

MIDWAY CITY SANITARY DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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**MIDWAY CITY SANITARY DISTRICT
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Midway City Sanitary District
Westminster, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Midway City Sanitary District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midway City Sanitary District, as of June 30, 2022, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
October 13, 2022

**MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Statements

This discussion and analysis provide 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
JUNE 30, 2022**

Financial Highlights

- The District's net position increased by \$8,709,193.
- During the year, the District's total revenues were \$12,652,909 while expenses totaled \$3,943,716.
- The District's cash and cash equivalents increased by \$4,123,132.

Financial Analysis of the District

Net Position

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

Midway City Sanitary District's net position increased by \$8,709,193 from fiscal year 2020-2021 to 2021-2022. Looking at this table at June 30, 2022, you can see that most of the change in net position is due to current assets, which increased \$4,240,354 and restricted pension and OPEB benefits, which increased \$4,603,003.

Unrestricted net position (those assets that can be used to finance day-to-day operations) increased \$5,188,175 and the net investment in capital assets, decreased by (\$1,191,826).

**MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

	For the Year Ended <u>6/30/2022</u>	For the Year Ended <u>6/30/2021</u>	For the Year Ended <u>6/30/2020</u>	Dollar Change <u>2022 to 2021</u>
<u>Assets:</u>				
Current Assets	\$53,568,866	\$49,328,512	\$45,329,799	\$ 4,240,354
Net OPEB Asset	2,292,611	783,582	903,611	1,509,029
Net Pension Asset	2,768,839	72,379	-	2,696,460
Restricted - Cash and Investments				
Held by Pension Trust	3,988,371	3,590,857	2,586,429	397,514
Capital Assets, Net	21,536,793	22,728,619	23,403,331	(1,191,826)
Total Assets	<u>84,155,480</u>	<u>76,503,949</u>	<u>72,223,170</u>	<u>7,651,531</u>
<u>Deferred Outflows of Resources:</u>				
Deferred Amounts from OPEB	220,451	166,376	181,215	54,075
Deferred Amounts from Pension Plan	3,032,187	542,369	1,032,220	2,489,818
Total Deferred Outflows of Resources	<u>3,252,638</u>	<u>708,745</u>	<u>1,213,435</u>	<u>2,543,893</u>
<u>Liabilities:</u>				
Current Liabilities	753,025	606,408	564,263	146,617
Long-Term Liabilities	53,287	83,813	84,972	(30,526)
Net Pension Liability	-	-	150,820	-
Total Liabilities	<u>806,312</u>	<u>690,221</u>	<u>800,055</u>	<u>116,091</u>
<u>Deferred Inflows of Resources:</u>				
Deferred Amounts from OPEB	1,755,522	570,681	742,491	1,184,841
Deferred Amounts from Pension Plan	472,822	287,523	219,266	185,299
Total Deferred Inflows of Resources	<u>2,228,344</u>	<u>858,204</u>	<u>961,757</u>	<u>1,370,140</u>
<u>Net Position:</u>				
Investment in Capital Assets	21,536,793	22,728,619	23,403,331	(1,191,826)
Restricted				
Restricted for Pension Benefits	6,757,210	3,663,236	2,586,429	3,093,974
Restricted for OPEB Benefits	2,292,611	783,582	903,611	1,509,029
Recycling Outreach & Education (SB 1383)	109,841	-	-	109,841
Unrestricted	53,677,007	48,488,832	44,781,422	5,188,175
Total Net Position	<u>\$84,373,462</u>	<u>\$75,664,269</u>	<u>\$71,674,793</u>	<u>\$ 8,709,193</u>

**MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Revenues, Expenses and Changes in Net Position

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

The District's total revenues decreased by (\$772,240) from fiscal year 2020-2021 to 2021-2022. A majority of the decrease is attributed to a significant negative rate of return on investments and a 58% decrease in revenues for sewer plan checks, inspections, and connection fees in fiscal year 2021-2022.

The District's total expenses decreased by (5,531,159) from fiscal year 2020-2021 to 2021-2022. Employee salaries and employee benefits totaled \$2,777,296 and increased \$807,457 from 2020-2021 to 2021-2022. Operational, increased tonnage costs for solid waste services, insurances, depreciation, and rising inflation costs attributed to the remainder of the expenses.

Operating expenses have been significantly impacted by the current year net pension income of \$4,591,062. Additional details on the impact to operating expenses from the large net investment income can be found in Note 6 beginning on page 29.

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021	Dollar Change 2022 to 2021
Operating Revenues	\$ 8,350,876	\$ 8,142,088	\$ 208,788
Nonoperating Revenues	4,302,033	5,283,061	-981,028
Total Revenues	<u>12,652,909</u>	<u>13,425,149</u>	<u>-772,240</u>
Operating Expenses	2,440,555	7,971,714	-5,531,159
Depreciation	1,503,161	1,463,959	39,202
Total Expenses	<u>3,943,716</u>	<u>9,435,673</u>	<u>-5,491,957</u>
Change in Net Position	8,709,193	3,989,476	4,719,717
Net Position at Beginning of Year	<u>75,664,269</u>	<u>71,674,793</u>	<u>3,989,476</u>
Net Position at End of Year	<u>\$ 84,373,462</u>	<u>\$ 75,664,269</u>	<u>\$8,709,193</u>

**MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Capital Assets

Capital assets consist of the following at June 30, 2022 and June 30, 2021 respectively:

	For the Year Ended <u>June 30, 2022</u>	For the Year Ended <u>June 30, 2021</u>	Dollar Change <u>2021 to 2020</u>
Capital Assets, Not Depreciated:			
Land	\$ 92,948	\$ 92,948	\$ -
Work/Construction in Progress	352,235	223,884	128,351
Total Capital Assets, Not Depreciated	<u>445,183</u>	<u>316,832</u>	<u>128,351</u>
Capital Assets, Being Depreciated:			
Building and Improvements	\$ 1,024,974	\$ 1,024,974	\$ -
Lift Stations	5,582,673	5,582,673	-
Gravity Lines and Force Mains	17,818,984	17,818,984	-
Resident Containers	857,689	857,689	-
Refuse CNG Station & Facilities	3,459,268	3,459,268	-
Refuse Trucks	4,561,685	4,561,685	-
Other Vehicles	1,412,062	1,412,062	-
Other Equipment	1,020,695	897,657	123,038
Total Capital Assets, Being Depreciated	<u>35,738,030</u>	<u>35,614,992</u>	<u>123,038</u>
Total Accumulated Depreciation	<u>(14,646,420)</u>	<u>(13,203,205)</u>	<u>(1,443,215)</u>
Total Capital Assets, Being Depreciated, Net	<u>21,091,610</u>	<u>22,411,787</u>	<u>-1,320,177</u>
Capital Assets, Net	<u>\$ 21,536,793</u>	<u>\$ 22,728,619</u>	<u>\$ (1,191,826)</u>

Capital assets for fiscal year ended June 30, 2022, decreased a total of (\$1,191,826), which included upgrading the sewer SCADA system and routers for \$172,800, adding a new crimping tool and attachments, to the shop for \$10,184, and architectural design services and project manager services for a building remodel and solar project – work/construction in progress \$128,351.

Additional information on the District's capital assets can be found in Note 3 beginning on page 25 of this report.

**MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Long-Term Liabilities and Debt Administration

The District's long-term liability was \$273,389 at June 30, 2022.

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Compensated Absences	\$ 272,154	\$ 221,337	\$ (220,102)	\$ 273,389	\$ 220,102	\$ 53,287

Additional information on the District's long-term debt can be found in Note 4 beginning on page 25 of this report.

Economic Factors and Next Year's Budget and Rates

RESIDENTIAL SOLID WASTE (TRASH) AND SANITARY SEWER SERVICES

On June 21, 2022, the Board of Directors adopted a five-year schedule of adjustments to fees for residential curbside solid waste (trash) collection service and sanitary sewer service. Effective July 1, 2022 the annual residential solid waste (trash) rate is \$189.99, per unit, per parcel and the residential sanitary sewer rate is \$97.48, per unit, per parcel.

Additionally, the board of Directors adopted a fee and a five-year schedule for residents wanting additional solid waste (trash) carts and services above and basic solid waste (trash) service. Effective July 1, 2022 the annual rate for additional carts and service is \$36.96, per each additional cart.

COMMERCIAL, INDUSTRIAL, BUSINESSES AND BIN SERVICES

On June 21, 2022, the Board of Directors adopted a five-year schedule of adjustments to its sanitary sewer service fees for commercial, industrial and businesses, effective July 1, 2022. As of July 1, 2022 the annual sanitary sewer rate is \$97.48, per 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 Orange County landfill costs and the consumer price index. Effective July 1, 2022, these service rates will increase by 3.42% for the service component and a 6.23% 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.

**MIDWAY CITY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022**

CURRENT ASSETS

Cash and Cash Equivalents	\$ 52,880,520
Accounts Receivable	289,029
Taxes Receivable	139,294
Interest Receivable	95,144
Inventory	164,879
Total Current Assets	53,568,866

NONCURRENT ASSETS

Capital Assets:	
Not Depreciable	445,183
Depreciable, Net	21,091,610
Restricted - Cash and Investments Held by Pension Trust	3,988,371
Net OPEB Asset	2,292,611
Net Pension Asset	2,768,839
Total Noncurrent Assets	30,586,614
Total Assets	84,155,480

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts from OPEB	220,451
Deferred Amounts from Pension Plan	3,032,187
Total Deferred Outflows of Resources	3,252,638

CURRENT LIABILITIES

Accounts Payable	479,403
Accrued Expenses	53,520
Compensated Absences, Current Portion	220,102
Total Current Liabilities	753,025

LONG-TERM LIABILITIES

Compensated Absences, Net of Current Portion	53,287
Total Liabilities	806,312

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts from OPEB	1,755,522
Deferred Amounts from Pension Plan	472,822
Total Deferred Inflows of Resources	2,228,344

NET POSITION

Investment in Capital Assets	21,536,793
Restricted:	
Restricted for Pension Benefits	6,757,210
Restricted for OPEB Benefits	2,292,611
Recycling Outreach and Education (SB 1383)	109,841
Unrestricted	53,677,007
Total Net Position	\$ 84,373,462

See accompanying Notes to Financial Statements.

**MIDWAY CITY SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES

Service Fees	\$ 6,945,662
Franchise Fees	1,349,639
Permit, Inspection, and Connection Fees	55,575
Total Operating Revenues	8,350,876

OPERATING EXPENSES

Solid Waste Disposal	2,814,359
General Administration	(211,156)
Sewage Collection	(162,648)
Depreciation	1,503,161
Total Operating Expenses	3,943,716

OPERATING INCOME

4,407,160

NONOPERATING REVENUES

Property Taxes	4,856,638
Investment Loss	(1,006,388)
Intergovernmental Revenues	406,850
Other Revenues	44,933
Total Nonoperating Revenues	4,302,033

CHANGE IN NET POSITION

8,709,193

Net Position - Beginning of Year

75,664,269

NET POSITION - END OF YEAR

\$ 84,373,462

See accompanying Notes to Financial Statements.

**MIDWAY CITY SANITARY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 8,339,511
Cash Paid to Suppliers	(4,960,195)
Cash Paid to Employees for Wages and Benefits	(2,777,296)
Cash Received from Grantors	406,850
Other Cash Receipts	44,933
Net Cash Provided by Operating Activities	1,053,803
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property Taxes Received	4,842,385
Net Cash Provided by Noncapital Financing Activities	4,842,385
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Paid for Acquisition of Capital Assets	(311,335)
Net Cash Used by Capital and Related Financing Activities	(311,335)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(28,403,058)
Proceeds from Sales of Investments	26,801,108
Interest Received on Investments	140,229
Net Cash Used by Investing Activities	(1,461,721)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,123,132
Cash and Cash Equivalents - Beginning of Year	48,757,388
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 52,880,520

See accompanying Notes to Financial Statements.

**MIDWAY CITY SANITARY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 4,407,160
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,503,161
Intergovernmental Revenues	406,850
Other Revenues	44,933
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
(Increase) Decrease in:	
Accounts Receivable	(11,365)
Inventory	(33,785)
Net OPEB Asset	(1,509,028)
Net Pension Asset	(2,696,460)
Deferred Outflows of Resources from OPEB	(54,075)
Deferred Outflows of Resources from Pension Plan	(2,489,818)
Increase (Decrease) in:	
Accounts Payable	98,099
Accrued Expenses	16,756
Compensated Absences	1,235
Deferred Inflows of Resources from OPEB	1,184,841
Deferred Inflows of Resources from Pension Plan	185,299
Total Adjustments	<u>(3,353,357)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,053,803</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
AND RELATED FINANCING AND INVESTING ACTIVITIES:**

Change in Fair Value of Investments	\$ <u>729,298</u>
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See accompanying Notes to Financial Statements.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 ORGANIZATION AND SUMMARY OF 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 presents 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.

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, 2022.

Inventory

The District values its inventory at cost using a method that approximates the first-in, first-out basis.

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, and certain overhead. 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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 ORGANIZATION AND SUMMARY OF 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 to 25 Years
Lift Stations	40 Years
Gravity Lines and Force Mains	75 Years
Resident Containers	10 Years
Refuse CNG Station and Facilities	5 to 25 Years
Refuse Trucks	8 Years
Other Vehicles	5 to 8 Years
Other Equipment	5 to 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 reports 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 pension and OPEB for employer contributions made after the measurement date of the net pension asset and net OPEB asset.
- Deferred outflows related to pensions for changes in employer's 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 outflows from pension resulting from the net differences in projected and actual earnings on investments of the pension plan's fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for 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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to 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 actual and expected experience and changes in employer's proportion and differences between employer contributions and the proportionate share of contributions and differences between actual and expected experience. 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 related to OPEB for differences between actual and expected 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.
- Deferred inflows from OPEB resulting from the net differences in projected and actual earnings on investments of the OPEB plan's fiduciary net position. These amounts are amortized over five years.

Net Position

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

Investment in Capital Assets

This amount consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt and capital related payables that are attributed to the acquisition, construction, or improvement of the assets. The District has no such outstanding debt or payables.

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; amounts related to the net pension asset; amounts related to the net OPEB asset; and amounts related to SB 1383 grant funding received and not yet spent.

Unrestricted Net Position

This amount is all net position that does not meet the definition of investment in capital assets or restricted net position.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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, franchise fees, permit, inspection and connection 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, solid waste disposal, sewage collection, general administration 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

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Compensated Absences

The District permits its employees to accumulate vacation and sick leave. The maximum amount of accumulated vacation allowed for represented employees is 30 days. For non-represented employees, there is no maximum amount of vacation days allowed to accrue. The maximum amount of accumulated sick leave allowed is 24 days for both represented and non-represented employees. 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.

Pensions

For purposes of measuring the net pension asset 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.

NOTE 2 CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2022, are classified in the financial statements as follows:

Cash and Cash Equivalents	\$ 52,880,520
Restricted - Cash and Investments Held by Pension Trust	3,988,371
Total Cash and Investments	<u>\$ 56,868,891</u>

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (Continued)

Cash and investments as of June 30, 2022, consist of the following:

Cash on Hand	\$	300
Deposits with Financial Institutions		571,283
Investments		52,308,937
Restricted:		
Investments Held by Pension Trust - CEPPT		3,988,371
Total Cash and Investments		<u>\$ 56,868,891</u>

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>
U.S. Government-Sponsored Agency Securities	5 Years	\$2,000,000	None
Certificates of Deposit	1 Year	30% or \$1,000,00	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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

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, 2022.

	Less than One Year
LAIF	\$ 50,855,315
CalTRUST Investment Pool - Medium-Term Fund	1,453,622
Restricted - Held by Pension Trust:	
CEPPT - Mutual Funds	3,988,371
Total investments	\$ 56,297,308

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.

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).

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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, 2022, 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 prorata 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.

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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Range</u>	<u>Benchmark</u>
Global Equity	40 %	+/- 5%	MSCI All Country World Index IMI (net)
Fixed Income	47	+/- 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities (TIPS)	5	+/- 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts (REITs)	8	+/- 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+/- 2%	91 Day Treasury Bill
Total	<u>100 %</u>		

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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CAPITAL ASSETS

Capital assets consist of the following at June 30, 2022:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Capital Assets, Not Depreciated:				
Land	\$ 92,948	\$ -	\$ -	\$ 92,948
	<u>223,884</u>	<u>128,351</u>	<u>-</u>	<u>352,235</u>
Total Capital Assets, Not Depreciated	316,832	128,351	-	445,183
Capital Assets, Being Depreciated:				
Building and Improvements	1,024,974	-	-	1,024,974
Lift Stations	5,582,673	-	-	5,582,673
Gravity Lines and Force Mains	17,818,984	-	-	17,818,984
Resident Containers	857,689	-	-	857,689
Refuse CNG Station & Facilities	3,459,268	-	-	3,459,268
Refuse Trucks	4,561,685	-	-	4,561,685
Other Vehicles	1,412,062	-	-	1,412,062
Other Equipment	897,657	182,984	(59,946)	1,020,695
Total Capital Assets, Being Depreciated	35,614,992	182,984	(59,946)	35,738,030
Less Accumulated Depreciation for:				
Building and Improvements	(885,493)	(60,706)	-	(946,199)
Lift Stations	(1,692,331)	(189,550)	-	(1,881,881)
Gravity Lines and Force Mains	(5,159,333)	(237,586)	-	(5,396,919)
Resident Containers	(228,717)	(85,769)	-	(314,486)
Refuse CNG Station & Facilities	(890,983)	(179,665)	-	(1,070,648)
Refuse Trucks	(2,782,639)	(570,736)	-	(3,353,375)
Other Vehicles	(749,467)	(144,847)	-	(894,314)
Other Equipment	(814,242)	(34,302)	59,946	(788,598)
Total Accumulated Depreciation	(13,203,205)	(1,503,161)	59,946	(14,646,420)
Total Capital Assets, Being Depreciated, Net	22,411,787	(1,320,177)	-	21,091,610
Capital Assets, Net	<u>\$ 22,728,619</u>	<u>\$ (1,191,826)</u>	<u>\$ -</u>	<u>\$ 21,536,793</u>

NOTE 4 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2022:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Compensated Absences	\$ 272,154	\$ 221,337	\$ (220,102)	\$ 273,389	\$ 220,102	\$ 53,287

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 DESIGNATIONS OF NET POSITION

The designated balances of unrestricted net position established by the board of directors as of June 30, 2022, are as follows:

Vehicle Replacement	\$ 3,817,092
Lift (Pump) Station and Sewer Lines	30,292,835
Orange County, Midway City Reserve	2,889,514
Buildings, Equipment, and Facilities	5,846,249
Clean Natural Gas Fueling Facilities	1,765,582
Emergencies and Contingencies	1,453,622
Operating	<u>6,907,324</u>
Total Designations	52,972,218
Undesignated Net Position	<u>704,789</u>
Total Unrestricted Net Position	<u><u>\$ 53,677,007</u></u>

NOTE 6 DEFINED BENEFIT 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 FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Plan provisions and benefits in effect at June 30, 2021 (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	July 1, 2009	July 1, 2009	January 1, 2013
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%	6.75%
Required Employer Contribution Rates:			
Normal Cost Rate	22.340%	17.250%	14.340%
Payment of Unfunded Liability	\$ -	\$ -	\$ -

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 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.

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

As of fiscal year ended June 30, 2022, the District reported a net pension asset for its proportionate share of the net pension liability of the pension plan as follows:

	Proportionate Share of the Net Pension Liability (Asset)
Miscellaneous	<u><u>\$ (2,768,839)</u></u>

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Asset, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

The District's net pension liability (asset) 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, 2021. 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, 2020 and 2021, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	-0.00172%
Proportion - June 30, 2021	-0.14582%
Change - Increase (Decrease)	<u>-0.14410%</u>

For the year ended June 30, 2022, the District recognized a pension income of \$4,591,062. At fiscal year ended June 30, 2022, 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	\$ 409,914	\$ -
Differences Between Actual and Expected Experience	-	(310,496)
Changes in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	205,223	(162,326)
Net Differences Between Projected and Actual Earnings on Plan Investments	2,417,050	-
Total	<u>\$ 3,032,187</u>	<u>\$ (472,822)</u>

An amount of \$409,914 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, 2023. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 402,823
2024	491,806
2025	586,874
2026	667,948
2027	-
Thereafter	-

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Asset, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Impact of Pension Income on the Statement of Revenues, Expenses, and Changes in Net Position

Operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position have been significantly impacted by the current year net pension income. Detail is provided below to illustrate the impact on operating expenses from the large net investment income that was experienced for the measurement period June 30, 2021.

Solid Waste Disposal	4,406,973	
Solid Waste Disposal Pension Income	<u>(1,592,614)</u>	
Solid Waste Disposal Total		2,814,359
General Administration	2,303,176	
General Administration Pension Income	<u>(2,514,332)</u>	
General Administration Total		(211,156)
Sewage Collection	731,382	
Sewage Collection Pension Income	<u>(894,030)</u>	
Sewage Collection Total		(162,648)

Actuarial Assumptions

The total pension liability (asset) for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with standard update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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. Preretirement and Postretirement mortality rates include 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 lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLAN (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	-	0.77%	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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLAN (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:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability (Asset)	\$ (385,419)	\$ (2,768,839)	\$ (4,739,178)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2022, the District had \$-0- of contributions payable to the pension plan as required for the year ended June 30, 2022.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 2022 and 2021 was \$1,875. 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.

Employees Covered

As of the June 30, 2021, 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	7
Active Employees	27
Total	<u>53</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 fiscal year ended June 30, 2022, the District's contributions included unreimbursed retiree premium payments of \$74,071 and an implied subsidy of \$23,487, thereby resulting in payments of \$97,558. Due to the funded status of this plan, the actuarially determined contribution did not result in any payments needed for the trust.

Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated June 30, 2021.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, 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, 2021
Measurement Date	June 30, 2021
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	2.50%
Projected Salary Increase	3.00% per Year
Health Care Cost Trend Rates	5.7%, Decreasing to 4% by 2076 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 2020

The actuarial assumptions used in the June 30, 2021 valuation were based on a standard set of assumptions that the actuary has used for similar valuations, and modified as appropriate for the District.

Long-Term Expected Rate of Return

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, 2021:

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%.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

CalPERS' expected returns are split for years 1 through 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.

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 - June 30, 2020			
(Measurement Date)	\$ 4,937,163	\$ 5,720,745	\$ (783,582)
Changes for the Year:			
Service Cost	181,650	-	181,650
Interest on the Total OPEB Liability	339,606	-	339,606
Differences Between Actual and Expected Experience	(577,952)	-	(577,952)
Changes in Assumptions	144,567	-	144,567
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	38,567	(38,567)
Net Investment Income	-	1,560,478	(1,560,478)
Administrative Expenses	-	(2,145)	2,145
Benefit Payments	(175,237)	(175,237)	-
Net Changes	<u>(87,366)</u>	<u>1,421,663</u>	<u>(1,509,029)</u>
Balance - June 30, 2021			
(Measurement Date)	<u>\$ 4,849,797</u>	<u>\$ 7,142,408</u>	<u>\$ (2,292,611)</u>

Change of Benefit Terms

There was no change of benefit terms.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes of Assumptions

From the measurement date June 30, 2020 to June 30, 2021, the inflation rate decreased from 2.75% to 2.50% and salary increases changed from 3.25% to 3.00%. Mortality improvement was updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2020. The medical trend was updated to the Getzen model that was published by the Society of Actuaries.

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)	\$ (1,622,350)	\$ (2,292,611)	\$ (2,845,631)

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 (4.70%) Decreasing to 3.00%)	Current Health Care Cost Trend Rates (5.70%) Decreasing to 4.00%)	1% Increase (6.70%) Decreasing to 5.00%)
Net OPEB Liability (Asset)	\$ (2,919,709)	\$ (2,292,611)	\$ (1,518,059)

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

For the year ended June 30, 2022, the District recognized OPEB income of \$280,705. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 97,558	\$ -
Differences Between Actual and Expected Experience	-	(898,242)
Changes in Assumptions	122,893	(29,779)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(827,501)
Total	\$ 220,451	\$ (1,755,522)

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)**

An amount of \$97,558 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (396,156)
2024	(393,168)
2025	(399,190)
2026	(335,605)
2027	(64,975)
Thereafter	(43,535)

Payable to the OPEB Plan

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan as required for the year ended June 30, 2022.

NOTE 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 nonprofit 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, California 95814.

At June 30, 2022, the District's insurance coverages were as follows:

Property Loss – Building and business personal property insured for a total property value of \$9,427,008 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.

**MIDWAY CITY SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 RISK MANAGEMENT (CONTINUED)

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 no deductible.

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 \$5,987,118 with a \$1,000 deductible per occurrence.

Uninsured/Underinsured Motorists – Insured up to \$1,000,000 per accident with no deductible.

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 \$50,000 deductible per occurrence limited to insurable value.

Pollution – Insured up to \$2,000,000 per occurrence with a \$250,000 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.

NOTE 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.

REQUIRED SUPPLEMENTARY INFORMATION

**MIDWAY CITY SANITARY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST TEN FISCAL YEARS***

Fiscal Year-End	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability (Asset)	-0.14582%	-0.00172%	0.00147%	-0.02800%	0.00143%	0.02076%	0.03315%	0.03680%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ (2,768,839)	\$ (72,379)	\$ 150,820	\$ (27,430)	\$ 142,113	\$ 1,796,294	\$ 909,464	\$ 2,289,839
Plan's Covered Payroll	\$ 1,977,383	\$ 1,892,394	\$ 1,898,709	\$ 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	-140.03%	-3.82%	7.94%	-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)	115.34%	100.42%	75.26%	75.26%	73.31%	115.82%	93.24%	489.23%

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, 2022:

There Were no Significant Changes in Assumptions.

* Fiscal Year 2015 was the First Year of Implementation, Therefore Only Eight Years are Shown.

**MIDWAY CITY SANITARY DISTRICT
SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS***

Fiscal Year-End	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 409,914	\$ 257,924	\$ 726,722	\$ 317,793	\$ 266,724	\$ 255,432	\$ 241,905	\$ 235,999
Contributions in Relation to Actuarially Determined Contributions	(409,914)	(413,927)	(726,722)	(317,793)	(266,724)	(2,123,730)	(241,905)	(1,935,999)
Contribution Deficiency (Excess)	-	(156,003)	-	-	-	(1,868,298)	-	(1,700,000)
Covered Payroll	1,978,586	1,977,383	1,892,394	1,898,709	1,707,287	1,610,995	1,550,911	1,528,172
Contributions as a Percentage of Covered Payroll	20.72%	20.93%	38.40%	16.74%	15.62%	131.83%	15.60%	126.69%

NOTES TO SCHEDULE

Valuation Date	6/30/2019	6/30/2018	6/30/2017	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	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.500%	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(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 Eight Years Are Shown.

**MIDWAY CITY SANITARY DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year-End	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:					
Service Cost	\$ 181,650	\$ 175,932	\$ 167,394	\$ 162,126	\$ 157,023
Interest on Total OPEB Liability	339,606	317,915	351,202	329,262	307,649
Differences between Actual and Expected Experience	(577,952)	-	(781,423)	-	-
Changes of Assumptions	144,567	-	(57,184)	-	-
Benefit Payments	(175,237)	(181,215)	(182,104)	(161,138)	(138,039)
Net Change in Total OPEB Liability	(87,366)	312,632	(502,115)	330,250	326,633
Total OPEB Liability - Beginning of Year	4,937,163	4,624,531	5,126,646	4,796,396	4,469,763
Total OPEB Liability - End of Year (a)	4,849,797	4,937,163	4,624,531	5,126,646	4,796,396
Plan Fiduciary Net Position:					
Contributions - Employer	38,567	181,215	182,104	1,567,225	6,972
Net Investment Income	1,560,478	195,303	321,380	299,068	350,153
Administrative Expenses	(2,145)	(2,700)	(1,116)	(2,060)	(1,771)
Other Expenses	-	-	-	(4,643)	-
Benefit Payments	(175,237)	(181,215)	(182,104)	(161,138)	(138,039)
Net Change in Plan Fiduciary Net Position	1,421,663	192,603	320,264	1,698,452	217,315
Plan Fiduciary Net Position - Beginning of Year	5,720,745	5,528,142	5,207,878	3,509,426	3,292,111
Plan Fiduciary Net Position - End of Year (b)	7,142,408	5,720,745	5,528,142	5,207,878	3,509,426
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (2,292,611)	\$ (783,582)	\$ (903,611)	\$ (81,232)	\$ 1,286,970
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	147.27%	115.87%	119.54%	101.58%	73.17%
Covered - Employee Payroll	\$ 2,265,018	\$ 2,219,965	\$ 2,004,990	\$ 1,707,287	\$ 1,610,995
Net OPEB Liability (Asset) as Percentage of Covered - Employee Payroll	-101.22%	-35.30%	-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.

From Measurement Date June 30, 2019 to June 30, 2020: None.

From Measurement Date June 30, 2020 to June 30, 2021: Inflation rate decreased from 2.75% to 2.50% and salary increases changed from 3.25% to 3.00%.

* Fiscal Year 2018 Was the First Year of Implementation; Therefore, Only Five Years Are Shown.

**MIDWAY CITY SANITARY DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS***

Fiscal Year-End	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially Determined Contribution	\$ 52,539	\$ 138,060	\$ 136,307	\$ 176,711	\$ 256,997
Contributions in Relation to the Actuarially Determined Contributions	<u>(97,558)</u>	<u>(38,567)</u>	<u>(181,215)</u>	<u>(182,104)</u>	<u>(1,579,105)</u>
Contribution Deficiency (Excess)	(45,019)	99,493	(44,908)	(5,393)	(1,322,108)
Covered - Employee Payroll	2,300,000	2,265,018	2,219,965	2,004,990	1,707,287
Contributions as a Percentage of Covered - Employee Payroll	4.24%	1.70%	8.16%	9.08%	92.49%

NOTES TO SCHEDULE

Valuation Date	6/30/2021	6/30/2019	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	Entry age normal	Entry age normal
Amortization Method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Asset Valuation Method	Market	Market	Market	Market	Market
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increases	3.00%	3.25%	3.25%	3.25%	3.25%
Discount Rate and Investment Rate of Return	6.75%	6.75%	6.75%	6.75%	6.75%
Mortality	(c)	(b)	(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

(c) 2017 CalPERS Experience Study; Improvement Using MacLeod Watts Scale 2020

* Fiscal Year 2018 Was the First Year of Implementation; Therefore, Only Five Years Are Shown.



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