Annual Financial Report

June 30, 2020

East Palo Alto Sanitary District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Palo Alto Sanitary District
East Palo Alto, Califoruia

We have audited the accompan) ing financial statements of the business-type activities and each major fund of the East Palo Alto Sanitary District (District) as of and for the year ended June 30, 2020. and the related notes to the financial statements. which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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info@dfarnsworthcpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net District's net OPEB liability and related ratios, the schedule of District's contributions for OPEB, the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements on pages 3-6 and 27-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

David Farnsworth, CPA

Dublin, California
February 25, 2021

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets deferred outflows of resources and liabilities deferred inflows of resources, with the difference between the four reported as net position. This statement or evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. provides information about the nature and the amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It provides one way to measure the financial health of the District by providing the basis however, there are several outside nonfinancial factors that need to be considered, such as changing economic conditions, population and customer growth, and new or changed rules and regulations.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its cost through its user fees.

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. This statement provides answers to such questions as 'where did cash come from', 'what was cash used for', and 'what was the change in cash balance during the reporting period'.

Financial Analysis of the District

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by $25.03 million at the close of the most recent fiscal year. The largest portion of the District's net position (23%) reflect its investment in capital assets (e.g., sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding in the amount of $1.065 million as of June 30, 2020. These capital assets are used primarily in the collection and treatment of wastewater throughout the District's service area. The related debt will be repaid with resources provided by system users through rates and fees.

Table A
Summary of Net Position

A summary of the statement of net position as of June 30, 2020 and 2019 is shown in the following table:

	2020	2019	Variance
Current assets	21,598,899	18,644,979	2,953,920
Noncurrent assets	51,372	6,997	44,375
Net capital assets	6,919,652	7,123,863	(204,211)
Total assets	28,569,923	25,775,839	2,794,084
Deferred outflows	351,658	433,795	(82,137)
Current liabilities	822,727	224,854	597,873
Noncurrent liabilities	2,709,736	3,297,078	(587,342)
Total liabilities	3,532,463	3,521,932	10,531
Deferred inflows	357,359	269,277	88,082
Net position	$25,031,759	$22,418,425	$ 2,613,334

Net position increased by $2,613,334 in 2020. The increases are a combination of income in the form of sewer service charges, connection fee charges and property taxes and a prior period adjustment.

Current assets increased by $2,953,920 compared to the prior year primarily due to:

- An increase in cash of $2,805,221, an increase in accounts receivable of $97,094 and an increase in prepaid insurance of $51,605, as detailed in the statement of cash flows on page 9.

Noncurrent assets decreased by $159,836 primarily due to:

- A decrease in capital assets of $204,212 and an increase in notes receivable of $13,161.

Current liabilities increased by $597,873 primarily due to:

- An increase in accounts payable of $599,713, an increase in accrued liabilities of $24,759 and a decrease in current portion of long-term debt of $26,599.

Noncurrent liabilities decreased by $587,342 primarily due to:

- A decrease in notes payable of $519,844, an increase of $116,901 of net pension liability, and a decrease of $184,408 of net opeb liability.

Table B
Summary of Revenues
Expenses and Changes in Net Position

	2020	2019	Variance
Total operating revenues	5,042,311	4,756,599	285,712
Total operating expenses	(4,413,227)	(4,561,410)	148,183
Operating income (loss)	629,084	195,189	433,895
Total nonoperating revenues and expenses	1,551,356	1,635,902	(84,546)
Increase in net position	2,180,440	1,831,091	349,349
Net position, beginning of year as restated	22,851,319	21,020,228	1,831,091
Net position, end of year	$25,031,759	$22,851,319	$2,180,440

While the Summary of Net Position (Table A) shows the change in financial position, (Table B) shows the Summary of Revenues, Expenses, and Changes in Net Position and provides details as to the nature and source of these changes. Table B shows that during 2020 total operating revenues increased by $285,712. Total operating expenses decreased by $1148,183. Non-operating revenue and expenses decreased by $84,546. The major factors which contributed to these results include:

- The increase in operating revenues of $285,712 was due to an increase in sewer service charges of $189,988, an increase in rental income of $3,186 and an increase in other operating revenue of $106,593, and a decrease in connection fees of $14,055.

- The decrease in operating expenses of $148,183 was due to an increase in personnel services expense of $3,252, an increase in depreciation and amortization of $10,493, a decrease in fuel and supplies of $7,599, a decrease in purchased services of $165,668, and an increase in other expenses of $11,339.

- The decrease of $84,546 in non-operating revenues and expenses was due to a decrease in interest income of $96,502, an increase in property tax collections of $79,534, a decrease in interest expense of $13,733, and a decrease in pass through receipts of $81,311.

BUDGETARY HIGHLIGHTS

The District has an annual operating budget that is approved by its Board of Directors. Capital projects are approved on a project-by-project basis within the annually approved capital budget. The 2020 expenses were under the approved budget.

CAPITAL ASSTS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District's investment in capital assets amounted to $6.9 million and $7.1 million (net of accumulated depreciation) as shown in Table C for 2020 and 2019, respectively. In 2020, the District spent $180,002 on sewer replacement. Additional information on the District's capital assets can be found in Note 3 to the Financial Statements.

Table C
Capital Assets

	2020	2019	Variance
Land	$ 184,601	$ 184,601	$ -
Cured in place pipe	1,474,518	1,474,518	-
Sewer collection facilities	8,216,243	8,036,241	180,002
Buildings	2,587,577	2,587,577	
Furniture and equipment	2,115,852	2,115,852	-
Accumulated depreciation	(7,659,139)	(7,274,926)	(384,213)
Net capital assets	$ 6,919,652	$ 7,123,863	$ (204,211)

Debt Administration

The District has financed its construction program primarily through the issuance of revenue bonds. Additional information on the District's long-term debt can be found in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The service area of the District is best described as mature. The District is not in a growth situation but one in which the system is continually televised, upgraded and repaired given budgetary constraints.

Requests for Information

The financial report is designed to provide a general overview of the District's finances and operations for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the General Manager
East Palo Alto Sanitary District
901 Weeks Street
East Palo Alto, CA 94303

STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current assets	
Deposits and investments	$ 21,365,886
Accounts receivable	124,762
Prepaid insurance	108,251
Total current assets	21,598,899
Noncurrent assets	
Notes receivable	20,158
Net OPEB asset	31,214
Capital assets	
Non depreciable capital assets	184,601
Capital assets, net of depreciation	6,735,051
Total capital assets, net	6,919,652
Total non-current assets	6,971,024
TOTAL ASSETS	28,569,923
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	261,635
Deferred outflows of resources related to other postemployment benefits	90,023
TOTAL DEFERRED OUTFLOWS OF RESOURCES	351,658
LIABILITIES	
Current liabilities	
Accounts payable	661,242
Accrued liabilities	43,332
Current portion of long-term liabilities	118,153
Total current liabilities	822,727
Noncurrent liabilities	
Due beyond one year	947,382
Net pension liability	1,762,354
Total long-term liabilities	2,709,736
TOTAL LIABILITIES	3,532,463
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	279,917
Deferred inflows of resources related to other postemployment benefits	77,442
TOTAL DEFERRED INFLOWS OF RESOURCES	357,359
NET POSITION	
Net investment in capital assets	5,854,117
Unrestricted	19,177,642
Total Net Position	$ 25,031,759

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Sewer service charges	4,774,075
Connection fees	35,145
Rental income	28,890
Other revenue	204,201
Total Operating Revenues	5,042,311
OPERATING EXPENSES	
Personnel services	898,059
Purchased services	2,824,370
Utilities, fuel and supplies	84,959
Depreciation	384,213
Other expenses	221,626
Total Operating Expenses	4,413,227
Operating Income	629,084
NONOPERATING REVENUES (EXPENSES)	
Property taxes	872,054
Pass through receipts	348,146
Interest income	374,024
Interest expense	(42,868)
Total Nonoperating Revenues (Expenses)	1,551,356
Change in Net Position	2,180,440
Net Position - Beginning	22,418,425
Restatement of beginning net position	432,894
Net Position - Beginning, as restated	22,851,319
Net Position - Ending	$ 25,031,759

The accompanying notes are an integral part of these financial statements.

EAST PALO ALTO SANITARY DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 4,795,409
Payments to suppliers	(2,582,847)
Payments to employees	(801,793)
Cash receipts from other operating activities	233,091
Net cash provided by noncapital financing activities	1,643,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	872,054
Pass through receipts	348,146
Net cash provided by noncapital financing activities	1,220,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(180,002)
Principal paid on debt	(113,550)
Interest paid on debt	(42,867)
Collections on note receivable	(13,161)
Net cash used for capital and related financing activities	(349,580)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	290,741
Cash flows from investing activities	290,741
Net increase in cash and cash equivalents	2,805,221
Cash and cash equivalents at beginning of year	18,560,665
Cash and cash equivalents at end of year	$ 21,365,886
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 629,084
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	384,213
Net pension liability and related deferrals	194,408
Net other postemployment benefits liability and related deferrals	(122,901)
(Increase) decrease in assets	
Accounts receivable	(13,811)
Prepaid expenses	(51,605)
Increase (Decrease) in liabilities	
Accounts payable and accrued expenses	624,472
Net cash provided by operating activities	$ 1,643,860

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The primary purpose of the East Palo Alto Sanitary District (District) is to provide safe, efficient and cost-effective sanitary services to portions of East Palo Alto and Menlo Park, in San Mateo County. The collection system carries wastewater from the District's service area to the Palo Alto treatment plant where it is treated and disposed of in a manner which meets federal and state standards.

The District is governed by a five-member Board of Directors elected at large to four-year terms by residents within the District.

The financial statements of East Palo Alto Sanitary District include only the financial activities of the District. The District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

B. *Basis of Presentation and Accounting*

Enterprise fund activities are financed in whole or in part by fees charged to external parties and are accounted for in an enterprise fund. Enterprise funds maintain their records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position displays information about the primary government (the District) and its component unit (the Corporation). Eliminations have been made to minimize the double counting of activities between the entities.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values.

C. Budgets and Budgetary Accounting

The District adopts an operating budget at the beginning of each year for the following fiscal year. The District General Manager is authorized to transfer any unencumbered amounts from one department to another within the same major account and to transfer any unencumbered appropriation from one line-item account to another within the same major account. The major accounts are defined as salaries and employee benefits, maintenance and operation, capital outlay and reserves. Any additional appropriations require approval by the Board of Directors.

D. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

E. Compensated Absences

The District records the expense of employees' vacation and sick leave benefits in the period in which they accumulate and become vested. At June 30, 2020, the balance is $28,254 and is included in accrued liabilities on the statement of net position.

F. Capital Assets

The cost of additions to utility plant and major replacements of property is capitalized. Costs include material, direct labor, transportation and indirect items such as interest, engineering, supervision and employee fringe benefits. Capital assets are defined by the District as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property as follows:

Sewer Collection Facilities	50 years
Building	30 years
Furniture and Equipment	10 years
Computers	5 years

G. *Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represents an addition of net position that applies to future period(s) and so will not be recognized as an inflows of resources (revenues) until then.

H. *Sewer Service Charges*

Sewer service charges are billed and collected, on behalf of the District, by San Mateo County (the County) as a separate component of semi-annual property tax billings. The County assesses properties, bills for and collects property taxes on the following schedule:

	Secured	Unsecured
Lien/valuation date	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

The term "Unsecured" refers to taxes on property not secured by liens on real property. Property taxes levied are recorded as revenue and receivables, net of estimated uncollectible amounts, in the fiscal year of levy. The County of San Mateo is responsible for assessing, collecting, and apportioning property taxes for the District. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed per statutory formulas.

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction, and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The District participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to taxing agencies each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to the County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue retained by the County under the revenue neutrality agreement. Under the Teeter Plan Code, 5% of the delinquency must remain with the County as a reserve for Teeter plan funding. The Teeter Plan does not allow the District to earn interest in a meaningful way on its reserves and the District has an objective to develop reserves to allow it to earn interest and go off the teeter plan.

I. *Sewer Connection Fees*

Connection fees represent a one-time contribution of resources to the District imposed on contractors and developers for the purpose of financing growth-related construction and improvements. Connection fees are recognized as ‘Connection fees’ revenues in the Statement of Revenues, Expenses and Changes in Net Position. Any cumulative fees collected in excess of amounts expended are shown as restricted net position.

J. Bond Issuance Costs

Bond issuance costs are expensed in the year of the debt issuance.

K. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. *Fair Value Measurements*

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

M. Net Position

The District's net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – This component of net position, includes capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Unrestricted – This component of net position consists of assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

N. Spending Order Policy

When an expense is incurred for which there are both restricted and unrestricted net position is available, it is the District's policy to apply these expenses to restricted net position to the extent that such are available and then to unrestricted net position.

O. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan have been determined on the same basis as they are reported by CalPERS. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Pensions

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

Q. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

R. New Accounting Principles from the Governmental Accounting Standards Board (GASB)

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The District has determined that the requirements of this Statement had no material impact to the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The District is not affect by this statement.

GASB Statement No. 88 – In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The objective of this Statement is to improve consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The District has determined that the requirements of this Statement had no material impact to the financial statements.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 60. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of this Statement.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2020. The District has not determined the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Policies and Classification

The District's cash and investments consist of the following at June 30, 2020:

Deposits with financial institutions	$ 100,281
Cash and investments with San Mateo County Treasurer	21,265,605
Total cash and investments	$21,365,886

The District has authorized staff to invest cash with the San Mateo County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. State statutes govern the County's investment policies.

In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2020 was provided by the County Treasurer.

The District is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The District reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. The pool is not registered with the SEC and is unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the SMCIF. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 1.74 years on June 30, 2020.

Fair Value Measurements – The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and is based on the valuation inputs used to measure an asset's fair value. Deposits and withdrawals in the SMCIF are made in the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in those funds at June 30, 2020, is an uncategorized input not defined as Level 1, Level 2 or Level 3 input.

NOTE 3 – CAPITAL ASSETS

Changes in property, plant and equipment accounts are summarized below:

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020
Capital assets not being depreciated:				
Land	$ 184,601	$ -	$ -	$ 184,601
Total capital assets not being depreciated	184,601	-	-	184,601
Capital assets being depreciated:				
Sewer collection facilities	8,036,241	180,002	-	8,216,243
Cured in place pipe	1,474,518	-	-	1,474,518
Buildings	2,587,577	-	-	2,587,577
Furniture and equipment	2,115,852	-	-	2,115,852
Total capital assets being depreciated	14,214,188	180,002	-	14,394,190
Less accumulated depreciation for				
Sewer collection facilities	3,219,151	162,825		3,381,976
Cured in place pipe	343,315	49,151		392,466
Building	1,950,136	105,831		2,055,967
Furniture and equipment	1,762,324	66,406		1,828,730
Total accumulated depreciation	7,274,926	384,213	-	7,659,139
Total capital assets, net	$ 7,123,863			$ 6,919,652

NOTE 4 – LONG TERM DEBT

A. Current Year Transactions and Balances

Long-term debt at June 30, 2020 is summarized as follows:

The bonds are payable from general operating revenues of the District. The approximate amount of the pledge revenues is equal to the remaining principal and interest requirements of the secured debt, which was $1.47 million on June 30, 2020. The revenue bonds mature through fiscal year 2032. Total debt service requirements for the year ended June 30, 2020 were $113,550, which is 2.25% of current year pledged revenues.

B. Palo Alto 1990 Utility Revenue Bonds

The District has a contract with the City of Palo Alto (City) whereby the District has rights to a specified ability (11.90%) of the total ability of the City's sewage treatment facilities. The 1990 utility revenue bonds are the District's part of the City of Palo Alto's (City) debt related to capital improvements of the treatment plant.

C. Palo Alto 2000 Utility Revenue Bonds

The 2000 Utility Revenue Bonds represent a portion of the Palo Alto 1990 Utility Revenue Bonds which was refinanced. The bonds are payable from revenues of the District.

D. State Revolving Fund Loan – Direct Borrowing

The District has a loan from the State Water Resources Control Board to finance the construction of the Cured in Place Siphoning Project. This loan is payable from revenues of the District.

E. Debt Service Requirements

For the Year Ending June 30	Principal	Interest	Total
2021	$ 60,228	$ 13,684	$ 73,912
2022	63,296	10,527	73,823
2023	66,837	7,204	74,041
2024	70,288	3,695	73,983
Total payments due	$ 260,649	$ 35,110	$ 295,759

For the Year Ending June 30	Principal Direct Borrowing	Interest - Direct Borrowing	Total Direct Borrowing
2021	$ 58,015	$ 20,927	$ 78,942
2022	59,523	19,419	78,942
2023	61,071	17,871	78,942
2024	62,659	16,283	78,942
2025	64,288	14,654	78,942
2026 - 2030	347,397	47,312	394,709
2031 - 2032	151,933	5,950	157,883
Total payments due	$ 804,886	$ 142,416	$ 947,302
Total long-term payments due	**$ 1,065,535**	**$ 177,526**	**$ 1,243,061**

NOTE 5 – DEFINED BENEFIT PENSION PLAN

A. *Plan Descriptions*

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District resolution. Calipers issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Prior to January 1, 2013	**On or After January 1, 2013**
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a percent of annual salary	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.95%	6.25%
Required employer contribution rates	13.182%	6.985%

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

For the year ended June 30, 2020, the contributions to the Plan were $38,195.

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

As of June 30, 2020, the District reported net pension liability for its proportionate share of collective net pension liability in the amount of $1,762,354.

The District's net pension liability for the Plan is measured as the proportionate share of the collective plans net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the June 30, 2018 and 2019 measurement dates was as follows:

Proportion - June 30, 2018	0.04252%
Proportion - June 30, 2019	0.04401%
Change	0.00149%

For the year ended June 30, 2020, the District recognized pension expense of $194,408. At June 30, 2020, 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
Pension contributions subsequent to measurement date	$ 38,195	$ -
Differences between actual and expected experience	122,403	9,484
Changes in assumptions	84,037	29,790
Difference between projected and actual contributions	-	184,470
Net differences between projected and actual earnings	-	30,811
on plan investment	-	
Adjustments due to differences in proportion	17,000	25,362
Total	$ 261,635	$ 279,917

The $38,195 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	$ 39,948
2022	(87,366)
2023	(15,284)
2024	6,226
	$ (56,476)

Actuarial Assumptions
The total pension liabilities in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions for both plans:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Costs
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increases (1)	2.75%
Investment Rate of Return (2)	7.15%
Mortality(3)	Derived using CalPERS membership data for all funds

(1) Annual increases vary by category, entry age, and duration of service.

(2) Net of pension plan investment expenses; includes inflation.

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

Discount Rate — The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for

the plans, CaIPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary.
The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

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

(a) An expected inflation of 2.0% used for this period.
(b) An expected inflation of 2.9% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate — The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	$	2,586,241
Current Discount Rate		7.15%
Net Pension Liability	$	1,762,354
1% Increase		8.15%
Net Pension Liability	$	1,082,294

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

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan description and benefits provided

The District provides post-retirement benefits to eligible employees in the form of reimbursement for post-retirement health insurance premiums. Retired employees have a choice of remaining on the District's group health insurance plan or purchasing a plan of their choice. Reimbursement is made quarterly upon receipt of proof of payment The District's contribution is capped at the amount of the Kaiser premium. The obligation of the District to provide these benefits is determined annually by the Board of Directors. In order to qualify for postemployment medical benefits, an employee must retire from the District with at least 5 years of service and be over 50 years of age.

The District is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees. The District participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees' Retirement System, Constituent Relations Office, CERBT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

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

Inactive employees or beneficiaries currently receiving benefits payments	6
Active employees	2
	8

Contributions

The OPEB Plan and its contribution requirements are established by the District. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's contribution was $84,375 of which $24,015 was in the form of a subsidy.

Net OPEB Liability and Assumptions

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Inflation	2.50 percent
Salary increases	3.00 percent, average, including inflation
Investment rate of return	6.75 percent, net of OPEB plan investment expense, including
Inflation Health care cost trend rates	7.50 percent, grade down to 5% for years 2024 and thereafter.

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees' Retirement System using data from 1997 to 2015 except for a different basis used to project future mortality improvements.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
TIPS	5.00%	2.25%
Global Equity	57.00%	5.71%
Fixed Income	27.00%	2.40%
Global Real Estate (REITs)	8.00%	7.88%
Commodities	3.00%	4.95%
Total	100.00%	

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	$ 1,245,681	$ 1,061,273	$ 184,408
Changes recognized for year:			
Service cost	29,357	-	29,357
Interest	86,688	-	86,688
Benefit Payments	(73,289)	-	(73,289)
Employer contributions	-	44,729	(44,729)
Net investment income	-	66,813	(66,813)
Plan experience (gain)loss	(158,786)	-	(158,786)
Assumption Changes	11,722	-	11,722
Administrative expenses	-	(228)	228
Other expenses	-	-	-
Net changes	(104,308)	111,314	(215,622)
Balance at June 30, 2020	$ 1,141,373	$ 1,172,587	$ (31,214)

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

The following presents the net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (5.75)	95,207
Current discount rate (6.75%)	(31,214)
1% increase (7.75%)	(136,879)

The following presents the net OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (6.75)	(132,788)
Current healthcare cost trend rate (7.75%)	(31,214)
1% increase (8.75%)	90,296

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

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future as OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (1.93 years)

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of ($122,901). As of fiscal year end June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 5,648	$ -
Differences between expected and actual experience	-	76,513
Net difference between projected and actual earnings on investments	-	929
Deferred contributions	84,375	-
Total	$ 90,023	$ 77,442

The $84,375 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal year ended June 30,	Amount
2021	$ (73,618)
2022	(2,753)
2023	2,771
2024	1,806
	$ (71,794)

NOTE 7 – 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; injuries to employees and natural disaster. The District joined together with other entities to form the Special District Risk Management Authority (SDRMA), a public entity risk pool currently operating a common risk management and insurance program for 60 member entities. The purpose of SDRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to SDRMA for its general liability, property damage, workers compensation insurance and automobile coverage. Settled claims for SDRMA have not exceeded coverage in any of the past three years, nor has there been a significant reduction in coverage from the previous year.

SDRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of SDRMA including selection of management and approval of operating budgets, independent of any influence by member entities. SDRMA is not a component unit of the District, and the District's share of SDRMA's assets, liabilities, and equity has not been calculated.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigation
The District is involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

NOTE 9 – RELATED-PARTY TRANSACTIONS

The District reported an outstanding notes receivable of $10,000 from one board member. The note receivable was to repair a sewer lateral at the board member's residence. The note receivable will be paid over a period of 10 years.

NOTE 10 – SUBSEQUENT EVENTS

The District received $2,486,585 from a housing developer invoiced on September 1, 2020. The $2.49M consisted of permit fees, capital contribution (system expansion payment), inspection fees, capacity fees, and admin fees. The payment is to expand sewer lines to build affordable housing units.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The July 1, 2019 beginning net position is restated to reflect the following corrections noted in the current year audit that relate to prior years:

Net position - Beginning, as previously reported	$22,418,425
Correction for long-term liabilities	432,894
Net position - Beginning as restated	$22,851,319

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Measurement period - fiscal year ended June 30	**2019**	**2018**	**2017**
Total OPEB Liability			
Service cost	$ 29,357	$ 28,433	$ 65,151
Interest	86,688	83,812	75,555
Difference between expected and actual experience	(158,786)	-	56,218
Changes of assumptions	11,722	-	58,445
Benefit payments	(73,289)	(70,888)	(47,473)
Net change in total OPEB liability	(104,308)	41,357	207,896
Total OPEB liability - beginning	1,245,681	1,204,324	996,428
Total OPEB liability - ending (a)	$ 1,141,373	$ 1,245,681	$ 1,204,324
Plan Fiduciary Net Position			
Contributions - employer	$ 118,018	$ 167,884	$ 123,991
Net investment income	66,813	61,815	84,512
Benefit payments	(73,289)	(70,888)	(47,473)
Administrative expenses	(228)	(522)	(421)
Other expenses	-	(1,196)	-
Net change in plan fiduciary net position	111,314	157,093	160,609
Plan fiduciary net position - beginning	1,061,273	904,180	743,571
Plan fiduciary net position - ending (b)	1,172,587	1,061,273	904,180
District's Net OPEB liability (asset) - ending (a)-(b)	$ (31,214)	$ 184,408	$ (300,144)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	103%	85%	75%
Covered-employee payroll	276,918	325,500	534,400
Net OPEB liability (asset) as a percentage of covered-employee payroll	-11.3%	56.7%	-56.2%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Fiscal year ended June 30,	2020	2019	2018
Actuarially determined contribution	$ 45,599	$ 44,729	$ 84,368
Contribution in relation to the actuarially determined contribution	84,375	118,018	171,601
Contribution deficiency (excess)	$ (38,776)	$ (73,289)	$ (87,233)
Covered-employee payroll	$ 315,700	$ 276,918	$ 325,500
Contributions as a percentage of covered-employee payroll	26.73%	42.62%	52.72%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement period - fiscal year ended June 30,	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Proportion of the net pension liability	0.03807%	0.04303%	0.04232%	0.04252%	0.04366%	0.04401%
Proportion share of the net pension liability	$ 940,823	$ 1,180,505	$ 1,470,158	$ 1,676,026	$ 1,645,444	$ 1,762,354
Covered payroll	577,858	678,974	701,673	367,923	185,975	262,098
Proportionate share of the net pension Covered-employee payroll liability as a percentage of covered payroll	162.81%	173.87%	209.52%	455.54%	884.77%	672.40%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	80%	78%	74%	71%	75%	71%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal year ended	**6/30/2015**	**6/30/2016**	**6/30/2017**	**6/30/2018**	**6/30/2019**	**6/30/2020**
Actuarially determined contribution	126,764	76,889	42,955	27,317	33,957	38,195
Contribution in relation to the actuarially determined contributions	(126,764)	(76,889)	(42,955)	(27,317)	(33,957)	(38,195)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	678,974	701,673	367,923	185,975	262,098	359,533
Contributions as a percentage of covered payroll	18.67%	10.96%	11.67%	14.69%	12.96%	10.62%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

EAST PALO ALTO SANITARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net OPEB Liability and Related Ratios

The District's OPEB liability is administered as an agent multiple employer plan, which is administered by CalPERS. The schedule of changes in Net OPEB liability and the schedule of contributions show a ten-year trend information, where available, about these amounts and they are changing from year to another.

Schedule of OPEB Contributions

The District makes contributions towards the OPEB liability at an actuarially determined rate. The District does not request reimbursement for its' out-of-pocket expenditures for this subsidy from the OPEB trust and allows the subsidy amount to remain in the CERBT to prefund OPEB and offset the total OPEB liability.

Schedules of District's Proportionate Share of the Net Pension Liability (NPL)

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

> ***Changes in Benefit Terms*** – There were no changes in benefit terms since the previous valuations for CalPERS.
>
> ***Changes in Assumptions*** **–** There were no changes in benefit terms since the previous valuations for CalPERS.

Schedules of District's Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.