	Per EDU	Rates per Account (Tarifas por Cuenta)				
Commercial-Low/Med Strength (Baja Resistencia)	\$330.00	\$ 199.03	\$ 223.91	\$ 251.90	\$ 283.39	\$ 289.06
Commercial-High Strength (Alta Resistencia)	\$330.00	\$ 607.00	\$ 682.88	\$ 768.24	\$ 864.27	\$ 881.56
<b>Volumetric Rate (Tasa Volumetrica)</b>						
		\$ per hcf average winter water consumption (\$ por hcf consumo medio de agua en invierno)				
Single Family (Unifamiliar)	-	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Multi-Family (Multifamilia)	-	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Mobile Home (Casas Moviles)	-	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
		\$/hcf annualized water consumption (\$/hcf del consume de agua anualizado)				
RV Park (Parque RV)	-	\$ 1.10	\$ 1.23	\$ 1.38	\$ 1.55	\$ 1.58
Commercial-Low/Med Strength (Baja Resistencia)	-	\$ 0.88	\$ 0.99	\$ 1.11	\$ 1.25	\$ 1.28
Commercial-High Strength (Alta Resistencia)	-	\$ 2.00	\$ 2.25	\$ 2.53	\$ 2.85	\$ 2.91

## Strategic Plan

The District with the support of the Board of Directors continues to focus its energy and resources towards realizing the goals and objectives identified in the Strategic Plan. The following six goals that support the District's mission, vision, and values.

- Goal 1: Fully Staffed with a Highly Trained and Motivated Team
- Goal 2: Increase Recycling, Reuse, and Sustainability
- Goal 3: Excellent Facilities
- Goal 4: Increase Community Understanding and Support
- Goal 5: Long-Term Financial Strength



## Goal 6: Improve Planning, Administration and Governance

### **Challenges Facing the District**

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

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

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

### **Financial Stability**

The key to financial stability is the ability to successfully maintain services and functions, efficiently manage expenses, and with stand and adapt to external changes. In Fiscal Year 2021-22, the COVID-19 pandemic continued to affect 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 District acknowledges that the current economic atmosphere has higher levels of uncertainty than years passed. However, it has a long history of sound financial management and planning. The financial stability of the District is stable despite the external economic stressors the pandemic has created. As previously mentioned, the District is not without challenges including increases in costs of supplies, services, premiums, and CIP rehabilitation, replacement, and expansion. Fiscal Year 2021-22 was a year of planning and strategy to ensure the continuity and success of the organization.

### **Awards and Recognition**

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

- ❖ California Society of Municipal Finance Officers – Operating Budget: Meritorious Award
- ❖ California Water Environmental Association (CWEA) Colorado River Basin Section – Pretreatment, Pollution Prevention & Stormwater Person of the Year: Ivan Monroy
- ❖ California Water Environmental Association (CWEA) Colorado River Basin Section – Community Engagement & Outreach Project of the Year
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting
- ❖ Government Finance Officers Association (GFOA) – Distinguished Budget Presentation Award
- ❖ National Association of Clean Water Agencies – Peak Performance Silver Award

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, 2021. This was the 10<sup>th</sup> 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.

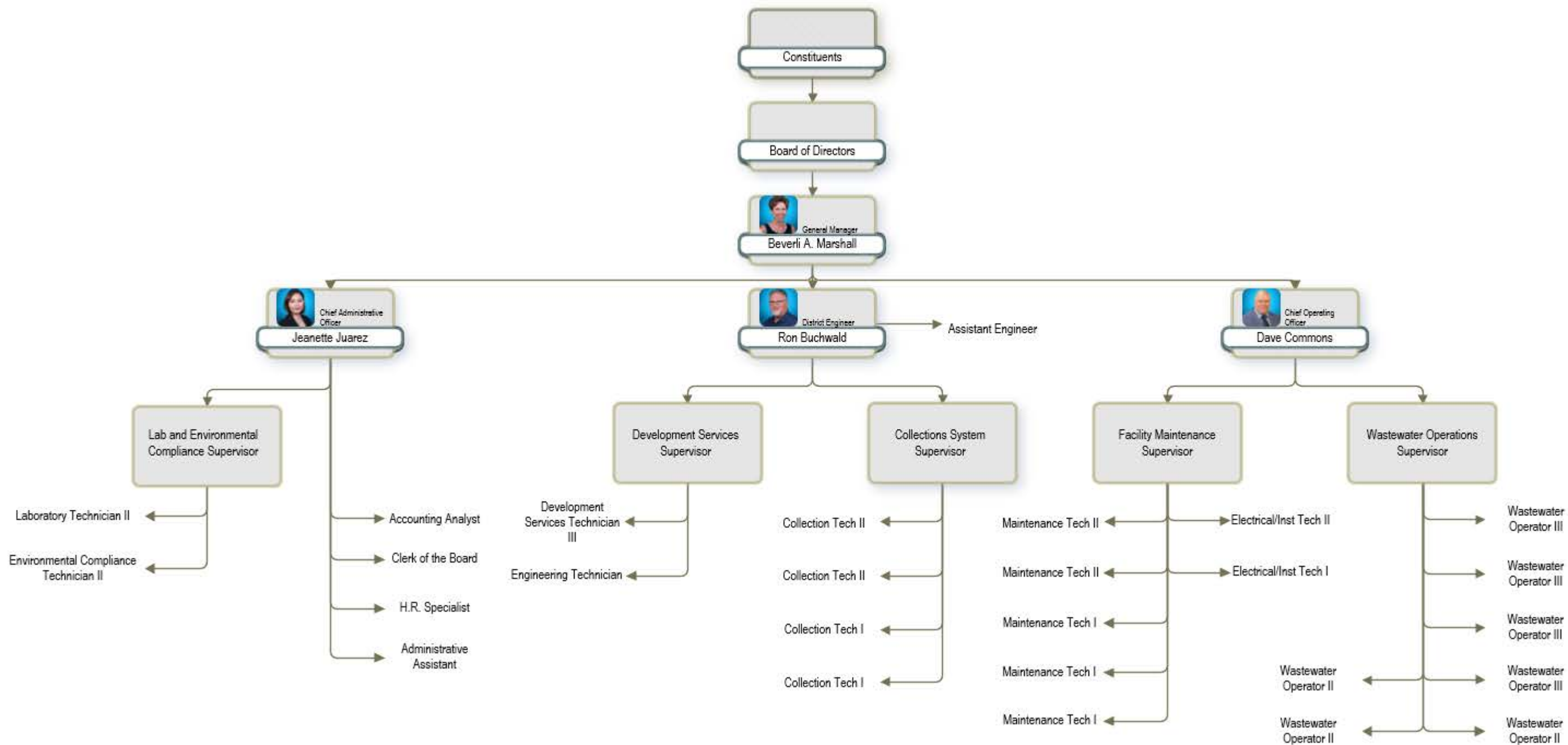
**Acknowledgements**

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,

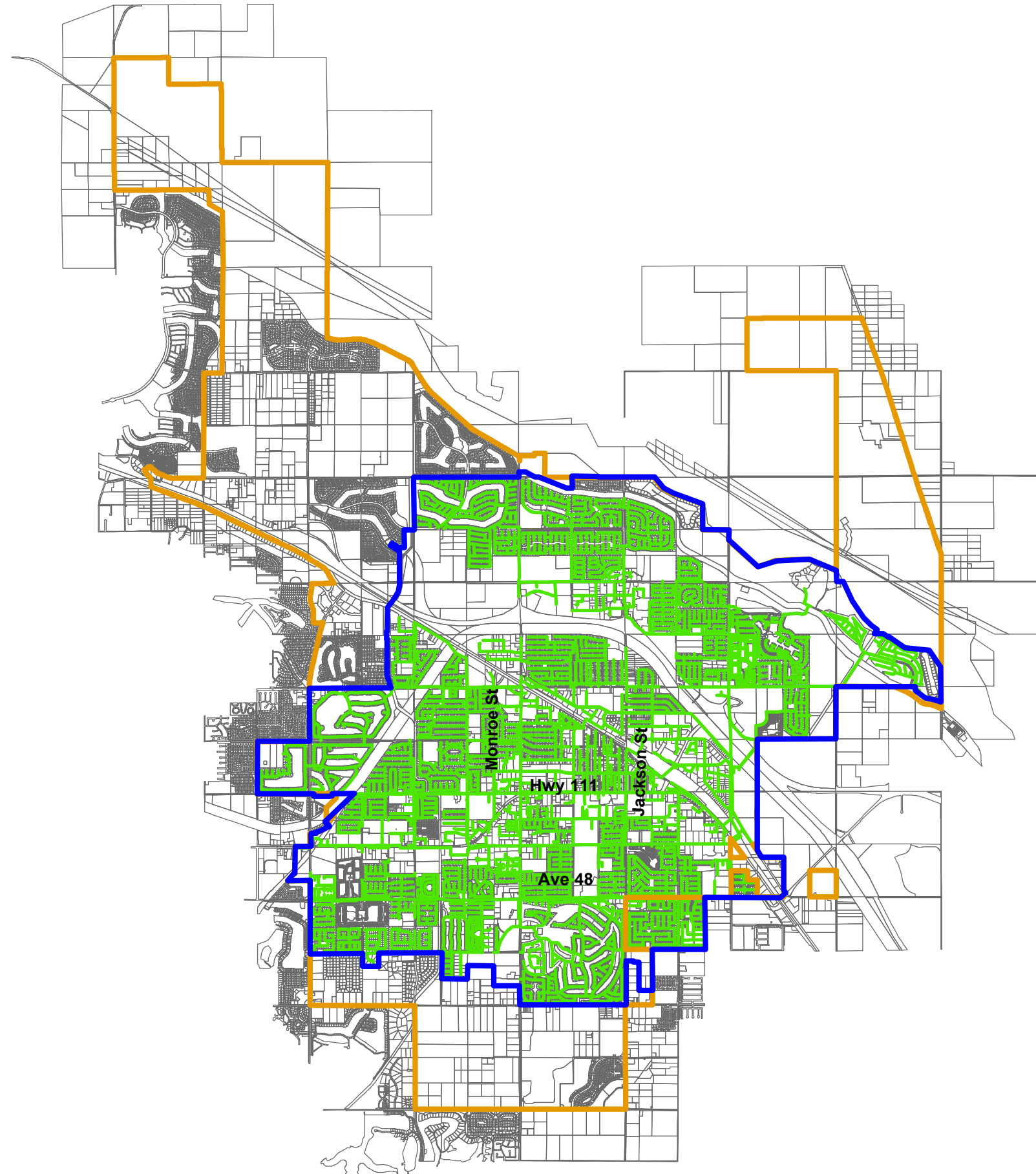


Dr. Beverli A. Marshall, ICMA-CM, CSDM  
General Manager








VSD



## Valley Sanitary District Boundary Map

### Legend

-  VSD Boundary
-  Indio Limits
-  Sewer Pipe



# VALLEY SANITARY DISTRICT

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR END JUNE 30, 2022

### BOARD OF DIRECTORS

Scott Sear  
**Board President**



Dennis Coleman  
**Secretary/Treasurer**



William Teague  
**Director**



Debra Canero  
**Board Vice President**



Mike Duran  
**Director**

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#### Mission Statement

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





# VALLEY SANITARY DISTRICT

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR END JUNE 30, 2022

### SENIOR ADMINISTRATION

Jeanette Juarez  
**Chief Administrative  
Officer**



Dave Commons  
**Chief Operating Officer**



Beverli Marshall  
**General Manager**



Ron Buchwald  
**District Engineer**

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#### Contact Us



45500 Van Buren St Indio, CA 92201



(760) 238-5400



[www.valley-sanitary.org](http://www.valley-sanitary.org)



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Valley Sanitary District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# FINANCIAL SECTION



## **Financial Section**

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## **Independent Auditor's Report**

Board of Directors  
Valley Sanitary District  
Indio, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Valley Sanitary District (the "District"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and *Pension and Other Post Employment Benefit Schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Report on Summarized Comparative Information***

We have previously audited the District's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2021. In our opinion, the summarized comparative information presented

herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *Schedule of Operating Expenses* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Operating Expenses* is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Operating Expenses* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 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 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.

*Davis Farr LLP*

Irvine, California  
November 17, 2022

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

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The management of the Valley Sanitary District (District) presents the District's financial statements with a narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and notes to the basic financial statements.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$112.5 million for the year ended June 30, 2022. Of this amount, \$50.2 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$9.4 million or 9.2% for the year ended June 30, 2022, from \$103.0 million to \$112.5 million. The variance is primarily due to an increase in sewer service revenue. In the fiscal year 2020/21, after properly conducting a noticed public and as allowed by Proposition 218 the District adopted a rate increase schedule that will continue through the fiscal year 2025/26. The rate increase will fund capital improvement projects, repairs, and rehabilitation of the District's collection and system infrastructure and equipment. It will also fund the Recycle Water Project Phase I for indirect reuse to replenish the Coachella Valley aquifer.
- Current assets increased by \$77.9 million or 136.2%. The variance for the year ended June 30, 2022 is due to an increase in cash and investments of \$71.0M in an escrow account for the Banc of America loan for the Recycled Water Project Phase I. In the fiscal year 2021/22 there was an increase in \$6.9 million collected for annual sewer fees and permits. The increase is attributed to the rate increase for the fiscal year 2021/22 and connection fees for two (2) new apartment developments.
- Noncurrent assets decreased by \$7.7 million or 11.8% as of June 30, 2022. The variance is attributed to the addition of capital assets such as the steel waterline replacement, sewer main rehabilitation, and a Backhoe loader. There are also new projects that are in construction in progress such as the Recycled Water Project Phase I and the Collection System Repairs / Rehab / Replace Program construction.
- The District's total liabilities increased \$75.2 million or 358.2%. The increase in liabilities is attributed to a loan through Banc of America Co for the Recycled Water Project Phase 1. 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 sludge thickener unit. This project is necessary to meet anticipated regulatory requirements, tertiary treatment, and recycled water production. The total amount of the loan funded was \$71,000,000 at an interest rate of 2.75%. The District will make installment payments commencing December 1, 2022, and scheduled to end June 1, 2042.

**Overview of the Financial Statements**

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in *net*



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

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*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 24-45 of this report.

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

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

## **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$112.5 million for the year ended June 30, 2022.

The largest portion of the District's net position during June 30, 2022, 51.0%, 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.

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

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**DISTRICT'S NET POSITION**

At the end of the year ending June 30, 2022, the District can report positive balances in all three (3) categories of net position. The same situation held true for the prior fiscal year.

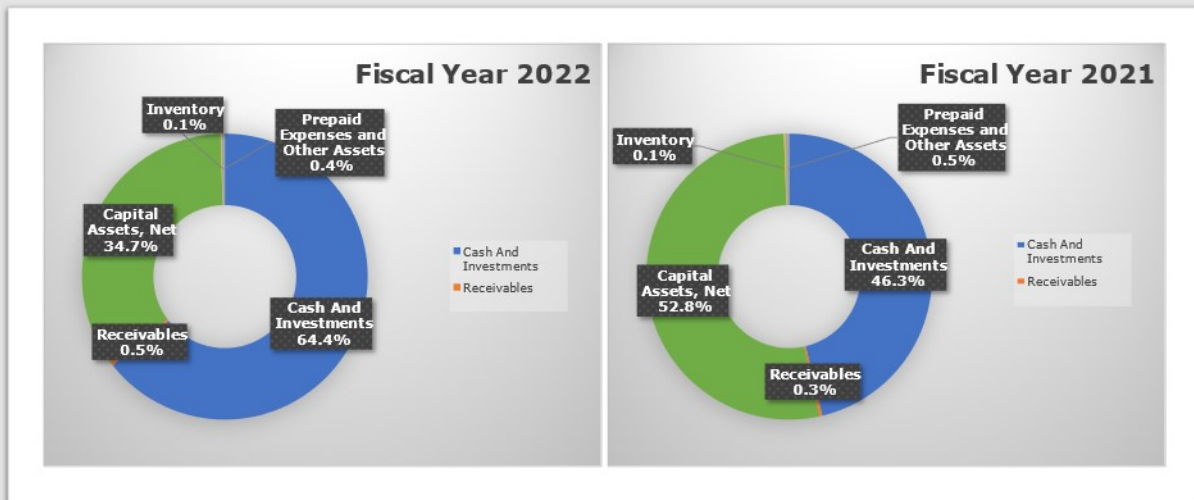
**Table I  
Valley Sanitary District  
Condensed Statement of Net Position  
As of June 30, 2022**

	2022	2021
Current Assets	\$ 135,673,353	\$ 57,706,134
Capital Assets	72,268,413	64,822,313
Noncurrent Assets	411,928	186,928
Total Assets	<u>208,353,694</u>	<u>122,715,375</u>
Deferred Outflows of Resources	<u>1,149,809</u>	<u>1,560,230</u>
Current Liabilities	10,973,591	2,337,483
Noncurrent Liabilities	85,170,189	18,643,576
Total Liabilities	<u>96,143,780</u>	<u>20,981,059</u>
Deferred Inflows of Resources	<u>884,243</u>	<u>252,391</u>
Net Position:		
Net Investment in Capital Assets	57,312,137	48,752,135
Restricted	4,963,830	2,005,722
Unrestricted	50,199,513	52,284,298
Total Net Position	<u>\$ 112,475,480</u>	<u>\$ 103,042,155</u>

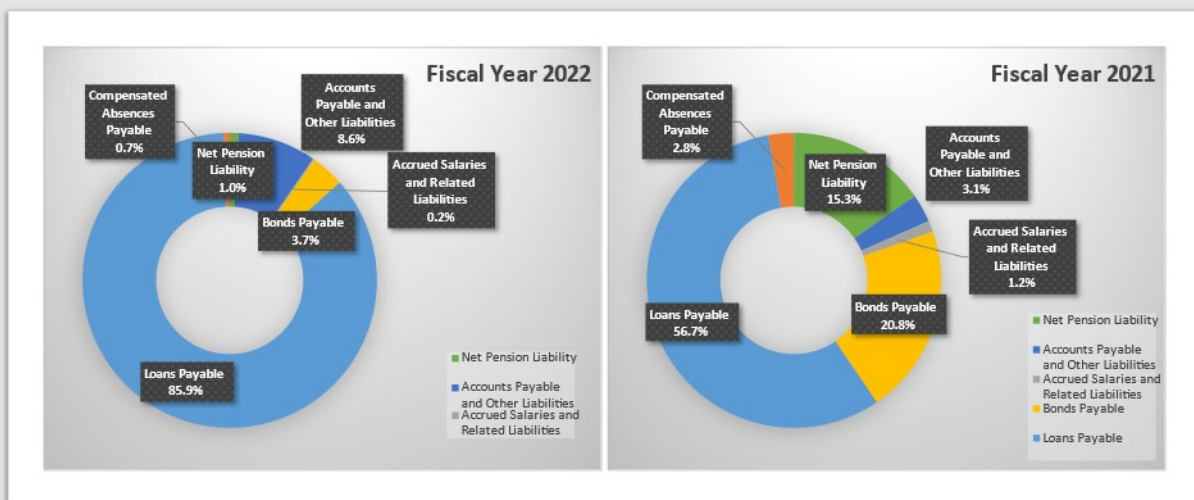
**Valley Sanitary District  
Management's Discussion and Analysis (Continued)  
(Required Supplementary Information) (Unaudited)**

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## District Assets



## District Liabilities



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

Changes in the District's net position reflect an increase of \$9.4 million or 9.2% for the year ended June 30, 2022. The District's total revenues increased during the fiscal year 2021/22 by \$6.9 million or 53.9%. The variance is primarily due to an increase in sewer service revenue and connection fees for new developments. In the fiscal year 2021/22, after properly conducting a noticed public and as allowed by Proposition 218 the District adopted a rate increase schedule that will continue through the fiscal year 2025/26. The rate increase will fund capital improvement projects, repairs, and rehabilitation of the District's collection and system infrastructure and equipment. It will also fund the Recycle Water Project Phase I for indirect reuse to replenish the Coachella Valley aquifer.

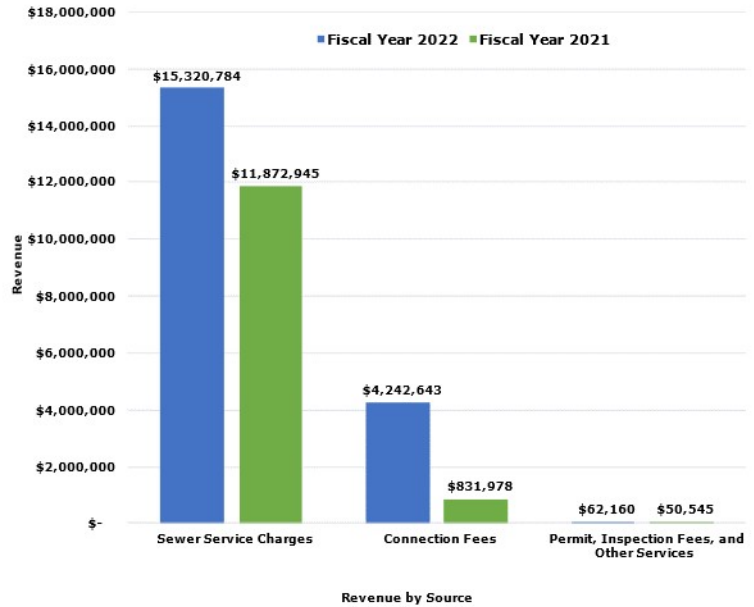
**DISTRICT'S CHANGES IN FUND NET POSITION**

**Table II  
Valley Sanitary District  
Condensed Statement of Revenues, Expenses, and Changes in  
Fund Net Position  
As of June 30, 2022**

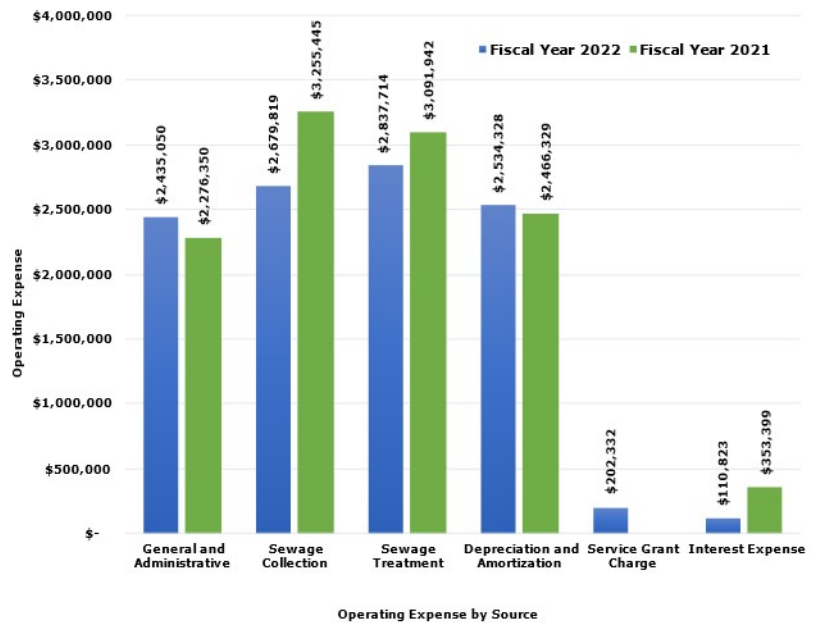
	<u>2022</u>	<u>2021</u>
Revenues:		
Sewer Service Charges	\$ 15,320,784	\$ 11,872,945
Connection Fees	4,242,643	831,978
Permits & Inspections	44,130	37,270
Other Operating	18,030	13,275
Nonoperating	<u>405,472</u>	<u>1,061,964</u>
Total Revenues	<u>\$ 20,031,059</u>	<u>\$ 13,817,432</u>
Expenses:		
Depreciation & Nonoperating	\$ 2,645,151	\$ 2,819,728
Administrative	2,435,050	2,276,350
Sewage Collection	2,679,819	3,255,445
Sewage Treatment	<u>2,837,714</u>	<u>3,091,942</u>
Total Expenses	<u>\$ 10,597,734</u>	<u>\$ 11,443,465</u>
Increase In Net Position	\$ 9,433,325	\$ 2,373,967
Beginning Net Position, (As Restated) (Note 14)	<u>103,042,155</u>	<u>100,668,188</u>
Ending Net Position	<u>\$ 112,475,480</u>	<u>\$103,042,155</u>

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

**Operating  
Revenues  
Fiscal  
Year  
2022 vs  
2021**



**Operating  
Expenses  
Fiscal  
Year  
2022 vs  
2021**



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

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**Capital Asset Administration**

The District's capital assets (net of accumulated depreciation) as of June 30, 2022 were \$72.3 million. This includes land, buildings, system improvements, machinery, and equipment. The increase is attributed to the addition of capital assets such as the steel waterline replacement, sewer main rehabilitation, and a Backhoe loader. There are also new projects that are in construction in progress such as the Recycled Water Project Phase I and the Collection System Repairs / Rehab / Replace Program construction.

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

- **Sewer Main Rehabilitation September 2021**
- **Purchase of a Backhoe Loader April 2022**
- **Steel Waterline Replacement June 2022**
- **Recycled Water Project Phase I May 2022**

**DISTRICT'S CAPITAL ASSETS**

**Table III  
Valley Sanitary District  
Capital Assets Net of Accumulated Depreciation  
As of June 30, 2022**

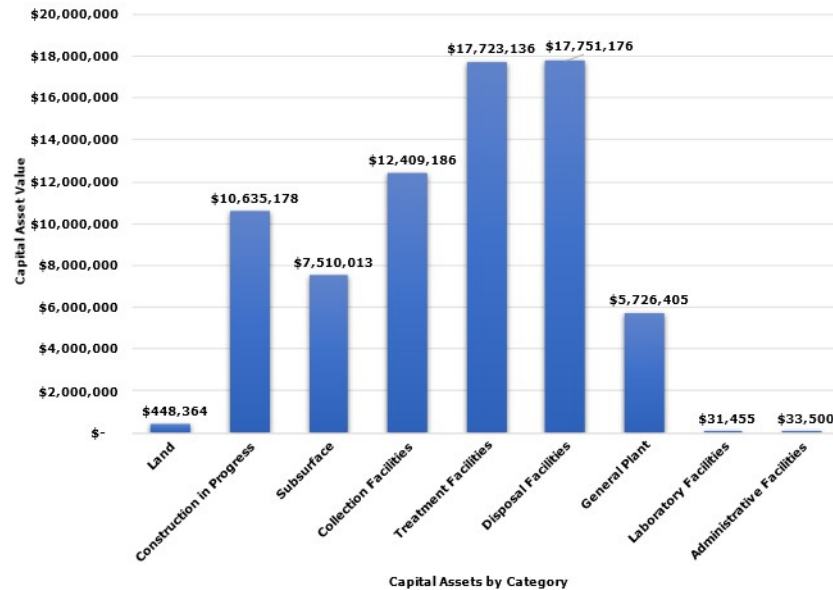
	June 30, 2022	June 30, 2021
	<u>                    </u>	<u>                    </u>
Land	\$ 448,364	\$ 448,364
Construction in progress	10,635,178	1,772,945
Subsurface	7,510,013	7,641,080
Collection facilities	12,409,186	12,780,232
Treatment facilities	17,723,136	17,953,779
Disposal facilities	17,751,176	18,343,929
General plant	5,726,405	5,796,806
Laboratory facilities	31,455	23,047
Admin facilities	33,500	62,131
Total	<u>\$ 72,268,413</u>	<u>\$ 64,822,313</u>



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

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**Capital  
Assets Net of  
Accumulated  
Depreciation  
Fiscal Year  
2022**



Additional information on the District's capital assets can be found on page 32, Note 5, of this report.

### **Long-term Debt Administration**

At the end of June 30, 2022, the District had total long-term debt of \$86.2 million.

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

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

The District executed the installment sale agreement in May of 2022 with Banc of America Capital Corp for the Recycled Water Project Phase 1. The Reclaimed Water Project – Phase 1 will replace an aging and capacity restricting grit chamber and provide redundancy by adding a second digester and

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

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expanding the bar screens. This project will also include adding a sludge thickener unit. This project is necessary to meet anticipated regulatory requirements, tertiary treatment, and recycled water production. The total amount of the loan funded was \$71,000,000 at an interest rate of 2.75%. The District will make installment payments commencing December 1, 2022, and scheduled to end June 1, 2042.

**DISTRICT'S OUTSTANDING DEBT**

**Table IV  
Valley Sanitary District  
Outstanding Debt  
As of June 30, 2022**

	2022	2021
Revenue refunding bond	\$ 3,165,000	\$ 3,880,000
Bond premium	494,185	293,161
Banc of America Co	71,000,000	-
CWSRF loan	11,550,856	11,901,885
Total	<u>\$ 86,210,041</u>	<u>\$ 16,075,046</u>

Additional information on the District's long-term debt can be found on page 33, Note 8, of this report.

**Economic Factors and Next Year's Budget**

In the fiscal year 2021/22, the District concentrated on slow and steady growth and progress. The District's new rate structure for the Sewer Use Charge (SUC) was implemented on July 1, 2021, and will continue through June 30, 2026. In the fiscal year 2022/23 the District is projecting an increase of 12.5% or \$1.9M due to the rate increase. The additional revenues are needed to maintain operating service levels, fund critical high-risk projects identified in the 20-Year District-Wide Master Plan and meet debt service requirements. In addition to using the additional SUC revenue, the District plans to finance \$165 million through various loan programs to bridge the gap. The District has already commenced its financing initiatives by successfully closing a \$71 million dollar loan through Banc of America Corp for the Recycled Water Project Phase I.

In the fiscal year 2021/22, the District received higher than projected revenues by \$3.2 million. The additional revenue was mainly attributed to connection fees from increased development activities. The City of Indio permitted a mixed-use affordable housing development consisting of 184 residential units known as Arroyo Crossing. Phase II of the Arroyo Crossing project has been entitled and is proposing to develop 214 units. Additionally, the City of Indio is continuing with its \$40 million renovations to the Indio Marketplace which will include new retail and dining establishments.<sup>1</sup>

The COVID-19 Pandemic created uncertainty in the economy that influenced many agencies to make conservative projections and strategically plan expenditures. The City of Indio was no exception budgeting in Fiscal 2021/22 projecting a deficit of \$9.4M.

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

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The fiscal year 2022/2023 financial planning process focused on prioritizing resources and aligning with the core strategic goals. The operating budget for the fiscal year 2022/2023 is \$16.2M million and is supplemented with \$33.5 million in the capital budget, to produce a total financial program of \$49.7 million. This represents an increase of \$5.2 million over the fiscal year 2021/2022 operating budget and an increase of \$17.6 million over the capital budget. The operating budget encompasses costs such as administrative wages, materials, supplies, insurance premiums, loan repayments, and the overhead costs required to run day-to-day operations. In the fiscal year, 2022/23 operating budget the increases are attributed to \$3.3M in debt services, and \$736K in CalPERS Unfunded Accrued Liability (UAL). The capital budget increase is attributed to the Recycled Water Project Phase I \$17.7 million, this project is funded through the Banc of America Corp loan. The capital budget incorporates key projects to help further advance the District's Capital Improvement Program (CIP) as well as the rehabilitation and replacement of assets that have met their useful life.

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

The executive team along with the Board of Directors were proactive, reviewed, and adjusted resources to maintain essential services. The fiscal year 2022/2023 operating and capital budget will ensure that the District can continue with its mission of serving the City of Indio and the surrounding communities by collecting, treating, and recycling wastewater to ensure a healthy environment and sustainable water supply.

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1. Riverside County. (2021). Riverside County. <https://rivco4.org/Cities/Indio>

### **Requests for Information**

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

## **Basic Financial Statements**

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**VALLEY SANITARY DISTRICT**  
**Statement of Net Position**  
**June 30, 2022**  
**(with comparative totals for June 30, 2021)**

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and investments (note 3)	\$ 134,115,856	56,768,349
Accounts receivable, net (note 4)	870,290	380,348
Interest receivable	105,007	41,538
Inventories of materials	148,905	149,715
Prepaid items	433,295	366,184
Total current assets	<u>135,673,353</u>	<u>57,706,134</u>
Noncurrent assets:		
Capital assets, not being depreciated (note 5)	11,083,542	2,221,309
Capital assets, being depreciated (note 5)	61,184,871	62,601,004
Investment in joint venture (note 6)	411,928	186,928
Total noncurrent assets	<u>72,680,341</u>	<u>65,009,241</u>
Total assets	<u>208,353,694</u>	<u>122,715,375</u>
Deferred outflows of resources		
Deferred loss on refunding, net	164,015	205,892
Deferred outflows of resources related to pensions (note 10)	543,508	891,477
Deferred outflows of resources related to OPEB (note 11)	442,286	462,861
Total deferred outflows of resources	<u>1,149,809</u>	<u>1,560,230</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	7,882,914	637,793
Accrued expenses	384,398	-
Accrued payroll and related liabilities	158,989	255,332
Interest payable	11,391	14,370
Compensated absences, due within one year (note 7)	408,094	363,959
Bonds payable, due within one year (note 8)	850,512	715,000
Loans payable, due within one year (note 8)	1,277,293	351,029
Total current liabilities	<u>10,973,591</u>	<u>2,337,483</u>
Noncurrent liabilities:		
Compensated absences, due in more than one year (note 7)	240,603	219,769
Bonds payable, due in more than one year (note 8)	2,708,161	3,659,185
Loans payable, due in more than one year (note 8)	81,273,563	11,550,856
Net pension liabilities (note 10)	444,605	2,574,246
Net OPEB liabilities (note 11)	503,257	639,520
Total noncurrent liabilities	<u>85,170,189</u>	<u>18,643,576</u>
Total liabilities	<u>96,143,780</u>	<u>20,981,059</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions (note 10)	785,371	250,101
Deferred inflows of resources related to OPEB (note 11)	98,872	2,290
Total deferred inflows of resources	<u>884,243</u>	<u>252,391</u>
<b>Net Position</b>		
Net investment in capital assets	57,312,137	48,752,135
Restricted for debt service	4,963,830	2,005,722
Unrestricted	50,199,513	52,284,298
Total net position	<u>\$ 112,475,480</u>	<u>103,042,155</u>

See accompanying notes to the basic financial statements.



**VALLEY SANITARY DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the year ended June 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Sewer service charges	\$ 15,320,784	11,872,945
Connection fees	4,242,643	831,978
Permit and inspection fees	44,130	37,270
Other services	18,030	13,275
Total operating revenues	<u>19,625,587</u>	<u>12,755,468</u>
Operating Expenses:		
General and administrative	2,435,050	2,276,350
Sewage collection	2,679,819	3,255,445
Sewage treatment	2,837,714	3,091,942
Depreciation	2,534,328	2,466,329
Total operating expenses	<u>10,486,911</u>	<u>11,090,066</u>
Operating Income	<u>9,138,676</u>	<u>1,665,402</u>
Nonoperating Revenues (Expenses):		
Property taxes	1,125,201	1,018,280
Homeowners' tax relief	6,668	5,669
Investment income (loss)	(606,284)	32,137
Interest expenses	(313,155)	(353,399)
Other revenues	64,311	1,804
Gain on disposal of assets	17,908	4,074
Total nonoperating revenues (expenses)	<u>294,649</u>	<u>708,565</u>
Change in net position	9,433,325	2,373,967
Net Position:		
Beginning of year	<u>103,042,155</u>	<u>100,668,188</u>
End of year	<u>\$ 112,475,480</u>	<u>103,042,155</u>

See accompanying notes to the basic financial statements.

**VALLEY SANITARY DISTRICT**  
**Statement of Cash Flows**  
**For the year ended June 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 19,135,645	12,758,701
Cash payments to suppliers and vendors for goods and services	(3,319,817)	(3,051,104)
Cash payments to employees for services	<u>(5,289,113)</u>	<u>(4,668,969)</u>
Net cash provided by operating activities	<u>10,526,715</u>	<u>5,038,628</u>
Cash flows from noncapital financing activities:		
Property taxes	1,125,201	1,018,280
Homeowners' tax relief	<u>6,668</u>	<u>5,669</u>
Net cash provided by noncapital financing activities	<u>1,131,869</u>	<u>1,023,949</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,993,772)	(2,173,055)
Proceeds from sale of assets	18,246	37,089
Principal paid on bonds payable	(715,000)	(685,000)
Interest paid on bonds and loans payable	(374,769)	(414,888)
Principal paid on loans payable	(351,029)	(345,161)
Loan proceeds	<u>71,000,000</u>	<u>-</u>
Net cash (used in) capital and related financing activities	<u>66,583,676</u>	<u>(3,581,015)</u>
Cash flows from investing activities:		
Interest received	(669,753)	168,258
Cash payment to joint venture	<u>(225,000)</u>	<u>(31,928)</u>
Net cash provided by investing activities	<u>(894,753)</u>	<u>136,330</u>
Net increase in cash and cash equivalents	77,347,507	2,617,892
Cash and cash equivalents:		
Beginning of year	<u>56,768,349</u>	<u>54,150,457</u>
End of year	<u>\$ 134,115,856</u>	<u>56,768,349</u>

See accompanying notes to the basic financial statements.

**VALLEY SANITARY DISTRICT**  
**Statement of Cash Flows (Continued)**  
**For the year ended June 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by operating activities		
Net operating income	\$ 9,138,676	1,665,402
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,534,328	2,466,329
Other nonoperating revenues	64,311	18,017
Changes in operating assets and liabilities:		
Accounts receivable	(489,942)	3,233
Inventories of materials	810	(21,158)
Prepaid items	(67,111)	(4,504)
Pension related deferred outflows of resources	347,969	998,005
OPEB related deferred outflows of resources	20,575	(419,914)
Accounts payable	258,127	249,317
Accrued expenses	384,398	-
Accrued payroll and related liabilities	(96,343)	64,847
Compensated absences	64,969	69,230
Net pension liabilities	(2,129,641)	(198,452)
Net OPEB liabilities	(136,263)	27,888
Pension related deferred inflows of resources	535,270	118,145
OPEB related deferred inflows of resources	96,582	2,243
Net cash provided by operating activities	<u>\$ 10,526,715</u>	<u>5,038,628</u>
Noncash items from capital and related financing activities:		
Amortization of deferred loss on refunding	<u>\$ 41,877</u>	<u>41,877</u>
Amortization of premium	<u>\$ (100,512)</u>	<u>(100,512)</u>

See accompanying notes to the basic financial statements.

**VALLEY SANITARY DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

	<u>Custodial Fund</u>
Assets:	
Cash and investments (note 3)	\$ 724,417
Cash with fiscal agent (note 3)	618,776
Assessment receivable	2,932
Interest receivable	<u>1,278</u>
Total assets	<u><u>1,347,403</u></u>
 Net Position	 <u><u>\$ 1,347,403</u></u>

See accompanying notes to the basic financial statements.

**VALLEY SANITARY DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**June 30, 2022**

	<u>Custodial Fund</u>
Additions:	
Special tax assessments	\$ 2,858
Administrative fees	12,831
Interest income	<u>18,036</u>
Total additions	<u>33,725</u>
 Deductions:	
Interest Expense	5,608
Principal Payments	<u>15,000</u>
Total deductions	<u>20,608</u>
 Changes in net position	 13,117
 Net Position, beginning of year	 <u>1,334,286</u>
 Net Position, end of year	 <u>\$ 1,347,403</u>

See accompanying notes to the basic financial statements.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements**  
**Year ended June 30, 2022**

**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)  
Year ended June 30, 2022**

**Note 2 – Summary of Significant Accounting Policies**

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

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

Fiduciary Fund Financial Statements

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

Cash, Cash Equivalents, and Investments

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

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

Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectible accounts are based on prior experience and management's assessment of the collectability of existing accounts. As of June 30, 2022, there is no allowance for doubtful accounts.

Inventory of Materials

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



**Valley Sanitary District  
Notes to the Basic Financial Statements (Continued)  
Year ended June 30, 2022**

**Note 2 – Summary of Significant Accounting Policies**

Prepaid Items

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

Capital Assets

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

Compensated Absences

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

**Valley Sanitary District  
Notes to the Basic Financial Statements (Continued)  
Year ended June 30, 2022**

**Note 2 – Summary of Significant Accounting Policies**

Pensions

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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 OPEB reporting:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 2 – Summary of Significant Accounting Policies**

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, 2022.

Net Position

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

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

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

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

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

Property Taxes

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

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

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

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 2 – Summary of Significant Accounting Policies**

Use of Estimates

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

Comparative Data

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

**Note 3 – Cash and Investments**

At June 30, 2022, cash and investments are classified in the accompanying statements of net position as follows:

	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	\$ 134,115,856	724,417	134,840,273
Cash and investments with fiscal agent	-	618,776	618,776
	<u>\$ 134,115,856</u>	<u>1,343,193</u>	<u>135,459,049</u>

At June 30, 2022, cash and investments consisted of the following:

Cash on hand	\$ 500
Demand deposits	2,378,697
Investments	<u>133,079,852</u>
Total cash and investments	<u>\$135,459,049</u>

Demand Deposits

At June 30, 2022, the carrying amount of cash deposit was \$2,378,697, 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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 3 – Cash and Investments**

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 and Bonds with a 5-year maximum maturity
- Shares of Beneficial Interest issued by joint powers authority

Local Agency Investment Fund

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

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

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

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. As of June 30, 2022, the District had \$60,397,316 invested in LAIF, which had invested 1.10% of the pooled investment funds in Structured Notes and Medium-term Asset-Backed Securities. LAIF is reported at amortized costs, which approximates fair value.

CalTrust Medium Term Fund

As of June 30, 2022, the District had \$1,057,211 invested in CalTrust Medium Term Fund. CalTrust Medium Term Fund is reported at amortized costs, which approximates fair value.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 3 – Cash and Investments**

Money Market Fund

As of June 30, 2022, the District had \$618,776 invested in money market fund and held by the bond trustee. The District's investments in money market funds are considered cash equivalents as they are short-term, highly liquid investments that are readily convertible to known amounts of cash, 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, 2022, 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, 2022, the District had the following investments with the following ratings:

	Minimum Legal Rating	AAA	Not Rated	Total
Local Agency Investment Fund	N/A	\$ -	60,397,316	60,397,316
CalTrust Medium Trust Fund	N/A	-	1,057,211	1,057,211
Goldman Sachs Escrow	N/A	-	71,006,549	71,006,549
Held by bond trustee:				
Money market fund	AAA	618,776	-	618,776
Total investments		<u>\$ 618,776</u>	<u>132,461,076</u>	<u>133,079,852</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**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, 2022, the accounts receivable were as follows:

Direct billing, connection fee and reimbursement receivables	\$ 589,660
Property taxes and sewer use receivable from County of Riverside	273,787
Workers' comp receivable	2,593
Basic employee receivable	4,250
Total accounts receivables	<u>\$ 870,290</u>

**Note 5 – Capital Assets**

Summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not depreciated				
Land	\$ 448,364	-	-	448,364
Construction in progress	1,772,945	8,862,233	-	10,635,178
Total capital assets, not depreciated	2,221,309	8,862,233	-	11,083,542
Capital assets, being depreciated				
Subsurface	20,677,314	201,110	-	20,878,424
Sewage collection facilities	16,610,055	44,235	(44,418)	16,609,872
Wastewater treatment facilities	35,854,535	481,253	(60,426)	36,275,362
Sludge disposal facilities	24,681,864	-	-	24,681,864
General plant facilities	8,889,022	376,411	(6,772)	9,258,661
Laboratory facilities	31,195	15,524	-	46,719
Administrative facilities	151,386	-	-	151,386
Total capital assets, being depreciated	106,895,371	1,118,533	(111,616)	107,902,288
Less accumulated depreciation				
Subsurface	(13,037,264)	(316,447)	-	(13,353,711)
Sewage collection facilities	(3,859,006)	(432,353)	44,418	(4,246,941)
Wastewater treatment facilities	(17,897,697)	(708,798)	60,426	(18,546,069)
Sludge disposal facilities	(6,337,913)	(592,753)	-	(6,930,666)
General plant facilities	(3,063,753)	(447,017)	6,434	(3,504,336)
Laboratory facilities	(8,148)	(7,115)	-	(15,263)
Administrative facilities	(90,586)	(29,845)	-	(120,431)
Total accumulated depreciation	(44,294,367)	(2,534,328)	111,278	(46,717,417)
Total capital assets, being depreciated, net	62,601,004	(1,415,795)	(338)	61,184,871
Total capital assets, net	<u>\$ 64,822,313</u>	<u>7,446,438</u>	<u>(338)</u>	<u>72,268,413</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 6 – Investment in Joint Venture**

On December 18, 2013, the District entered into a Joint Powers Agreement with the City of Indio (the "City") to form the East Valley Reclamation Authority (the "JPA") to plan, program, finance, design and operate a reclaimed water facility to bring a sustainable water supply and manage the water resources for the customers of the Indio Water Authority (a blended component unit of the City) and the District. The costs and expenses of the JPA are generally shared equally by the City and the District unless otherwise determined by the JPA's Board of Directors, except that the District is responsible for 100% of the costs and expenses associated with the design and construction of facilities for the District's compliance with any permit terms. During the year ended June 30, 2022, the District made a contribution to the JPA in the amount of \$225,000. As of June 30, 2022, the District reported investments in joint venture in the amounts of \$411,928. Copies of the annual financial report for the JPA may be obtained from the finance department of the City of Indio.

**Note 7 – Compensated Absences**

Summary of changes in compensated absences for the year ended June 30, 2022 is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
\$ 583,728	199,405	(134,436)	648,697	408,094	240,603

**Note 8 – Long-term Debt**

Summary of changes in long-term debt for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	\$ 3,880,000	-	(715,000)	3,165,000	750,000	2,415,000
Bond Premium, net of amortization	494,185	-	(100,512)	393,673	100,512	293,161
State Water Resources Control Board Revolving Fund Loan	11,901,885	-	(351,029)	11,550,856	356,997	11,193,859
Banc of America loan	-	71,000,000	-	71,000,000	920,296	70,079,704
	<u>\$ 16,276,070</u>	<u>71,000,000</u>	<u>(1,166,541)</u>	<u>86,109,529</u>	<u>2,127,805</u>	<u>83,981,724</u>

**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. Interest rate of 5% (except for 2.125% in 2023) is payable semi-annually on each December 1 and June 1 beginning December 1, 2015. The bonds are not subject to redemption prior to maturity. The outstanding balance as of June 30, 2022 was \$3,165,000.



**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 8 – Long-term Debt**

Future debt service requirements are as follows:

2015 Wastewater Revenue Refunding Bonds			
Year Ending June 30,	Principal	Interest	Total
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
	<u>\$ 3,165,000</u>	<u>382,187</u>	<u>3,547,187</u>

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, 2022, the outstanding balance of the SWRCB revolving fund loan was \$11,550,856.

Future debt service requirements are as follows:

State Water Resources Control Board Revolving Fund Loan			
Year Ending June 30,	Principal	Interest	Total
2023	\$ 356,997	196,363	553,360
2024	363,065	190,296	553,361
2025	369,237	184,124	553,361
2026	375,514	177,846	553,360
2027	381,898	171,463	553,361
2028-2032	2,009,110	757,694	2,766,804
2033-2037	2,185,789	581,014	2,766,803
2038-2042	2,378,007	388,795	2,766,802
Thereafter	3,131,239	188,925	3,320,164
	<u>\$ 11,550,856</u>	<u>2,836,520</u>	<u>14,387,376</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, 2022 in the amount of \$1,106,722. Debt covenants of the SWRCB revolving fund loan require that the District have net revenues that are at least 125% of the total debt service payments (including

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 8 – Long-term Debt**

2015 Wastewater Revenue Refunding Bonds). Net revenue and total debt service paid during the year ended June 30, 2022, were in the amount of \$11,673,004 and \$1,445,848 which resulted in ratio of 808%.

Banc of America Loan

On May 13, 2022, the District executed the installment sale agreement with Banc of America Public Capital Corp (Lender) to finance public capital improvements to the District's wastewater system. The total amount of the loan funded was \$71,000,000. The District will make installment payments to the Lender commencing December 1, 2022 and scheduled to end June 1, 2042. As of June 30, 2022, the outstanding balance of the Banc of America loan was \$71,000,000.

Future debt service requirements are as follows:

Banc of America Loan			
Year Ending June 30,	Principal	Interest	Total
2023	\$ 920,296	976,250	1,896,546
2024	1,901,556	963,596	2,865,152
2025	1,272,389	937,450	2,209,839
2026	2,366,972	919,954	3,286,926
2027	2,576,648	887,408	3,464,056
2028-2032	19,755,151	3,729,179	23,484,330
2033-2037	20,996,048	2,327,118	23,323,166
2038-2042	21,210,940	887,086	22,098,026
	\$ 71,000,000	11,628,041	82,628,041

**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, 2022, the outstanding balance of the bond was in the amount of \$4,300,000.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**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, 2020 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, 2020 valuation date, the following employees were covered by the benefit terms:

	2020	
	Classic	PEPRA
Active employees	15	17
Transferred and terminated employees	17	9
Retired employees and beneficiaries	16	-
	<u>48</u>	<u>26</u>

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 Plan 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 have 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,

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 10 – Pension Plans**

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, 2021, the active employee contribution rate for miscellaneous plan and PEPRa miscellaneous plan is 8.00% and 7.25% of annual pay, respectively, and the employer's contribution rate is 11.533% and 7.072% of annual payroll, respectively.

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

The June 30, 2020, valuations were rolled forward to determine the June 30, 2021 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 <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

<sup>1</sup>The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumption

In 2021, there were no changes of assumptions.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 10 – Pension Plans**

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 below and adjusted to account for assumed administrative expenses.

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

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1-10 <sup>2</sup>	Real Return Years 11+ <sup>3,4</sup>
Public 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 Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92)%

<sup>1</sup>In the System's Annual Comprehensive Financial Report (ACFR), 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.

<sup>2</sup>An expected inflation of 2.00% used

<sup>3</sup>An expected inflation of 2.92% used

<sup>4</sup>Figures are based on ALM of 2017

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)**  
**Year ended June 30, 2022**

**Note 10 – Pension Plans**

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, 2021, 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 - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
June 30, 2021	\$ 2,463,738	444,605	(1,224,583)

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report 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:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/20 (Valuation date)	\$ 14,237,629	11,663,383	2,574,246
Balance at: 6/30/21 (Measurement date)	15,292,879	14,848,274	444,605
Net changes during 2020-2021	<u>(1,055,250)</u>	<u>(3,184,891)</u>	<u>2,129,641</u>

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

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

Measurement Date	
30, 2020	0.02366%
30, 2021	<u>0.00822%</u>
Change - Increase (Decrease)	<u>-0.01544%</u>

For the year ended June 30, 2022, the District recognized pension credit in the amount of \$948,849.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 10 – Pension Plans**

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.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	\$ 49,858	-
Differences between Projected and Actual Investment Earnings	-	(388,117)
Differences between Employer's Contributions and Proportionate Share of Contributions	173,718	(218,488)
Change in Employer's Proportion	22,378	(178,766)
Pension Contributions Made Subsequent to Measurement Date	297,554	-
Total	<u>\$ 543,508</u>	<u>(785,371)</u>

Deferred outflows of resources related to pension resulting from District's contributions subsequent to the measurement date in the amount of \$297,554 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

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

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (88,736)
2024	(192,103)
2025	(151,322)
2026	(107,256)
2027	-
Thereafter	-
Total	<u>(539,417)</u>

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

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 10 – Pension Plans**

such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are not the property of the District and, as such, are not subject to the claims of the District's general creditors. As a result, the assets of the 457 plan are not reflected in the financial statements.

**Note 11 – Other Postemployment Benefits (“OPEB”)**

General Information about the OPEB Plan

Plan Description

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

Benefit Types Provided	Medical only
Duration of Benefits	Lifetime
Required Services	5 years
Minimum Age	50
Dependent Coverage	Yes
District Contribution %	100%
District Cap	\$149.00 per month* for measurement period 20-21

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

Employees Covered by Benefit Term

At June 30, 2021 valuation date, the following employees were covered by the benefit term:

Active employees	22
Inactive employees receiving benefits	8
Inactive employees entitled to but not receiving benefits	-
Total	<u>30</u>

Contribution

The obligation of the District to contribute to the plan is established and may be amended by the District's Board of Directors. 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)**  
**Year ended June 30, 2022**

**Note 11 – Other Postemployment Benefits (“OPEB”)**

Net OPEB Liability

The District’s 2022 net OPEB liability is measured as of June 30, 2021, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

Total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate

The discount rate of 6.75% was used in the valuation. The Actuary used historic 28 year real rates of return for each asset class along with the assumed long-term inflation assumption to set the discount rate. The Actuary offset the expected investment return by investment expenses of 25 basis points. The following is the assumed asset allocation and assumed rate of return:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
All Equities	59.00%	7.545%
All Fixed Income	25.00%	4.250%
Real Estate Investment Trusts	8.00%	7.250%
All Commodities	3.00%	7.545%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.000%
	<u>100.00%</u>	

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 11 – Other Postemployment Benefits (“OPEB”)**

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.

	Increase (Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020 (measurement date)	\$ 789,982	150,462	639,520
Changes recognized for the measurement period:			
Service Cost	25,260	-	25,260
Interest on total OPEB liability	56,183	45,868	10,315
Difference between expected and actual experience	(79,782)	-	(79,782)
Difference in benefit payment	-	-	-
Employer contributions	-	115,209	(115,209)
Employee contributions	-	-	-
Changes in assumptions	23,088	-	23,088
Administrative expenses	-	(65)	65
Benefit payments	(57,074)	(57,074)	-
Net change during measurement period 2020-2021	(32,325)	103,938	(136,263)
Balance at June 30, 2021 (measurement date)	\$ 757,657	254,400	503,257

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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current discount rate:

	Net OPEB Liability		
	Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
Measurement Date			
June 30, 2021	\$ 583,355	503,257	435,597

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

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

	Net OPEB Liability		
	Healthcare Cost Trend Rate -1% (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	Healthcare Cost Trend Rate +1% (5.00%)
Measurement Date			
June 30, 2021	\$ 423,248	503,257	600,828

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 11 – Other Postemployment Benefits (“OPEB”)**

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

For the year ended June 30, 2022, the District recognized OPEB expense in the amount of \$94,461. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
OPEB contribution after measurement date	\$ 56,493	-
Changes of assumptions	358,697	-
Difference between expected and actual experience	27,096	(75,812)
Projected earnings on pension plan investments under/(in excess of) actual earnings	-	(23,060)
Total	<u>\$ 442,286</u>	<u>(98,872)</u>

Deferred outflows of resources related to OPEB resulting from District’s contributions subsequent to the measurement date in the amount of \$56,493 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2023.

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

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 25,519
2024	25,531
2025	25,267
2026	24,247
2027	30,906
Thereafter	155,451
Total	<u>286,921</u>

**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, 2022, the District had insurance expenses in the amounts of \$329,747 in premium payments.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2022, 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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**Year ended June 30, 2022**

**Note 13 – Commitments and Contingencies**

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, 2022, credits of \$224,471 have been applied, leaving a balance of \$118,932 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, 2022:

Projects:

Collection System Repairs / Rehab / Replace Const	\$ 3,666,667
Collection System Repairs / Rehab / Replace Program Design	1,228,340
Sewer Siphon Replacement at Westward Ho – Design	638,000
Sewer Siphon Replacement at Westward Ho – Construction	4,464,000
Influent Pump Station Rehabilitation Project	3,300,000
Recycled Water Project Phase 1 (Bank of America loan)	17,763,656
	<u>\$ 31,060,663</u>

**Required Supplementary Information  
(Unaudited)**

Valley Sanitary District  
Required Supplementary Information  
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios  
Year ended June 30, 2022

Last Ten Fiscal Years

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

Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension liability	<u>0.02185%</u>	<u>0.02397%</u>	<u>0.02461%</u>	<u>0.02573%</u>	<u>0.02584%</u>
District's proportionate share of the net pension liability	<u>\$ 1,359,412</u>	<u>1,645,582</u>	<u>2,129,724</u>	<u>2,551,281</u>	<u>2,490,030</u>
District's covered payroll	<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>
District's proportionate share of the net pension liability as a percentage of covered payroll	<u>75.31%</u>	<u>83.10%</u>	<u>106.24%</u>	<u>111.93%</u>	<u>129.92%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>83.77%</u>	<u>81.08%</u>	<u>77.15%</u>	<u>77.13%</u>	<u>79.13%</u>

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

Valley Sanitary District  
Required Supplementary Information  
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)  
Year ended June 30, 2022

Last Ten Fiscal Years

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

Measurement date	June 30, 2019	June 30, 2020	June 30, 2021
District's proportion of the net pension liability	<u>0.02706%</u>	<u>0.02366%</u>	<u>0.82200%</u>
District's proportionate share of the net pension liability	<u>2,772,698</u>	<u>2,574,246</u>	<u>444,605</u>
District's covered payroll	<u>2,362,608</u>	<u>2,427,580</u>	<u>2,768,913</u>
District's proportionate share of the net pension liability as a percentage of covered payroll	<u>117.36%</u>	<u>106.04%</u>	<u>16.06%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>78.86%</u>	<u>81.92%</u>	<u>81.92%</u>

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

Valley Sanitary District  
Required Supplementary Information  
Schedule of Contributions - Pensions  
Year ended June 30, 2022

Last Ten Fiscal Years

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

Fiscal year end	2013-14 <sup>1</sup>	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution <sup>2</sup>	\$ 340,629	279,922	203,392	303,301	323,626
Contribution in relation to the actuarially determined contribution <sup>2</sup>	(1,126,986)	(279,922)	(203,392)	(303,301)	(323,626)
Contribution deficiency/(excess)	<u>\$ (786,357)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll <sup>3</sup>	<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>

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

<sup>2</sup> 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.

<sup>3</sup> Reportable earnings to CalPERS, closed

Notes to Schedule:

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year rampup and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

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



Valley Sanitary District  
Required Supplementary Information  
Schedule of Contributions - Pensions (Continued)  
Year ended June 30, 2022

Last Ten Fiscal Years

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

Fiscal year end	2018-19	2019-20	2020-21	2021-22
Actuarially determined contribution <sup>2</sup>	\$ 814,982	716,153	284,596	297,554
Contribution in relation to the actuarially determined contribution <sup>2</sup>	<u>(814,982)</u>	<u>(716,153)</u>	<u>(284,596)</u>	<u>(297,554)</u>
Contribution deficiency/(excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll <sup>3</sup>	<u>\$ 2,362,608</u>	<u>2,427,580</u>	<u>2,768,913</u>	<u>3,010,687</u>
Contributions as a percentage of covered payroll	<u>34.50%</u>	<u>29.50%</u>	<u>10.28%</u>	<u>9.88%</u>

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

<sup>2</sup> 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.

<sup>3</sup> Reportable earnings to CalPERS, closed

Notes to Schedule:

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year rampup and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption and method changes and non-investment gains/losses. The new policy does not utilize a 5-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

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

Valley Sanitary District  
Required Supplementary Information  
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios  
Year ended June 30, 2022

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement period	June 30, 2017 <sup>1</sup>	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB liability					
Service cost	\$ 8,775	9,016	9,264	24,584	25,260
Interest	15,962	17,288	18,677	52,317	56,183
Difference in benefit terms	-	-	116	(2,443)	(79,782)
Differences between expected and actual experience	-	-	34,873	-	-
Changes of assumption	-	-	435,621	-	23,088
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)	(57,074)
Net change in total OPEB liability	18,816	20,146	491,425	32,872	(32,325)
Total OPEB liability, beginning	226,723	245,539	265,685	757,110	789,982
Total OPEB liability, ending (a)	245,539	265,685	757,110	789,982	757,657
OPEB fiduciary net position					
Contributions - employer	21,565	27,960	14,136	41,586	115,209
Net investment income	9,580	8,919	8,063	5,055	45,868
Benefit payments	(5,921)	(6,158)	(7,126)	(41,586)	(57,074)
Administrative expense	(80)	(193)	(28)	(71)	(65)
Other	-	(15,583)	-	-	-
Net change in plan fiduciary net position	25,144	14,945	15,045	4,984	103,938
Plan fiduciary net position, beginning	90,344	115,488	130,433	145,478	150,462
Plan fiduciary net position, ending (b)	115,488	130,433	145,478	150,462	254,400
Plan net OPEB liability - ending (a) - (b)	\$ 130,051	135,252	611,632	639,520	503,257
Plan's fiduciary net position as a percentage of the total OPEB liability	47.03%	49.09%	19.21%	19.05%	33.58%
Covered payroll	\$ 2,279,280	2,059,259	2,362,608	2,427,580	2,768,913
Plan net OPEB liability as a percentage of covered payroll	5.71%	6.57%	25.89%	26.34%	18.18%

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

Valley Sanitary District  
Required Supplementary Information  
Schedule of Contributions - Other Postemployment Benefits  
For the year ended June 30, 2022

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2016-17 <sup>1</sup>	2017-18	2018-19	2019-20	2020-21	2021-22
Actuarially determined contribution <sup>2</sup>	\$ 15,225	-	-	-	-	-
Contribution in relation to the actuarially determined contribution <sup>2</sup>	(21,565)	(27,599)	(14,136)	(9,990)	(58,135)	(43,534)
Contribution deficiency/(excess)	<u>\$ (6,340)</u>	<u>(27,599)</u>	<u>(14,136)</u>	<u>(9,990)</u>	<u>(58,135)</u>	<u>(43,534)</u>
Covered payroll	<u>\$ 2,279,280</u>	<u>2,059,259</u>	<u>2,362,608</u>	<u>2,427,580</u>	<u>2,768,913</u>	<u>3,010,687</u>
Contributions as a percentage of covered payroll	<u>0.95%</u>	<u>1.34%</u>	<u>0.60%</u>	<u>0.41%</u>	<u>2.10%</u>	<u>1.45%</u>

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

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

Notes to Schedule:

Valuation date:	June 30, 2021
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:	6.75% 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:	2017 CalPERS active mortality for miscellaneous employees
Retirement rates:	Hired < 1/1/2013: 2017 CalPERS 2.0%@62 rate for miscellaneous employee Hired > 12/31/12: 2017 CalPERS 2.5%@55 rate for miscellaneous employees adjusted to reflect minimum retirement age of 52

## **Supplementary Information**

**VALLEY SANITARY DISTRICT**  
**Schedule of Operating Expenses**  
**Year ended June 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	General and Administrative	Sewage Collection	Sewage Treatment	Total	
				2022	2021
Salaries and wages	\$ 777,736	1,570,941	1,101,898	3,450,575	3,241,588
Employee benefits	194,379	243,682	142,109	580,170	2,022,841
Directors' fees	61,068	-	-	61,068	48,350
Insurance	329,747	-	-	329,747	308,396
Memberships	48,168	3,998	3,688	55,854	43,911
Office expenses	21,121	-	-	21,121	16,427
Permits	325	18,975	15,883	35,183	42,610
Operating supplies	42,062	43,170	81,228	166,460	193,811
Professional services	2,050	-	-	2,050	3,782
Repairs and maintenance	15,784	495,103	18,673	529,560	489,756
Travel and seminars	75,917	16,622	11,488	104,027	49,065
Utilities and telephone	30,227	12,040	746,183	788,450	667,942
Chemicals	-	-	400,075	400,075	407,342
Clothing	-	15,770	13,244	29,014	23,484
Certifications	6,040	6,029	3,557	15,626	4,430
Gas, oil and fuel	-	-	44,267	44,267	34,094
County charges	22,537	-	-	22,537	20,521
Contractual services	721,372	227,079	245,122	1,193,573	850,475
Publication/legal notices	2,614	-	-	2,614	3,673
Small tools	68,300	26,368	3,617	98,285	69,438
Other expenses	15,603	42	6,682	22,327	81,801
Total	<u>\$ 2,435,050</u>	<u>2,679,819</u>	<u>2,837,714</u>	<u>7,952,583</u>	<u>8,623,737</u>

# STATISTICAL SECTION



**STATISTICAL SECTION  
(UNAUDITED)**

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# Valley Sanitary District

## Statistical Section

### (Unaudited)

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This part of District's Annual Comprehensive 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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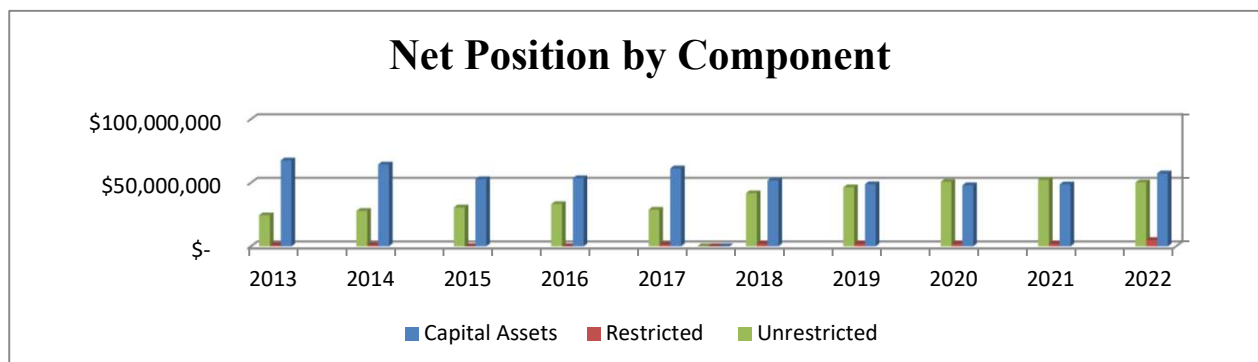
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**Valley Sanitary District**  
**Table of Net Position By Component**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30				
	2022	2021	2020	2019	2018
	As Restated				
<b>NET POSITION:</b>					
Net investment in					
Capital Assets	\$ 57,312,137	\$ 48,752,135	\$ 48,005,841	\$ 48,843,501	\$ 51,797,220
Restricted	4,963,830	2,005,722	2,005,722	2,005,722	1,958,648
Unrestricted	50,199,513	52,284,298	50,689,404	46,401,215	41,754,432
<b>TOTAL NET POSITION</b>	<b>\$ 112,475,480</b>	<b>\$ 103,042,155</b>	<b>\$ 100,700,967</b>	<b>\$ 97,250,438</b>	<b>\$ 95,510,300</b>

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

	Fiscal Year Ended June 30				
	2017	2016	2015	2014	2013
	As Restated		As Restated	As Restated	As Restated
<b>NET POSITION:</b>					
Net investment in					
Capital Assets	\$ 61,242,162	\$ 53,603,070	\$ 52,839,192	\$ 64,388,904	\$ 67,535,369
Restricted	1,413,000	-	-	964,900	964,900
Unrestricted	28,777,592	33,187,943	30,548,647	27,817,622	24,444,820
<b>TOTAL NET POSITION</b>	<b>\$ 91,432,754</b>	<b>\$ 86,791,013</b>	<b>\$ 83,387,839</b>	<b>\$ 93,171,426</b>	<b>\$ 92,945,089</b>



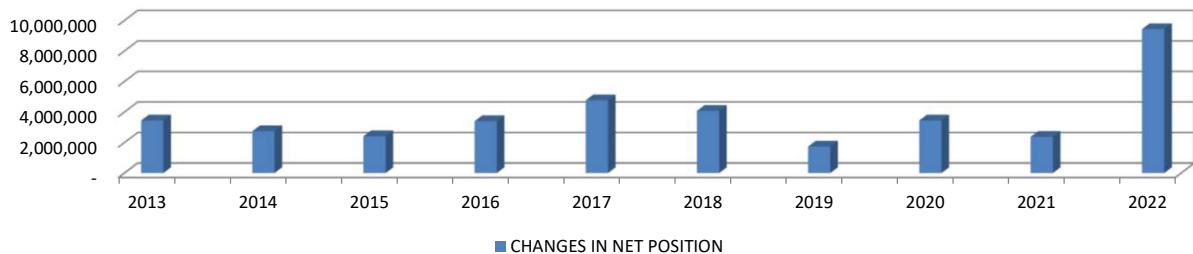
**Valley Sanitary District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Last Ten Fiscal Years**  
**Changes in Net Position**

	Fiscal Year Ended June 30				
	2022	2021	2020	2019	2018
			As Restated		
<b>OPERATING REVENUES:</b>					
Sewer service charges	\$ 15,320,784	\$ 11,872,945	\$ 11,198,100	\$ 11,139,580	\$ 11,004,428
Connection fees	4,242,643	831,978	832,348	1,010,031	1,272,580
Permits and inspection fees	44,130	37,270	21,225	25,390	17,885
Other services	18,030	13,275	13,640	10,950	10,139
<b>TOTAL OPERATING REVENUES</b>	<b>19,625,587</b>	<b>12,755,468</b>	<b>12,065,313</b>	<b>12,185,951</b>	<b>12,305,032</b>
<b>OPERATING EXPENSES:</b>					
General and administrative	2,435,050	2,276,350	2,270,072	2,089,490	1,652,714
Sewage collection	2,679,819	3,255,445	2,903,125	3,082,175	2,604,267
Sewage treatment	2,837,714	3,091,942	2,792,483	2,361,681	2,413,567
Sewage disposal	2,534,328	-	-	-	-
<b>Total administrative and plant</b>	<b>10,486,911</b>	<b>8,623,737</b>	<b>7,965,680</b>	<b>7,533,346</b>	<b>6,670,548</b>
<b>Other Operating Expenses</b>					
Depreciation		2,466,329	2,578,816	2,451,371	2,444,764
<b>TOTAL OPERATING EXPENSES</b>	<b>10,486,911</b>	<b>11,090,066</b>	<b>10,544,496</b>	<b>9,984,717</b>	<b>9,115,312</b>
<b>NET OPERATING INCOME</b>	<b>9,138,676</b>	<b>1,665,402</b>	<b>1,520,817</b>	<b>2,201,234</b>	<b>3,189,720</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Property taxes	1,125,201	1,018,280	902,875	862,297	794,367
Homeowner's tax relief	6,668	5,669	6,203	5,873	5,978
Investment income	(606,284)	32,137	1,143,026	1,193,840	479,862
Bond issue cost		-	-	-	-
Interest expense	(110,823)	(353,399)	(391,814)	(428,612)	(412,602)
Service Grant Charge	(202,332)	-	-	-	-
Gain (loss) on disposed assets	17,908	(12,139)	30,170	(2,120,122)	19,976
Other revenues	64,311	18,017	239,253	25,628	245
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>294,649</b>	<b>708,565</b>	<b>1,929,712</b>	<b>(461,096)</b>	<b>887,826</b>
<b>CHANGES IN NET POSITION</b>	<b>9,433,325</b>	<b>2,373,967</b>	<b>3,450,529</b>	<b>1,740,138</b>	<b>4,077,546</b>
<b>NET POSITION, beginning of the year</b>	<b>103,042,155</b>	<b>100,700,967</b>	<b>97,250,438</b>	<b>95,510,300</b>	<b>91,564,221</b>
<b>Prior period adjustments</b>		<b>(32,779)</b>	<b>-</b>	<b>-</b>	<b>(131,467)</b>
<b>NET POSITION, end of the year</b>	<b>\$ 112,475,480</b>	<b>\$ 103,042,155</b>	<b>\$ 100,700,967</b>	<b>\$ 97,250,438</b>	<b>\$ 95,510,300</b>

**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				
	2017	2016	2015	2014	2013
	As Restated		As Restated	As Restated	As Restated
<b>OPERATING REVENUES:</b>					
Sewer service charges	\$ 10,846,682	\$ 9,347,928	\$ 9,218,538	\$ 9,187,360	\$ 9,053,022
Connection fees	791,280	1,446,315	897,863	1,998,788	548,527
Permits and inspection fees	22,442	21,735	17,264	40,202	12,017
Other services	11,300	7,495	27,425	46,100	7,039
<b>TOTAL OPERATING REVENUES</b>	<b>11,671,704</b>	<b>10,823,473</b>	<b>10,161,090</b>	<b>11,272,450</b>	<b>9,620,605</b>
<b>OPERATING EXPENSES:</b>					
General and administrative	1,297,345	1,744,274	1,819,626	1,997,332	1,403,644
Sewage collection	2,091,041	856,871	866,622	855,884	917,799
Sewage treatment	2,048,207	3,104,860	3,140,480	3,631,992	2,588,299
Sewage disposal	-	-	-	-	338
<b>Total administrative and plant</b>	<b>5,436,593</b>	<b>5,706,005</b>	<b>5,826,728</b>	<b>6,485,208</b>	<b>4,910,080</b>
<b>Other Operating Expenses</b>					
Depreciation	1,980,043	2,309,350	2,334,398	2,335,264	1,841,601
<b>TOTAL OPERATING EXPENSES</b>	<b>7,416,636</b>	<b>8,015,355</b>	<b>8,161,126</b>	<b>8,820,472</b>	<b>6,751,681</b>
<b>NET OPERATING INCOME</b>	<b>4,255,068</b>	<b>2,808,118</b>	<b>1,999,964</b>	<b>2,451,978</b>	<b>2,868,924</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Property taxes	761,756	709,233	745,800	605,711	899,670
Homeowner's tax relief	6,203	6,343	6,461	6,604	6,690
Investment income	170,869	142,649	75,611	52,007	75,110
Bond issue cost	-	-	(193,516)	-	-
Interest expense	(267,220)	(279,125)	(175,454)	(402,257)	(422,157)
Service Grant Charge	-	-	-	-	-
Gain (loss) on disposed assets	(160,033)	12,188	(46,408)	14,176	-
Other revenues	6,565	3,768	310	14,735	16,890
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>518,140</b>	<b>595,056</b>	<b>412,804</b>	<b>290,976</b>	<b>576,203</b>
<b>CHANGES IN NET POSITION</b>	<b>4,773,208</b>	<b>3,403,174</b>	<b>2,412,768</b>	<b>2,742,954</b>	<b>3,445,127</b>
<b>NET POSITION, beginning of the year</b>	<b>86,791,013</b>	<b>83,387,839</b>	<b>94,251,725</b>	<b>92,945,089</b>	<b>89,499,962</b>
<b>NET POSITION, end of the year</b>	<b>\$ 91,564,221</b>	<b>\$ 86,791,013</b>	<b>\$ 83,387,839</b>	<b>\$ 94,251,725</b>	<b>\$ 92,945,089</b>

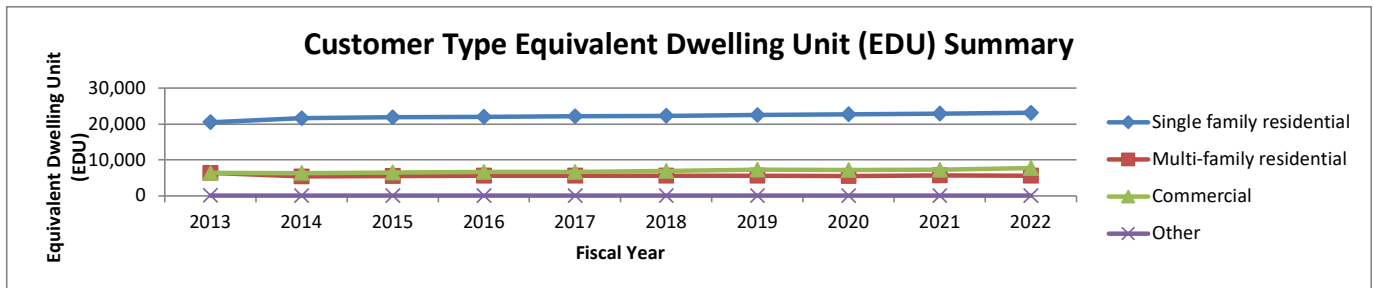
**Changes in Net Position**



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

Customer Type	Fiscal Year Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Single family residential	23,142	22,908	22,704	22,516	22,321	22,180	22,061	21,863	21,623	20,514
Multi-family residential	5,612	5,685	5,521	5,613	5,623	5,635	5,643	5,513	5,431	6,389
Commercial	7,725	7,289	7,209	7,267	6,913	6,633	6,629	6,504	6,344	6,353
Other	67	67	67	67	66	63	62	62	59	103
<b>Total</b>	<b>36,546</b>	<b>35,949</b>	<b>35,501</b>	<b>35,463</b>	<b>34,923</b>	<b>34,511</b>	<b>34,395</b>	<b>33,942</b>	<b>33,457</b>	<b>33,359</b>

Source: Valley Sanitary District



**Valley Sanitary District  
Annual Sewer Use Fee  
Last Ten Fiscal Years**

<b>Fixed Service Charge Per</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Single Family Home	\$ 342.72	\$ 330.00	\$ 313.00	\$ 313.00	\$ 313.00	\$ 313.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00
Multi Family Home	150.00	330.00	313.00	313.00	313.00	313.00	270.00	270.00	270.00	270.00
Mobile Home	181.28	330.00	313.00	313.00	313.00	313.00	270.00	270.00	270.00	270.00
RV Park	141.25	330.00	313.00	313.00	313.00	313.00	270.00	270.00	270.00	270.00
Commercial - Low/ Med Strength	199.03	330.00	313.00	313.00	313.00	313.00	270.00	270.00	270.00	270.00
Commercial - High Strength	607.00	330.00	313.00	313.00	313.00	313.00	270.00	270.00	270.00	270.00
<b>Volumetric Rate \$ per Hundred</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Single Family Home	\$ 0.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Multi Family Home	0.98	-	-	-	-	-	-	-	-	-
Mobile Home	0.98	-	-	-	-	-	-	-	-	-
<b>Volumetric Rate \$ per Hundred</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
RV Park	\$ 1.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial - Low/ Med Strength	0.88	-	-	-	-	-	-	-	-	-
Commercial - High Strength	2.00	-	-	-	-	-	-	-	-	-

- (1) In the fiscal year 2020/21 the District completed a rate study and proposed a new rate schedule commencing fiscal year 2021/22 through 2025/26.  
The district published the required public hearing notices and Prop 218 notice 45 days in advance as required.  
The Board of Directors held a public hearing as mandated by Prop 218 requirements and implemented the new rates commencing July 1, 2021.

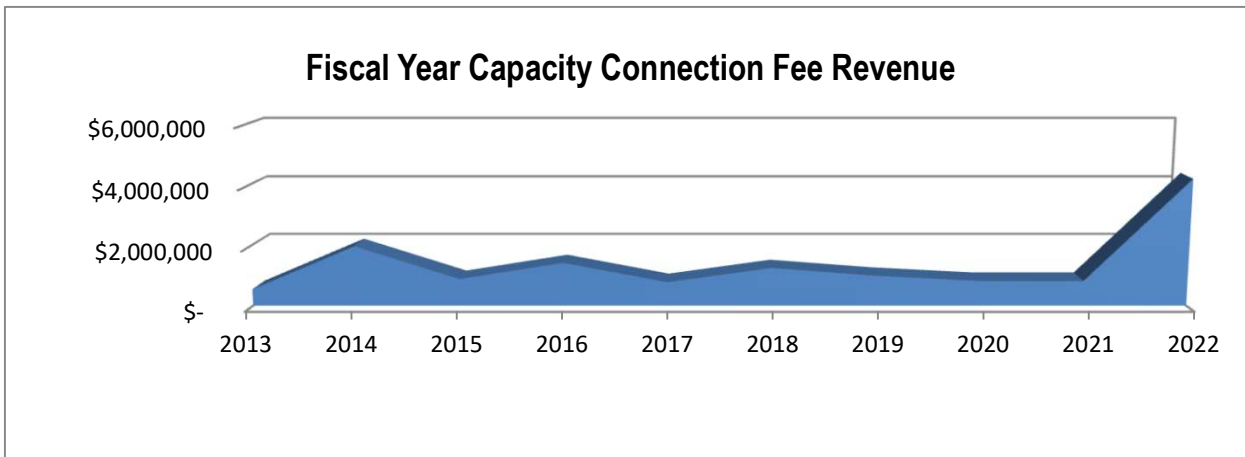
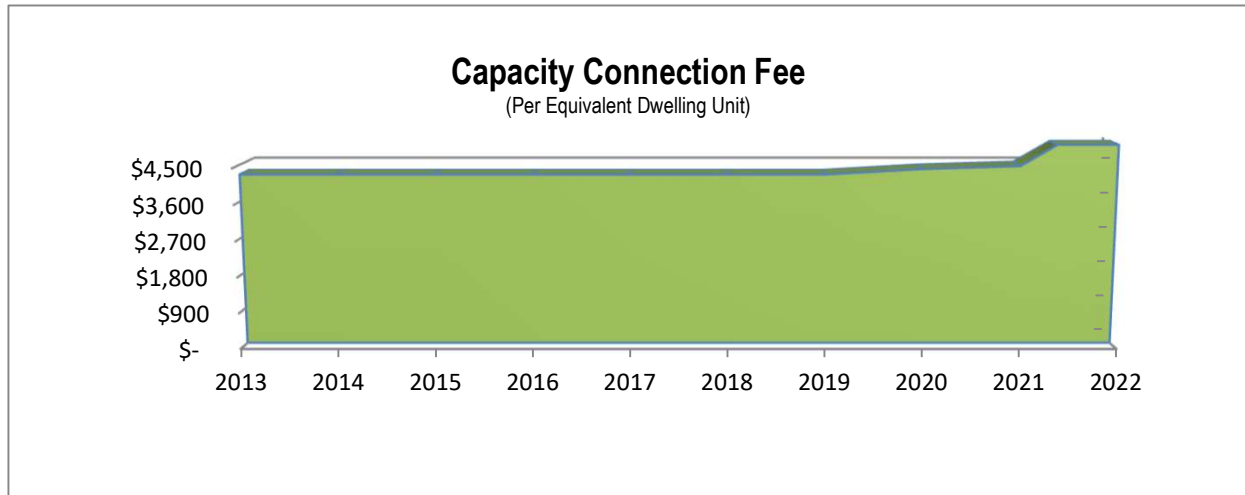
# Valley Sanitary District

## Capacity Connection Fee and Fiscal Year Revenue

### Last Ten Fiscal Years

Fiscal Year Ended June 30	Fee / EDU	Revenue
2022	\$ 5,883	\$ 4,242,643
2021	4,473	831,978
2020	4,400	832,348
2019	4,265	1,010,031
2018	4,265	1,272,500
2017	4,265	791,280
2016	4,265	1,446,315
2015	4,265	897,863
2014	4,265	1,998,788
2013	4,265	548,527

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		
	2022			2013		
	Amount Billed	Rank	Percent of District Total \$	Amount Billed	Rank	Percent of District Total \$
Forager Project Inc	\$ 521,539	1	3.40%	\$ -		0.00%
Desert Sands Unified School District	244,101	2	1.59%	222,480	1	2.46%
Fantasy Springs Casino	148,968	3	0.97%	76,680	4	0.85%
Smoketree Polo Club Apartments	73,345	4	0.48%	77,760	3	0.86%
The Wells Mobile Home Association	65,390	5	0.43%	81,000	2	0.89%
Sunrise Point Apartments	63,587	6	0.42%	73,440	5	0.81%
Del Mar Apartments	60,991	7	0.40%	50,760	9	0.56%
Arabian Gardens Mobile Estates	55,329	8	0.36%	50,220	10	0.55%
Pueblo Del Sol Mobile Home Park	52,806	9	0.34%			
City of Indio	50,312	10	0.33%			
Casa Monroe Apartments	-	-	0.00%	61,020	8	0.67%
Indio Palms Apartments	-	-	0.00%	62,910	7	0.69%
Fred Young Housing	-	-	0.00%	70,470	6	0.78%
Bermuda Palms Mobile Estates	-	-	0.00%			
<b>Total</b>	<b>\$ 1,336,368</b>		<b>8.72%</b>	<b>\$ 826,740</b>		<b>9.13%</b>
<b>District total customer charges</b>	<b>\$ 15,320,784</b>			<b>\$ 9,053,022</b>		

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 Refunding Bonds Participation (1) (net of amortization)	Wastewater Revenue Series 2015 (2) (net of amortization)	State Water Resource Control Board Revolving Fund Loan	Bank of America Co Loan	Debt	Population (3)	Personal Income (3)	Percentage of Personal Income	Debt Per Capita
2022	\$ -	3,558,673	\$ 11,193,860	\$ 82,628,041	\$ 97,380,574	89,498	\$ 28,763	3.78%	1,088
2021	-	4,374,185	11,550,856		18,496,646	89,551	24,604	0.84%	207
2020	-	5,159,697	11,901,885		17,061,582	90,387	25,143	0.75%	189
2019	-	5,910,209	12,247,046		18,157,255	89,863	24,398	0.83%	202
2018	-	6,630,721	12,586,437		19,217,158	89,127	24,994	0.86%	216
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

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

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

Fiscal Year Ended June 30	Revenue & Expenses		Debt Service				Coverage Ratio (3)
	Net Revenues	Operating Expenses (1)	Net Available Revenues	Principal (2)	Interest	Total	
2022	\$ 19,920,236	\$ 7,952,583	11,967,653	\$ 1,030,161	\$ 414,888	\$ 1,445,049	<b>8</b>
2021	13,464,033	8,623,737	4,840,296	1,030,161	414,888	1,445,049	<b>3</b>
2020	13,995,025	7,965,680	6,029,345	989,391	453,157	1,442,548	<b>4</b>
2019	14,273,589	7,533,346	6,740,243	953,718	489,831	1,443,549	<b>5</b>
2018	13,192,858	6,670,548	6,522,310	590,000	299,688	889,688	<b>7</b>
2017	12,189,844	5,436,593	6,753,251	565,000	327,938	892,938	<b>8</b>
2016	11,418,529	5,706,005	5,712,524	550,000	338,653	888,653	<b>6</b>
2015	10,573,894	5,826,728	4,747,166	-	415,378	415,378	<b>11</b>
2014	11,563,426	6,485,208	5,078,218	570,000	402,257	972,257	<b>5</b>
2013	As Restated	10,196,808	4,910,080	5,286,728	422,157	972,157	<b>5</b>

Notes:

(1) Excludes Depreciation

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

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

Source: Valley Sanitary District

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

<b>Employer (1)</b>	<b>Fiscal Year Ended June 30</b>			<b>Fiscal Year Ended June 30</b>		
	<b>2022</b>		<b>Percent of Total Employment</b>	<b>2013</b>		<b>Percent of Total Employment</b>
	<b>Number of Employees</b>	<b>Rank</b>		<b>Number of Employees</b>	<b>Rank</b>	
County of Riverside	1,212	1	2.93%	1,283	1	4.55%
Fantasy Springs Casino	1,130	2	2.73%	1,100	2	3.90%
Desert Sands Unified School Distric	964	3	2.33%	889	3	3.15%
John F. Kennedy Memorial Hospital	633	4	1.53%	658	4	2.33%
Walmart Supercenter	Unavailable	-	-	-	-	-
City of Indio	250	5	0.60%	235	5	0.83%
Granite Construction	-	-	0.00%	200	6	-
Riverside Superior Court	151	6	0.36%	191	7	0.68%
Indio Nursing and Rehab Center	145	7	0.35%	-		
Fiesta Forn Lincoln	137	8	0.33%			
Mathis Brothers	110	9	0.27%	107	10	0.38%
Cardena's Market	105	10	0.25%	-	-	-
Home Depot	-	-	0.00%	129	9	0.46%
Ralphs	Unavailable	-	-	-	-	0.00%
Super Targer	-	-	0.00%	180	8	0.64%
<b>Total Employment Listed</b>	<b>4,837</b>		<b>11.68%</b>	<b>4,972</b>		<b>17.63%</b>
<b>Total City Employment (1)</b>	<b>41,400</b>			<b>28,200</b>		

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

Sources: (1) City Indio 2020 CAFR

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

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<b>Fiscal Year Ended June 30</b>	<b>Total Customers</b>	<b>Number of Permits Issued</b>
2022	28,478	84
2021	28,239	75
2020	28,028	67
2019	27,849	67
2018	27,668	71
2017	27,535	87
2016	27,417	86
2015	27,164	69
2014	26,908	83
2013	26,807	45

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Source: Valley Sanitary District

**Valley Sanitary District**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Population (1)</b>	<b>Median Age (2)</b>	<b>Average Household Size (1)</b>	<b>Median Household Income (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemploye nt Rate (3)</b>
2022	89,498	42.50	3.05	\$ 63,198	\$ 28,763	4.80%
2021	89,551	42.50	3.16	58,132	24,604	8.70%
2020	90,387	44.70	3.18	57,645	25,143	17.80%
2019	89,863	43.50	3.19	56,961	24,398	5.40%
2018	89,127	40.50	3.19	56,571	24,994	5.80%
2017	88,485	35.90	3.30	54,179	23,103	5.10%
2016	86,544	34.00	3.25	53,183	22,336	7.20%
2015	84,201	32.70	3.25	50,068	20,607	6.50%
2014	82,398	34.10	3.25	50,528	21,702	10.70%
2013	81,393	34.30	3.60	47,642	20,645	11.10%

Sources: (1) California Home Town Locator  
(2) City of Indio 2021 ACFR  
(3) U.S. Bureau of Labor Statistics

# Valley Sanitary District

## Operating Indicators

### Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2022	2021	2020	2019	2018
Equivalent Dwelling Units (EDU)	36,546	35,949	35,501	35,463	34,923
Rainfall (inches) (1)	1.22	0.62	5.42	6.14	2.19
Flow (MGD) (2)	5.40	5.70	5.60	5.49	5.44
CBOD (mg/L)	281.10	280.10	256.50	280.00	281.00
CBOD (PE) (3)	74,468	78,326	70,468	75,413	74,993
Suspended solids (mg/L)	266.50	252.80	252.30	279.00	266.00
Suspended solids (PE) (4)	60,010	60,088	58,917	63,872	60,342
Tonnage of biosolids produced	1,181	1,278	853	805	1,411
Tonnage of biosolids applied to land	718	934	950	1,438	0
<b>Total waste treated (million gallons/year)</b>	<b>2,113</b>	<b>2,210</b>	<b>2,211</b>	<b>2,169</b>	<b>2,081</b>

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://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				
	2017	2016	2015	2014	2013
Equivalent Dwelling Units (EDU)	34,511	34,395	33,942	33,457	33,359
Rainfall (inches) (1)	6.46	2.90	2.70	0.92	2.02
Flow (MGD) (2)	5.31	5.30	5.57	5.97	6.18
CBOD (mg/L)	289.00	257.40	246.92	219.75	215.66
CBOD (PE) (3)	75,285	66,928	68,446	63,706	65,385
Suspended solids (mg/L)	262.00	234.2	192.08	188.25	219.83
Suspended solids (PE) (4)	68,252	51,755	45,096	47,083	57,263
Tonnage of biosolids produced	1,362	468	1,440	1,505	1,882
Tonnage of biosolids applied to land	1,162	0	1,440	1,200	718
<b>Total waste treated (million gallons/year)</b>	<b>2,080</b>	<b>2,022</b>	<b>2,034</b>	<b>2,254</b>	<b>2,257</b>

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://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**

	<b>Fiscal Year Ended June 30</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b><u>Sanitary Sewer Service Operations</u></b>					
Equivalent Dwelling Units (EDUs)	36,546	35,949	35,501	35,463	34,923
<b><u>Treatment Plant Operations</u></b>					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	164.3	173	170	167	165
Permit limitation (dry weather)	12.50	12.50	12.50	12.50	12.50
Annual rainfall (inches) (1)	1.22	0.62	5.42	6.14	2.19
<b><u>Collection System Operations</u></b>					
Sewer lines					
Length (ft)	1,341,120	1,341,120	1,341,120	1,341,120	1,351,680
Inspected (ft)	159,128	245,652	167,913	158,940	174,030
Cleaned (ft)	596,717	697,896	610,629	741,600	728,314

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://www.desertweather.com)

Source: Valley Sanitary District

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b><u>Sanitary Sewer Service Operations</u></b>					
Equivalent Dwelling Units (EDUs)	34,511	34,395	33,942	33,457	33,359
<b><u>Treatment Plant Operations</u></b>					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	161	161	170	182	188
Permit limitation (dry weather)	12.50	12.50	13.50	13.50	11.00
Annual rainfall (inches) (1)	6.46	2.90	2.70	0.92	2.02
<b><u>Collection System Operations</u></b>					
Sewer lines					
Length (ft)	1,335,840	1,336,682	1,323,035	1,298,880	1,288,320
Inspected (ft)	135,472	175,178	136,838	106,350	95,040
Cleaned (ft)	731,159	796,840	708,071	562,472	776,160

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://www.desertweather.com)

Source: Valley Sanitary District

# Valley Sanitary District

## Annual Flow Data (Million Gallons)

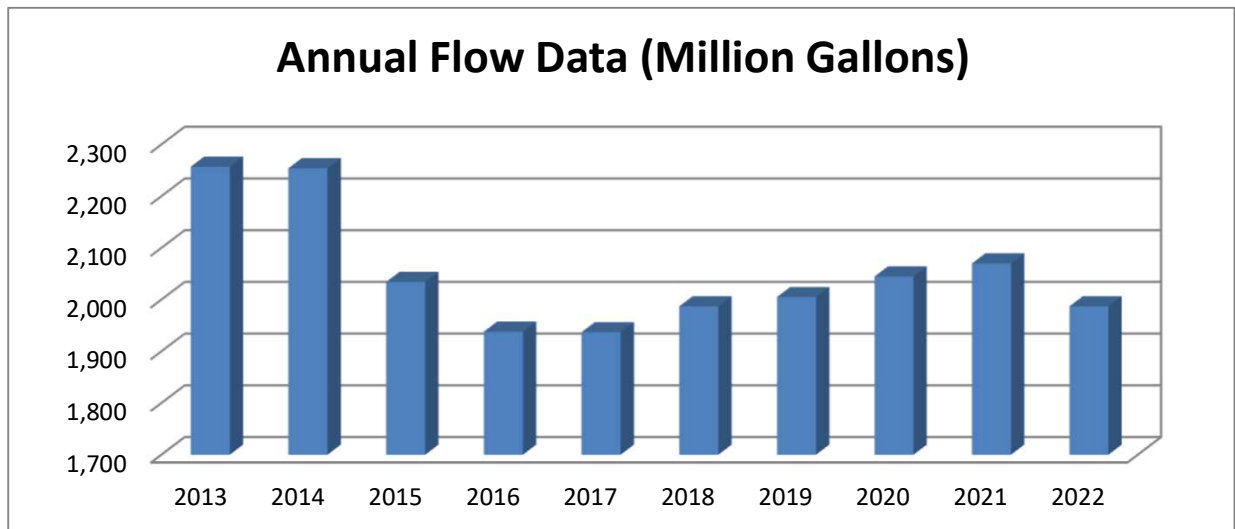
### Last Ten Fiscal Years

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<u>Fiscal Year</u> <b>Ended</b> <b>30-Jun</b>	<u>Annual Flow</u>
2022	1,987
2021	2,070
2020	2,045
2019	2,005
2018	1,987
2017	1,937
2016	1,938
2015	2,034
2014	2,254
2013	2,257

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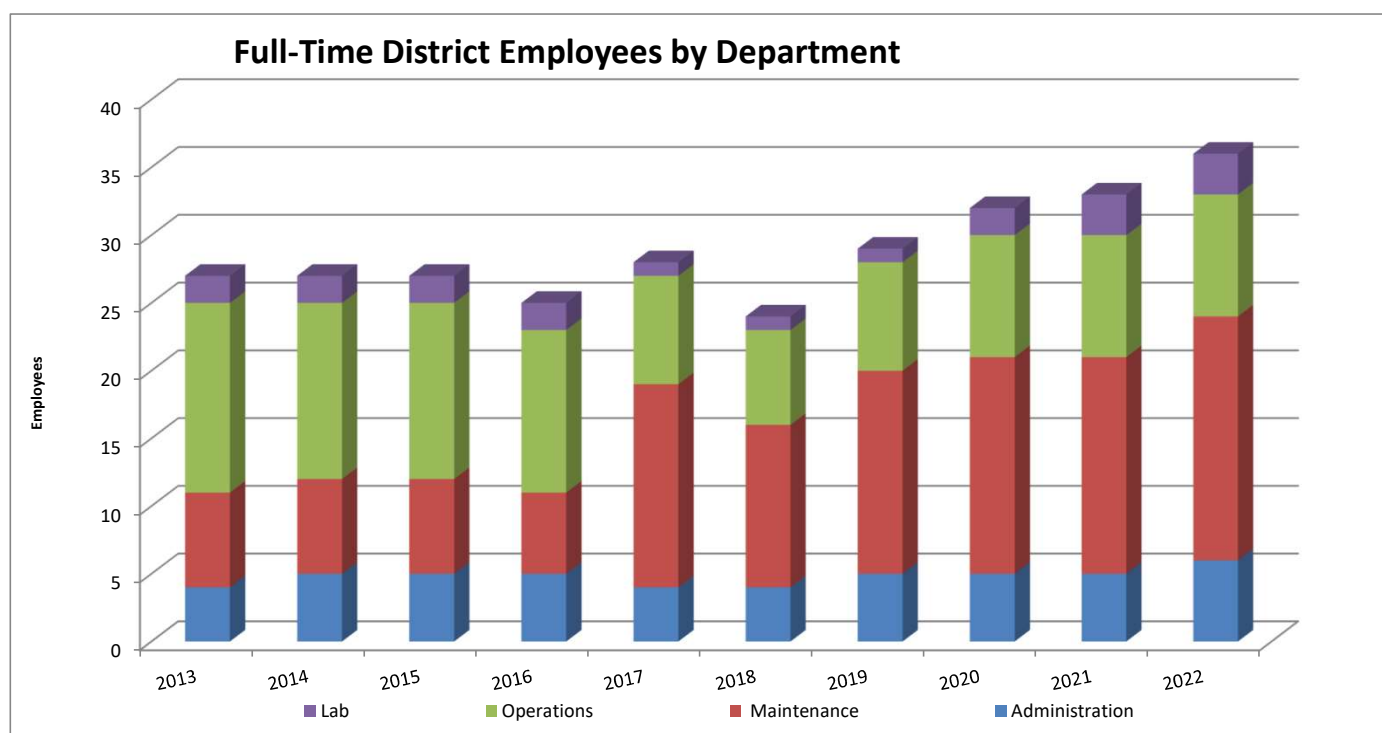
Source: Valley Sanitary District



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

<b>Fiscal Year Ended June 30</b>	<b>Administration</b>	<b>Engineering &amp; Maintenance</b>	<b>Operations</b>	<b>Lab</b>	<b>Total</b>
2022	6	18	9	3	36
2021	5	16	9	3	33
2020	5	16	9	2	32
2019	5	15	8	1	29
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

Source: Valley Sanitary District



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Valley Sanitary District strives to provide exceptional service to each and every one of our community members. By collecting, treating, and recycling wastewater our mission is to ensure a healthy environment and sustainable water supply.



45500 Van Buren Street Indio, CA 92201



(760) 238-5400



[www.valley-sanitary.org](http://www.valley-sanitary.org)

