

MIDWAY CITY SANITARY DISTRICT
FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE YEAR ENDED JUNE 30, 2020

MIDWAY CITY SANITARY DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Midway City Sanitary District
Westminster, California

We have audited the accompanying financial statements of the Midway City Sanitary District (the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midway City Sanitary District as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability (asset), the schedule of contributions - defined benefit pension plan, the schedule of changes in the net OPEB liability (asset) and related ratios, and the schedule of contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

White Nelson Dick Evans LLP

Irvine, California
September 9, 2020

MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements.

The statement of net position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. The District's Net Position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted Net Position

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through service fees, franchise fees, and other changes.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operations
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

Financial Highlights

- The District's net position increased by \$4,898,961.
- During the year, the District's total revenues were \$13,832,694 while expenses totaled \$8,933,733.

Financial Analysis of the District

Net Position

The following is a summary of the District's statement of net position:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Dollar Change 2020 to 2019</u>	<u>Dollar Change 2019 to 2018</u>
<u>Assets:</u>					
Current assets	\$ 45,329,799	\$ 42,918,981	\$ 37,937,156	\$ 2,410,818	\$ 4,981,825
OPEB asset	903,611	81,232	-	822,379	81,232
Pension asset	-	27,430	-	(27,430)	27,430
Restricted - cash and investments held by pension trust	2,586,429	-	-	2,586,429	-
Capital assets, net	<u>23,403,331</u>	<u>23,620,542</u>	<u>23,346,215</u>	<u>(217,211)</u>	<u>274,327</u>
Total Assets	<u>72,223,170</u>	<u>66,648,185</u>	<u>61,283,371</u>	<u>5,574,985</u>	<u>5,364,814</u>
<u>Deferred Outflows of Resources:</u>					
Deferred amounts from OPEB	181,215	182,104	1,567,225	(889)	(1,385,121)
Deferred amounts from pension plan	<u>1,032,220</u>	<u>766,654</u>	<u>1,048,372</u>	<u>265,566</u>	<u>(281,718)</u>
Total Deferred Outflows of Resources	<u>1,213,435</u>	<u>948,758</u>	<u>2,615,597</u>	<u>264,677</u>	<u>(1,666,839)</u>
<u>Liabilities:</u>					
Current liabilities	564,263	538,912	789,418	25,351	(250,506)
Noncurrent liabilities	84,972	22,108	1,460,814	62,864	(1,438,706)
Net Pension Liability	<u>150,820</u>	-	-	150,820	-
Total Liabilities	<u>800,055</u>	<u>561,020</u>	<u>2,250,232</u>	<u>88,215</u>	<u>(1,689,212)</u>
<u>Deferred Inflows of Resources:</u>					
Deferred amounts from OPEB	742,491	91,413	105,935	651,078	(14,522)
Deferred amounts from pension plan	<u>219,266</u>	<u>168,678</u>	<u>451,018</u>	<u>50,588</u>	<u>(282,340)</u>
Total Deferred Inflows of Resources	<u>961,757</u>	<u>260,091</u>	<u>556,953</u>	<u>701,666</u>	<u>(296,862)</u>
<u>Net Position:</u>					
Net investment in capital assets	23,403,331	23,620,542	23,346,215	(217,211)	274,327
Restricted: Pension benefits	2,586,429	-	-	2,586,429	-
Unrestricted	<u>45,685,033</u>	<u>43,155,290</u>	<u>37,745,568</u>	<u>2,529,743</u>	<u>5,409,722</u>
Total Net Position	<u>\$ 71,674,793</u>	<u>\$ 66,775,832</u>	<u>\$ 61,091,783</u>	<u>\$ 4,898,961</u>	<u>\$ 5,684,049</u>

MIDWAY CITY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

Midway City Sanitary District's net position increased by \$4,898,961 from fiscal year 2018-2019 to 2019-2020. Looking at this table at June 30, 2020, you can see that most of the change in net position was in current assets, which increased \$2,410,818 and restricted pension benefits, which increased \$2,586,429.

Unrestricted net position (those assets that can be used to finance day-to-day operations) increased \$2,529,743 and the net investment in capital assets, decreased by (\$217,211).

Revenues, Expenses and Changes in Net Position

The following is a summary of the District's revenues, expenses and changes in net position:

	For the Year Ended <u>June 30, 2020</u>	For the Year Ended <u>June 30, 2019</u>	For the Year Ended <u>June 30, 2018</u>	Dollar Change <u>2020 to 2019</u>	Dollar Change <u>2019 to 2018</u>
Operating revenues	\$ 8,265,598	\$ 8,012,063	\$ 8,064,216	\$ 253,535	\$ (52,153)
Nonoperating revenues	5,567,096	5,283,974	4,470,432	283,122	813,542
Total Revenues	<u>13,832,694</u>	<u>13,296,037</u>	<u>12,534,648</u>	<u>536,657</u>	<u>761,389</u>
Operating expenses	7,541,786	6,371,998	5,954,102	1,169,788	417,896
Depreciation	1,391,947	1,239,990	1,131,543	151,957	108,447
Total Expenses	<u>8,933,733</u>	<u>7,611,988</u>	<u>7,085,645</u>	<u>1,321,745</u>	<u>526,343</u>
Change in Net Position	4,898,961	5,684,049	5,449,003	-785,088	235,046
Net Position at Beginning of Year	<u>66,775,832</u>	<u>61,091,783</u>	<u>58,422,089</u>	<u>5,684,049</u>	<u>2,669,694</u>
Prior-Period Adjustment	-	-	(2,779,309)	-	2,779,309
Net Position at Beginning of Year, as restated	<u>66,775,832</u>	<u>61,091,783</u>	<u>55,642,780</u>	<u>5,684,049</u>	<u>5,449,003</u>
Net Position at End of Year	<u>\$ 71,674,793</u>	<u>\$ 66,775,832</u>	<u>\$ 61,091,783</u>	<u>\$ 4,898,961</u>	<u>\$ 5,684,049</u>

The District's total revenues increased by \$536,657 from fiscal year 2019 to 2020. A majority of the increase is attributed to pass-through funds due to the continued dissolution of the City of Westminster and the County of Orange Redevelopment Agencies, increase revenues for sewer plan checks, inspections, and connection fees, as-well-as additional franchise fee revenue received in fiscal year 2019-2020.

MIDWAY CITY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

Capital Assets

Capital assets consist of the following at June 30, 2020, June 30, 2019 and June 30, 2018, respectively:

	June 30, 2020	June 30, 2019	June 30, 2018	Dollar Change 2020 to 2019	Dollar Change 2019 to 2018
Capital assets not being depreciated:					
Land	\$ 92,948	\$ 92,948	\$ 92,948	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	<u>92,948</u>	<u>92,948</u>	<u>92,948</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:					
Building and improvements	\$ 4,443,793	\$ 4,443,793	\$ 4,443,793	\$ -	\$ -
Pumping stations	5,582,673	5,297,054	5,297,054	285,619	-
Gravity lines and force mains	17,818,984	17,818,984	17,818,984	-	-
Resident containers	972,979	1,176,228	395,795	(203,249)	780,433
Refuse vehicles	4,172,784	3,836,028	3,179,400	336,756	656,628
Other vehicles	1,437,037	917,914	917,914	519,123	-
Other equipment	775,482	742,244	742,244	33,238	-
Total	<u>35,203,732</u>	<u>34,232,245</u>	<u>32,795,184</u>	<u>971,487</u>	<u>1,437,061</u>
Less: Accumulated Depreciation	<u>(11,893,349)</u>	<u>(10,704,651)</u>	<u>(9,541,917)</u>	<u>(1,188,698)</u>	<u>(1,162,734)</u>
Total Capital Assets Being Depreciated, Net	<u>23,310,383</u>	<u>23,527,594</u>	<u>23,253,267</u>	<u>-217,211</u>	<u>274,327</u>
Total Capital Assets, Net	<u>\$ 23,403,331</u>	<u>\$ 23,620,542</u>	<u>\$ 23,346,215</u>	<u>\$ (217,211)</u>	<u>\$ 274,327</u>

The major capital asset additions and deletions for fiscal year ended June 30, 2020, decreased a total of (\$217,211), which included adding one new CNG solid waste side loader trucks to the fleet for \$329,752, one new CNG sewer vactor truck \$484,589, one new tire changing machine for \$17,195, four emergency auto dialers for the sewer lift stations \$20,800, eight replacement pumps for the sewer lift stations for \$264,799, and a new pickup truck for the refuse department with an attachment for \$50,579, as well as the disposal of \$203,249 in discarded or fully depreciated solid waste carts.

Additional information on the District's capital assets can be found in Note 3 beginning on page 22 of this report.

MIDWAY CITY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

Long-Term Liabilities and Debt Administration

The District's long-term liability was \$253,083 at June 30, 2020.

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due</u> <u>Within</u> <u>One Year</u>	<u>Due in</u> <u>More Than</u> <u>One Year</u>
Compensated absences	<u>\$ 221,120</u>	<u>\$ 200,074</u>	<u>\$ (168,111)</u>	<u>\$ 253,083</u>	<u>\$ 168,111</u>	<u>\$ 84,972</u>

Additional information on the District's long-term debt can be found in Note 4 beginning on page 23 of this report.

Economic Factors and Next Year's Budget and Rates

RESIDENTIAL

In June 2020, the Board of directors voted to keep residential sewer and solid waste (refuse) rates for the District at the current annual rates of \$87 per year for residential sewer services and the refuse fee per year is \$177.

COMMERCIAL, INDUSTRIAL, BUSINESSES AND BIN SERVICES

Additionally, in June 2010, the Board of directors approved a new ordinance to raise commercial, industrial, and nonresidential sewer rates. The ordinance applies a tiered rate dependent upon the level of demand of the commercial, industrial, and nonresidential business. The current commercial, industrial and nonresidential sewer rates range from \$119.49 (very low demand) to \$459.96 (very high demand), per business unit, per parcel.

The District has an exclusive franchise agreement with CR&R Inc. to provide solid waste and recycling services to the District's commercial and industrial businesses as-well-as bin services for multifamily residences and mobile home parks. Maximum rates are set per the franchise agreement and are adjusted annually per any increase in the County landfill costs and the consumer price index. Effective July 1, 2020, these service rates will increase by 3.04% for CPI, Service Fees and a 1.77% increase on the landfill portion of the rate only.

Current rate information may be found online on the District's website at www.mcsandst.com.

These annual user fees will assist the District in undertaking capital improvement projects, including the future replacement and refurbishment of lift (pump) stations and the upsizing and replacing of sanitary sewer pipelines in the District, the installation of an alternative energy infrastructure upgrades, updating employee facilities, District buildings and offices, and to continue to aggressively fund long-term employee benefits.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Midway City Sanitary District at (714) 893-3553.

MIDWAY CITY SANITARY DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 44,594,094
Accounts receivable	301,366
Taxes receivable	160,422
Interest receivable	155,054
Inventory	118,863
TOTAL CURRENT ASSETS	<u>45,329,799</u>

NONCURRENT ASSETS

Capital assets:	
Not depreciable	92,948
Depreciable, net	23,310,383
Restricted - cash and investments held by pension trust	2,586,429
Net OPEB asset	903,611
TOTAL NONCURRENT ASSETS	<u>26,893,371</u>

TOTAL ASSETS	<u>72,223,170</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts from OPEB	181,215
Deferred amounts from pension plan	1,032,220
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,213,435</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	374,231
Accrued expenses	21,921
Compensated absences, current portion	168,111
TOTAL CURRENT LIABILITIES	<u>564,263</u>

LONG-TERM LIABILITIES

Compensated absences, net of current portion	84,972
Net pension liability	150,820
TOTAL LONG-TERM LIABILITIES	<u>235,792</u>

TOTAL LIABILITIES	<u>800,055</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred amounts from OPEB	742,491
Deferred amounts from pension plan	219,266
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>961,757</u>

NET POSITION

Net investment in capital assets	23,403,331
Restricted:	
Pension benefits	2,586,429
Unrestricted	45,685,033
TOTAL NET POSITION	<u>\$ 71,674,793</u>

See accompanying notes to financial statements.

MIDWAY CITY SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the year ended June 30, 2020

OPERATING REVENUES	
Service fees	\$ 6,870,735
Franchise fees	1,088,185
Permit, inspection, and connection fees	<u>306,678</u>
TOTAL OPERATING REVENUES	<u>8,265,598</u>
OPERATING EXPENSES	
Solid waste disposal	4,628,976
General administration	2,201,789
Sewage collection	711,021
Depreciation	<u>1,391,947</u>
TOTAL OPERATING EXPENSES	<u>8,933,733</u>
OPERATING LOSS	<u>(668,135)</u>
NONOPERATING REVENUES	
Property taxes	4,229,732
Investment income	1,064,430
Other revenues	<u>272,934</u>
TOTAL NONOPERATING REVENUES	<u>5,567,096</u>
CHANGE IN NET POSITION	4,898,961
NET POSITION AT BEGINNING OF YEAR	<u>66,775,832</u>
NET POSITION AT END OF YEAR	<u><u>\$ 71,674,793</u></u>

See accompanying notes to the financial statements.

MIDWAY CITY SANITARY DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,234,301
Payments to suppliers	(5,276,292)
Payments to employees for wages and benefits	(2,417,649)
Other revenues	<u>272,934</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>813,294</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes received	<u>4,189,899</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>4,189,899</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(1,174,736)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,174,736)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(22,830,511)
Proceeds from sales of investments	20,473,806
Interest received on investments	<u>939,949</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(1,416,756)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,411,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>42,182,393</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 44,594,094</u>

See accompanying notes to the financial statements.

MIDWAY CITY SANITARY DISTRICT

STATEMENT OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2020

RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (668,135)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,391,947
Other revenues	272,934
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in accounts receivable	(31,297)
(Increase) decrease in inventory	(33,230)
(Increase) decrease in net OPEB asset	(822,379)
(Increase) decrease in net pension asset	27,430
(Increase) decrease in deferred outflows of resources from OPEB	889
(Increase) decrease in deferred outflows of resources from pension plan	(265,566)
Increase (decrease) in accounts payable	117,341
Increase (decrease) in accrued expenses	(61,089)
Increase (decrease) in compensated absences	31,963
Increase (decrease) in net pension liability	150,820
Increase (decrease) in deferred inflows of resources from OPEB	651,078
Increase (decrease) in deferred inflows of resources from pension plan	50,588
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Total adjustments	1,481,429
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NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 813,294
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SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
AND RELATED FINANCING AND INVESTING ACTIVITIES:

Change in fair value of investments	\$ 229,724
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MIDWAY CITY SANITARY DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Midway City Sanitary District (the District) operates as authorized by the State of California. The Health and Safety Code of California (the Sanitary District Act of 1923) is the governing law. In addition, the County of Orange (the County) has determined (through the Local Agency Formation Commission) the sphere of influence of the District's boundaries. The District services areas in Westminster and the unincorporated areas of the County known as Midway City.

The District is operated by a general manager, administrative staff, and field personnel. The general manager is hired by a five-member Board of Directors, who are elected by the public to a four-year term.

Activities of the District include the following:

- The provisions of local sewage collection service to properties within the District.
- The maintenance and cleaning of sewage collection lines.
- The approval of plans and the inspection of the construction of sewers built within the District by developers.
- The provision for trash and solid waste collection and disposal for residences.
- The contracts with a third party for trash and solid waste collection for general, commercial, and industrial businesses.

The District owns and operates vehicles for the above purposes and also owns property on which the District office and truck facilities are located, including a garage and other buildings for the purpose of servicing and maintaining trucks and sewer lines. The District has contracted with a third party for the collection of solid waste collected in bins.

b. Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accounts of the District are an enterprise fund. An enterprise fund is a proprietary type fund used to account for 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under 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.

Governmental Accounting Standards Board (GASB) Current-Year Standards

GASB 95 - *Postponement of the Effective Dates of Certain Authority Guidance*, effective during fiscal year 2019-2020 and resulted delaying the implementation requirements for certain Statements and Implementation Guides to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

GASB Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2019.
- GASB 87 - *Leases*, effective for periods beginning after June 5, 2021.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2020.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021.
- GASB 92 - *Omnibus 2020*, primarily effective for periods beginning after June 15, 2020.
- GASB 93 - *Replacement of Interbank Offered Rates*, effective for periods beginning after June 15, 2021.
- GASB 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.
- GASB 96 - *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

GASB Pending Accounting Standards (Continued)

- GASB 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for fiscal years beginning after June 15, 2021.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and, if it is determined that they are uncollectable, will write off the amounts as a bad debt expense using the specific identification method. Management has evaluated the accounts and believes that all accounts receivable are fully collectible; therefore, no allowance for doubtful accounts is recorded as of June 30, 2020.

Inventory

The District values its inventory at cost using a method that approximates the first-in, first-out basis using the consumption method. The balance at June 30, 2020, is \$118,863.

Capital Assets

Acquisitions of capital assets are recorded at cost. Contributed assets are recorded at their acquisition cost at the date of donation. Self-constructed assets are recorded at the amount of direct labor, material, certain overhead, and interest costs. Additions, improvements, and other capital outlays of \$5,000 or more that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Capital Assets (Continued)

Depreciation is calculated on the straight-line method over the following estimated useful lives:

Building and improvements	10 - 25 years
Pumping stations	40 years
Gravity lines and force mains	75 years
Resident containers	10 years
Refuse vehicles	8 years
Other vehicles	5 - 8 years
Other equipment	5 - 10 years

Restricted Assets

Restricted assets are financial resources generated for a specific purpose, such as pension benefits. These assets are for the benefit of a specific purpose and, as such, are legally or contractually restricted by an external third-party agreement. The District's restricted assets consist of a Section 115 trust with California Public Employees' Retirement System (CalPERS) called California Employers' Pension Prefunding Trust (CEPPT) that is dedicated to pre-funding employer contributions to the defined benefit pension plan.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB for employer contributions made after the measurement date of the net pension liability and net OPEB asset.
- Deferred outflows related to pensions for differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows from pension and OPEB resulting from the difference in projected and actual earnings on investments of the pension and OPEB plan's fiduciary net position. These amounts are amortized over five years.
- Deferred inflows related to OPEB for differences between expected and actual experience and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree health benefits through the plan.

Net Position

In the statement of net position, net position is classified in the following categories:

- Net investment in capital assets - this amount consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. The District has no such outstanding debt.
- Restricted net position - this amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. Amounts reported in restricted net position represent funds held in a Section 115 trust with CalPERS, called CEPPT, that are restricted for future contributions to the pension plan.
- Unrestricted net position - this amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Net Position Flow Assumption (Continued)

It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Operating Revenues and Expenses

Operating revenues, such as charges for services (service fees and franchise fees), 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.

All revenues not meeting this definition are reported as nonoperating revenues. Nonoperating revenues, such as property taxes and assessments, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the County. The County acts as a collection agent for the property taxes, which are normally collected twice a year.

The property tax calendar is as follows:

Lien Date	January 1
Levy Date	July 1
Due Dates	First Installment - November 1 Second Installment - March 1
Delinquent Dates	First Installment - December 10 Second Installment - April 10

Compensated Absences

The District permits its employees to accumulate vacation and sick leave. The maximum amount of accumulated vacation and sick leave allowed is 30 and 24 days, respectively. Any sick time in excess of the maximum is paid to the employee with the first regular payment of wages during the month of December at a rate of 100%. At retirement, all vacation and sick leave accumulated are paid to the employee. At termination, all vacation and 50% of the sick leave accumulated are paid to the employee. Compensated absences totaled \$253,083 at June 30, 2020.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2020, are classified in the financial statements as follows:

Cash and cash equivalents	\$ 44,594,094
Restricted - cash and investments held by pension trust	2,586,429
Total cash and investments	<u>\$ 47,180,523</u>

Cash and investments as of June 30, 2020, consist of the following:

Cash on hand	\$ 200
Deposits with financial institutions	671,386
Investments	43,922,508
Restricted:	
Investments held by pension trust - CEPPT	2,586,429
Total cash and investments	<u>\$ 47,180,523</u>

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS (CONTINUED)

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (District's Investment Policy shown when more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment Policy, when more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of funds within the pension trust that are governed by the agreement between the District and trustee, rather than the general provisions of the California Government Code or the District's Investment Policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
US Government-Sponsored			
Agency Securities	5 years	\$ 2,000,000	None
Certificates of Deposit	1 year	30% or \$1,000,000	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
CalTRUST Investment Pool	N/A	None	None

N/A - Not Applicable

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, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that 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 over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020.

	<u>Maturity in Years</u>
	<u>Less Than 1 Year</u>
LAIF	\$ 43,169,027
CalTRUST Investment Pool - Medium Term Fund	753,481
Restricted - Held by Pension Trust:	
CEPPT - Mutual Funds	2,586,429
Total investments	<u>\$ 46,508,937</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments with the CalTRUST Investment Pool are rated AA by Standard and Poor's while investments with LAIF and CEPPT are not rated.

2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District holds no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer), the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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, government investment pools, or Section 115 trusts (such as LAIF, CalTRUST Investment Pool, or CEPPT).

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 deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department. As of June 30, 2020, all the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in State Investment Pool

The District is a voluntary participant in LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS (CONTINUED)

Investment in CalTRUST Investment Pool

CalTRUST is a joint powers agency authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board of Trustees sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers five pooled accounts within the program: Money Market, Short-Term, Medium-Term, Liquidity Fund, and Government Fund. The funds permit daily transactions, with liquidity ranging from same-day to two days, and with no limit on the amount of funds that may be invested. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. There is no maximum investment limit. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

Restricted Cash and Investments - Pension Trust

The District established a Section 115 trust account with CalPERS entitled CEPPT to hold assets that are legally restricted for use in administering the District's pension plan. Trust account holders can selection one of two strategy options for investments. The District selected the CEPPT asset allocation Strategy 1 portfolio, which seeks to provide capital appreciation and income consistent with its strategic asset allocation. The CEPPT Strategy 1 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds. Compared with CEPPT Strategy 2, this portfolio has a higher allocation to equities than bonds. The CEPPT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	40%	+/- 5%	MSCI All Country World Index IMI (net)
Fixed Income	47%	+/- 5%	Bloomberg Barclays U.S. Aggregate Bond Index
Treasury Inflation-Protected Securities (TIPS)	5%	+/- 5%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts (REITs)	8%	+/- 5%	FTSE EPRA/NAREIT Developed Index (net)
Cash	0%	+/- 5%	91 Day Treasury Bill
Total	100%		

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investment in LAIF, CalTRUST Investment Pool, and Pension Trust - CEPPT are not subject to the fair value hierarchy.

3. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2020:

	Balance at July 1, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Capital assets, not depreciated:					
Land	\$ 92,948	\$ -	\$ -	\$ -	\$ 92,948
Total capital assets, not depreciated	<u>92,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,948</u>
Capital assets, being depreciated:					
Building and improvements	4,443,793	-	-	-	4,443,793
Pumping stations	5,297,054	285,619	-	-	5,582,673
Gravity lines and force mains	17,818,984	-	-	-	17,818,984
Resident containers	1,176,228	-	(203,249)	-	972,979
Refuse vehicles	3,836,028	336,756	-	-	4,172,784
Other vehicles	917,914	519,123	-	-	1,437,037
Other equipment	742,244	33,238	-	-	775,482
Total capital assets, being depreciated	<u>34,232,245</u>	<u>1,174,736</u>	<u>(203,249)</u>	<u>-</u>	<u>35,203,732</u>
Less accumulated depreciation for:					
Building and improvements	(1,407,071)	(218,157)	-	-	(1,625,228)
Pumping stations	(1,335,297)	(167,484)	-	-	(1,502,781)
Gravity lines and force mains	(4,684,161)	(237,586)	-	-	(4,921,747)
Resident containers	(368,974)	(92,513)	203,249	-	(258,238)
Refuse vehicles	(1,713,522)	(510,533)	-	-	(2,224,055)
Other vehicles	(516,386)	(133,024)	-	-	(649,410)
Other equipment	(679,240)	(32,650)	-	-	(711,890)
Total accumulated depreciation	<u>(10,704,651)</u>	<u>(1,391,947)</u>	<u>203,249</u>	<u>-</u>	<u>(11,893,349)</u>
Total capital assets, being depreciated, net	<u>23,527,594</u>	<u>(217,211)</u>	<u>-</u>	<u>-</u>	<u>23,310,383</u>
Capital assets, net	<u>\$23,620,542</u>	<u>\$ (217,211)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,403,331</u>

Depreciation expense for depreciable capital assets was \$1,391,947 for the year ended June 30, 2020.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

4. LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 221,120	\$ 200,074	\$ (168,111)	\$ 253,083	\$ 168,111	\$ 84,972

5. DESIGNATIONS OF NET POSITION

The designated balances of unrestricted net position established by the Board of Directors as of June 30, 2020, are as follows:

Vehicle replacement	\$ 3,088,452
Lift (pump) station and sewer lines	22,715,664
Orange County, Midway City reserve	2,573,651
Buildings, equipment, and facilities	5,383,060
Clean natural gas fueling facilities	924,312
Operating	8,272,844
Pension Trust - CalPERS Pooled Trust	2,586,429
Total designations	<u>45,544,412</u>
Undesignated net position	140,621
Total unrestricted net position	<u>\$ 45,685,033</u>

6. DEFINED BENEFIT PENSION PLAN

a. General Information about the Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, which is equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five 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. Cost of living adjustments the plan are applied as specified by the Public Employees' Retirement Law.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

a. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Plan provisions and benefits in effect at June 30, 2019 (measurement date), are summarized as follows:

	Miscellaneous		
	Tier I Prior to July 1, 2009	Tier II On or After July 1, 2009	Tier III - PEPRA On or After January 1, 2013
Hire date			
Benefit formula	3.0%@60	2%@55	2%@62
Benefit vesting schedule	5 Years of service	5 Years of service	5 Years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 67	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates			
Normal cost rate	13.439%	9.409%	6.842%
Payment of unfunded liability	\$ 64,527	\$ 1,649	\$ 392

Contributions

Section 20814(c) of CalPERS law requires that 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's annual actuarial valuation process. 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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of fiscal year ended June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the pension plan as follows:

	Proportionate Share of the Net Pension Liability
Miscellaneous	\$ 150,820

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Contributions (Continued)

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the pension plan was measured as of June 30, 2019, and the total pension liability for the pension plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to June 30, 2019, using standard update procedures. The District's proportionate share 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 (asset) for the pension plan as of the measurement dates ended June 30, 2018 and 2019, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	-0.00073%
Proportion - June 30, 2019	0.00377%
Change - increase (decrease)	0.00450%

For the year ended June 30, 2020, the District recognized a pension expense of \$689,994. At fiscal year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 726,722	\$ -
Differences between actual and expected experience	10,475	(812)
Changes in assumptions	7,192	(2,549)
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	287,831	(213,268)
Net differences between projected and actual earnings on plan investments	-	(2,637)
Total	<u>\$ 1,032,220</u>	<u>\$ (219,266)</u>

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

An amount of \$726,722 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 (asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 52,128
2022	74,274
2023	(40,702)
2024	532
2025	-
Thereafter	-

Actuarial Assumptions

The total pension liability (asset) for the June 30, 2019, measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

- (1) Varies by entry age and service.
(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return

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

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

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation 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%
Total	100.00%		

- (a) In the CalPERS CAFR, fixed income is included in Global Debt Securities; liquidity is included in short-term investments; inflation assets are included in both Global Equity Securities, and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these 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.

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability (asset) for the pension plan, calculated using the discount rate for the plan, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability (Asset)	\$ 2,363,171
Current Discount Rate	7.15%
Net Pension Liability (Asset)	\$ 150,820
1% Increase	8.15%
Net Pension Liability (Asset)	\$ (1,675,321)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued CalPERS financial report.

- c. Payable to the Pension Plan

At June 30, 2020, the District had \$14,429 of contributions payable to the pension plan as required for the year ended June 30, 2020.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

- a. General Information about the OPEB Plan

Plan Description

The District, through an agent multiple-employer defined benefit plan, provides retiree medical (including prescription drug benefits) coverage to eligible retirees and their eligible dependents through the CalPERS Health Program. The District pays the monthly premium for the retired employee, the employee’s spouse, and any surviving spouse, subject to a maximum per retiree and spouse. The monthly cap for 2020 and 2019 was \$1,875 and \$1,700, respectively. The District’s contribution will continue for the lifetime of the retiree and any surviving eligible spouse. Eligibility for retiree medical benefits is based on age, service, and the receipt of monthly pension payments from CalPERS.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

a. General Information about the OPEB Plan (Continued)

Employees Covered (Continued)

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled but not receiving benefits	5
Active employees	28
Total	<u>52</u>

Contributions

The plan and its contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2019, the District's contributions included \$138,856 in retiree premium payments and an implied subsidy of \$43,248, thereby resulting in payments of \$182,104.

b. Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2019. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry age normal cost method, level percent of pay
Actuarial Assumptions:	
Discount Rate and Expected Long-Term Investment Rate of Return	6.75%
Inflation	2.75%
Assumed Wage Inflation	3.00% per year
Projected Salary Increase	3.25% per year
Health-Care Cost Trend Rates	6.5%, decreasing to 5% by 2024 and later
Termination and Service Retirement Rates	CalPERS Experience Study Report issued December 2017
Mortality	Derived from CalPERS Experience Study; improvement using MacLeod Watts Scale 2018

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

b. Net OPEB Liability (Asset) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019, valuation were based on a standard set of assumptions that the actuary has used for similar valuations, and modified as appropriate for the District.

The expected long-term return on trust assets was derived from information published by CalPERS for CERBT Strategy 1. CalPERS determined its return using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are summarized in the following table as of June 30, 2019:

Asset Class	Target Allocation	Years 1-10			Years 11+		
		General Inflation Rate Assumption	1-10 Year Expected Real Rate of Return*	Compound Return Years 1-10	General Inflation Rate Assumption	11+ Year Expected Real Rate of Return*	Compound Return Years 11+
Global Equity	59.00%	2.00%	4.80%	6.80%	2.92%	5.98%	8.90%
Fixed Income	25.00%	2.00%	1.10%	3.10%	2.92%	2.62%	5.54%
Global Real Estate (REITs)	8.00%	2.00%	3.20%	5.50%	2.92%	5.00%	7.92%
Treasury Inflation Protected Securities	5.00%	2.00%	0.25%	2.25%	2.92%	1.46%	4.38%
Commodities	3.00%	2.00%	1.50%	3.50%	2.92%	2.87%	5.79%
Total	<u>100.00%</u>		weighted	5.85%		weighted	8.07%

*Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.00%.

CalPERS' expected returns are split for years 1-10 and years 11 and thereafter. To derive the expected return specifically for the District, plan benefits were projected in each future year. Then, applying the plan specific benefit payments to CalPERS bifurcated return expectations, the single equivalent long-term rate of return was found to be 6.75%. The District approved the 6.75% as the assumed asset return and discount rate to determine the OPEB liability in the plan for both plan funding and financial reporting purposes.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the District's contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the 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 the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

c. Changes in the Net OPEB Liability (Asset)

The changes in the net OPEB liability (asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018 (Measurement Date)	\$ 5,126,646	\$ 5,207,878	\$ (81,232)
Changes in the Year:			
Service cost	167,394	-	167,394
Interest on the total OPEB liability	351,202	-	351,202
Differences between actual and expected experience	(781,423)	-	-
Changes in assumptions	(57,184)	-	(57,184)
Contribution - employer	-	182,104	(182,104)
Net investment income	-	321,380	(321,380)
Administrative expenses	-	(1,116)	1,116
Benefit payments	(182,104)	(182,104)	-
Net Changes	(502,115)	320,264	(822,379)
Balance at June 30, 2019 (Measurement Date)	\$ 4,624,531	\$ 5,528,142	\$ (903,611)

Change of Benefit Terms

There was no change of benefit terms.

Changes of Assumptions

The actuarial valuation utilized for the measurement date ended June 30, 2019 included assumptions from the 2017 CalPERS experience study and improvement using the MacLeod Watts Scale 2018. The actuarial valuation utilized for the measurement date ended June 30, 2018 included assumptions from the 2014 CalPERS experience study and improvement using the MacLeod Watts Scale 2017.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability (Asset)	\$ (265,455)	\$ (903,611)	\$ (1,429,978)

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

c. Changes in the Net OPEB Liability (Asset)

Sensitivity of the Net OPEB Liability (Asset) to Changes in Health-Care Cost Trend Rates

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using health-care cost trend rates that are one percentage point lower or one percentage point higher than the current health-care cost trend rates:

	1% Decrease (5.50%) Decreasing to 4.00%	Current Health-care Cost Trend Rates (6.50%) Decreasing to 5.00%	1% Increase (7.50%) Decreasing to 6.00%
Net OPEB Liability (Asset)	\$ (1,505,867)	\$ (903,611)	\$ (157,384)

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$10,803. At June 30, 2020, 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 contributions subsequent to measurement date	\$ 181,215	\$ -
Differences between actual and expected experience	-	(656,595)
Changes in assumptions	-	(48,049)
Net difference between projected and actual earnings on OPEB plan investments	-	(37,847)
Total	<u>\$ 181,215</u>	<u>\$ (742,491)</u>

An amount of \$181,215 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 (asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (157,415)
2022	(157,414)
2023	(130,929)
2024	(127,941)
2025	(133,963)
Thereafter	(34,829)

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

- e. Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan as required for the year ended June 30, 2020.

8. RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts, theft, damage, and destruction of assets, errors and omissions, and natural disasters. Beginning in July 2013, the District began participation in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, property, automobile, personal liability for board members, employment practices, workers' compensation, and various other claims. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at the Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

At June 30, 2020, the District's insurance coverages were as follows:

Property Loss - Building and business personal property insured up to \$1,000,000,000 with a \$1,000 deductible per occurrence limited to insurable value and subject to various per occurrence and/or aggregate sublimits as noted in the policy.

General Liability - Insured up to \$10,000,000 per occurrence with a \$500 deductible per occurrence.

Personal Liability for Board Members - Insured up to \$500,000 per occurrence with a \$500 deductible per occurrence.

Employment Practices - Insured up to \$10,000,000 per occurrence with the first \$10,000 per claim or suit for employee discipline, demotion, reassignment, or termination being covered, and amounts that are in excess of \$10,000 (up to \$210,000) the District is responsible for 50% per claim or suit but limited to \$100,000. All other incidents have \$0 deductible per occurrence.

Employee Benefits - Insured up to \$10,000,000 per occurrence with no deductible.

Employee and Public Official Dishonesty - Insured up to \$1,000,000 per occurrence with no deductible.

Auto - Insured up to \$10,000,000 per occurrence with a \$1,000 deductible per occurrence.

Auto Physical Damage - Insured for a total property value of \$5,820,527 with a \$500/\$1,000 deductible per occurrence.

Uninsured/Underinsured Motorists - Insured up to \$1,000,000 per accident with a \$1,000 deductible per occurrence.

MIDWAY CITY SANITARY DISTRICT
Notes to Basic Financial Statements
June 30, 2020

8. RISK MANAGEMENT (CONTINUED)

At June 30, 2020, the District's insurance coverages were as follows (continued):

Public Officials' and Directors' Errors - Insured up to \$10,000,000 per occurrence with no deductible.

Trailer - Insured for a total property value of \$29,045 with a \$250 deductible per occurrence.

Boiler and Machinery - Insured up to \$100,000,000 per occurrence with a \$1,000 deductible per occurrence limited to insurable value.

Workers' Compensation - Insured up to the statutory limits with no deductible.

Cyber - Insured up to \$2,000,000 per occurrence with a \$25,000 deductible per occurrence limited to insurable value.

Pollution - Insured up to \$1,000,000 per occurrence with a \$100,000 deductible per occurrence limited to insurable value.

There were no instances in the past three years where a settlement exceeded the District's coverage, and no reduction in insurance coverage has occurred.

9. COMMITMENTS AND CONTINGENCIES

Litigation

There are potential lawsuits in which the District may be involved. The District's management and legal counsel estimate that potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the District.

10. SUBSEQUENT EVENTS

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of September 9, 2020, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MIDWAY CITY SANITARY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Last Ten Fiscal Years*

	Miscellaneous
Fiscal year ended	<u>June 30, 2020</u>
Measurement period	June 30, 2019
Plan's proportion of the net pension liability (asset)	0.00147%
Plan's proportionate share of the net pension liability (asset)	\$ 150,820
Plan's covered payroll	\$ 1,898,709
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	7.94%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability (asset)	75.26%
Plan's proportionate share of aggregate employer contributions	\$ 675,304

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MIDWAY CITY SANITARY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) (CONTINUED)

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability (asset)	-0.02800%	0.00143%	0.02076%	0.03315%	0.03680%
Plan's proportionate share of the net pension liability (asset)	\$ (27,430)	\$ 142,113	\$ 1,796,294	\$ 909,464	\$ 2,289,839
Plan's covered payroll	\$ 1,707,287	\$ 1,610,995	\$ 1,550,911	\$ 1,528,172	\$ 1,463,364
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-1.61%	8.82%	115.82%	59.51%	156.48%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability (asset)	75.26%	73.31%	115.82%	93.24%	489.23%
Plan's proportionate share of aggregate employer contributions	\$ 594,519	\$ 568,876	\$ 464,911	\$ 434,162	\$ 302,937

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MIDWAY CITY SANITARY DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years*

	Miscellaneous
Fiscal year ended	June 30, 2020
Contractually required contribution (actuarially determined)	\$ 726,722
Contributions in relation to the actuarially determined contributions	(726,722)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 1,892,394
Contributions as a percentage of covered payroll	38.40%

Notes to Schedule:

Valuation Date	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Market Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@55 and 2%@60), 52 years (2%@62)
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MIDWAY CITY SANITARY DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 317,793	\$ 266,724	\$ 255,432	\$ 241,905	\$ 235,999
Contributions in relation to the actuarially determined contributions	<u>(317,793)</u>	<u>(266,724)</u>	<u>(2,123,730)</u>	<u>(241,905)</u>	<u>(1,935,999)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,868,298)</u>	<u>\$ -</u>	<u>\$ (1,700,000)</u>
Covered payroll	\$ 1,898,709	\$ 1,707,287	\$ 1,610,995	\$ 1,550,911	\$ 1,528,172
Contributions as a percentage of covered payroll	16.74%	15.62%	131.83%	15.60%	126.69%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@55 and 2%@60), 52 years (2%@62)
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

MIDWAY CITY SANITARY DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year end	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:			
Service cost	\$ 167,394	\$ 162,126	\$ 157,023
Interest on total OPEB liability	351,202	329,262	307,649
Differences between actual and expected experience	(781,423)	-	-
Changes of assumptions	(57,184)	-	-
Benefit payments	(182,104)	(161,138)	(138,039)
Net Change in Total OPEB Liability	(502,115)	330,250	326,633
Total OPEB Liability - Beginning of Year	5,126,646	4,796,396	4,469,763
Total OPEB Liability - End of Year (a)	4,624,531	5,126,646	4,796,396
Plan Fiduciary Net Position:			
Contributions - employer	182,104	1,567,225	6,972
Net investment income	321,380	299,068	350,153
Administrative expenses	(1,116)	(2,060)	(1,771)
Other expenses	-	(4,643)	-
Benefit payments	(182,104)	(161,138)	(138,039)
Net Change in Plan Fiduciary Net Position	320,264	1,698,452	217,315
Plan Fiduciary Net Position - Beginning of Year	5,207,878	3,509,426	3,292,111
Plan Fiduciary Net Position - End of Year (b)	5,528,142	5,207,878	3,509,426
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (903,611)	\$ (81,232)	\$ 1,286,970
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	119.54%	101.58%	73.17%
Covered - employee payroll	\$ 2,004,990	\$ 1,707,287	\$ 1,610,995
Net OPEB liability (asset) as percentage of covered - employee payroll	-45.07%	-4.76%	79.89%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From measurement date June 30, 2017 to June 30, 2018: None.

From measurement date June 30, 2018 to June 30, 2019:

The probabilities of retirement, termination and mortality have been changed from the 2014 CalPERS OPEB assumptions model to the 2017 CalPERS OPEB assumptions model.

* Fiscal year 2018 was the first year of implementation; therefore, only three years are shown.

MIDWAY CITY SANITARY DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years*

Fiscal year end	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially determined contribution	\$ 136,307	\$ 176,711	\$ 256,997
Contributions in relation to the actuarially determined contributions	<u>(181,215)</u>	<u>(182,104)</u>	<u>(1,579,105)</u>
Contribution deficiency (excess)	<u>\$ (44,908)</u>	<u>\$ (5,393)</u>	<u>\$ (1,322,108)</u>
Covered - employee payroll	\$ 2,219,965	\$ 2,004,990	\$ 1,707,287
Contributions as a percentage of covered - employee payroll	8.16%	9.08%	92.49%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2017	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates:			
Single and agent employers	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Asset valuation method	Market	Market	Market
Inflation	2.75%	2.75%	2.75%
Salary increases	3.25%	3.25%	3.25%
Discount rate and investment rate of return	6.75%	6.75%	6.75%
Mortality	(b)	(a)	(a)

(a) 2014 CalPERS Experience Study; Improvement Using MacLeod Watts Scale 2017

(b) 2017 CalPERS Experience Study; Improvement Using MacLeod Watts Scale 2018

*Fiscal year 2018 was the first year of implementation; therefore, only three years are shown.