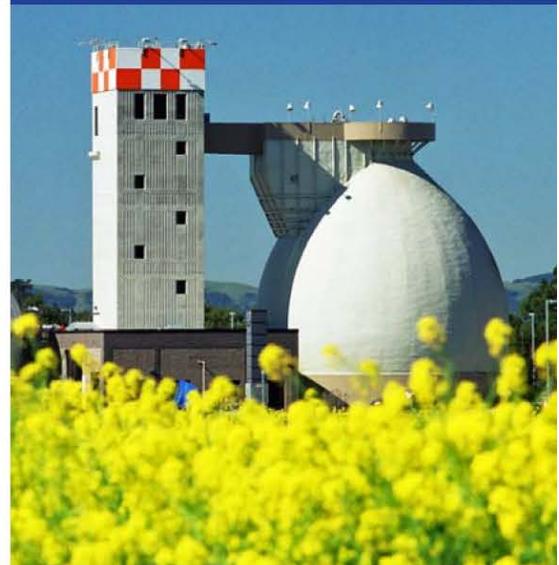




ANNUAL COMPREHENSIVE FINANCIAL REPORT

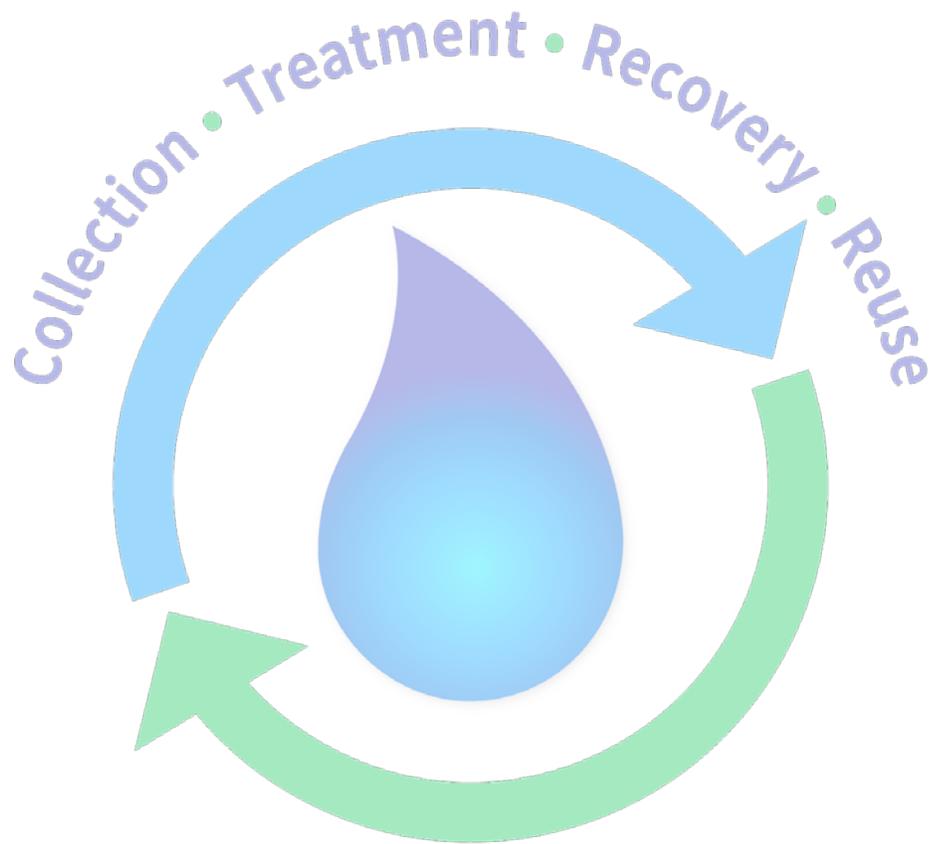
For the fiscal year ended
June 30, 2021

NAPA SANITATION DISTRICT
NAPA, CA



NapaSan

www.napasandistrict.com



NapaSan

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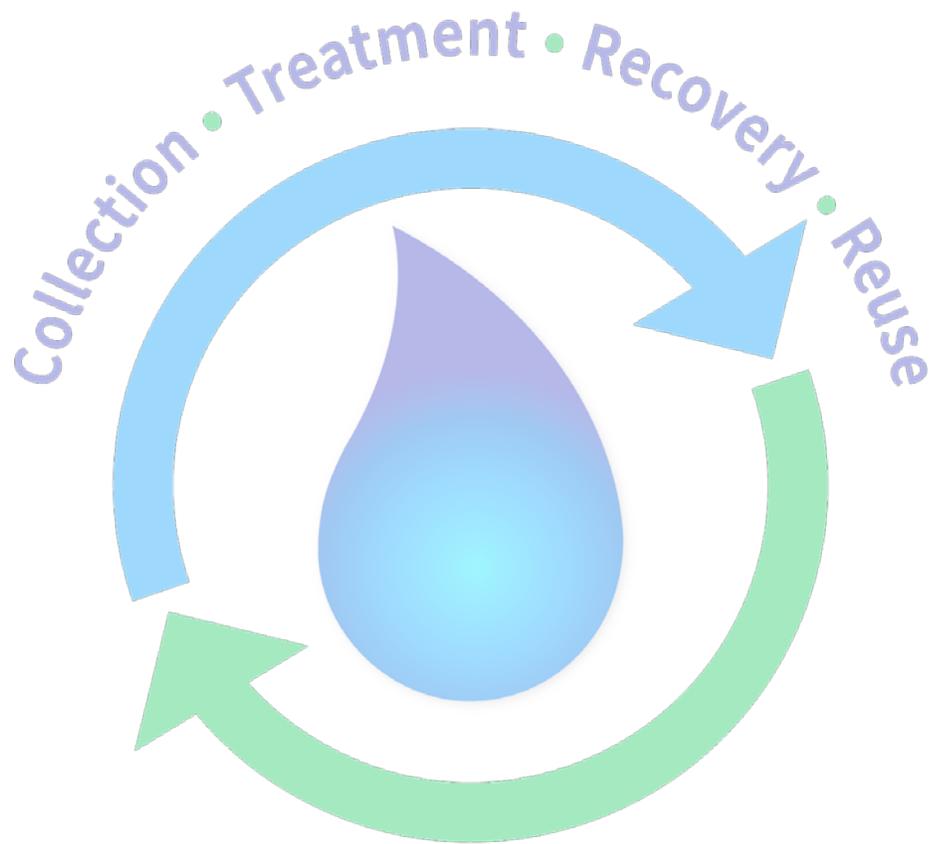
**NAPA SANITATION DISTRICT
NAPA, CALIFORNIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

**PREPARED BY THE NAPA SANITATION DISTRICT
FINANCE DEPARTMENT**

**TIM HEALY
GENERAL MANAGER**



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**NAPA SANITATION DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION



NapaSan

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November 24, 2021

The Board of Directors
Napa Sanitation District

Directors:

Management of the Napa Sanitation District (NapaSan or the District) has prepared an Annual Comprehensive Financial Report of NapaSan for the fiscal year ended June 30, 2021. This document, which contains a complete set of basic financial statements, is presented in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, NapaSan management has established a comprehensive framework of internal controls. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in accordance with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatement. However, one inherent limitation of internal control is that a certain degree of risk will always be unavoidable because of cost/benefit considerations.

The District's basic financial statements have been audited by Brown Armstrong Accountancy Corporation Certified Public Accountants, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2021, were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2021, are fairly represented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A profile of the District is presented in this Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. This letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it.

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Timothy B. Healy
General Manager

Cyndi Bolden
Senior Accountant



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Napa Sanitation District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Profile of the Napa Sanitation District

Mission

It is the mission of the Napa Sanitation District to collect, treat, beneficially reuse, and dispose of wastewater in an effective and economical manner that respects the environment, maintains the public's health and meets or exceeds all local, state and federal regulations.

Overview

Napa Sanitation District (NapaSan or the District), located in the Napa Valley in Northern California, has been serving the public since it was organized under the California Health and Safety Code in November 1945.

NapaSan provides wastewater collection, treatment, and disposal services to the residents and businesses in the City of Napa and surrounding unincorporated areas of Napa County.

Wastewater was processed at the treatment facility north of Imola Avenue and west of Soscol Boulevard until 1998, when all treatment activities were moved to the Soscol Water Recycling Facility (SWRF) near the Napa County Airport. The Imola Avenue treatment facility

was demolished in 2002 after completion of the Napa County Flood Control District Project, which relocated the railroad tracks onto the District's Imola property. In 2013, the District's Administration, Engineering, and Collection System offices relocated to the SWRF.

Governance and Management

NapaSan is an independent special district public agency governed by a five-member Board of Directors (Board). Membership of the Board is established by state law and consists of the mayor of the City of Napa, a Napa City Councilperson, a Supervisor from Napa County, and two citizen appointees. One citizen is appointed by the Napa City Council, and the other by the Board of County Supervisors.

Public Services

There are over 38,000 connections within the District's approximately 20 square miles of service area. Through a network of approximately 270 miles of underground sewer pipelines, assisted by a system of three lift stations, the sewage makes its way to the SWRF for treatment and resource recovery.

The SWRF is a secondary and tertiary biological physical-chemical treatment facility that treats a mixture of domestic and industrial wastewater. NapaSan has completed upgrades to the SWRF, which include primary treatment, activated sludge facilities, dissolved air floatation clarification, tertiary filtration, and sludge digestion and solids de-watering facilities.

The SWRF has a dry weather treatment design capacity of 15.4 million gallons per day (MGD). The historic average daily influent flow for the past ten years is approximately 7.9 MGD. The wastewater is treated and discharged in various manners, depending on the source of the wastewater and the time of year.

NapaSan's regulating body, the Regional Water Quality Control Board, permits discharge to the Napa River from October 1 through June 30 (the wet season period). NapaSan provides full secondary treatment and disinfection at its wastewater facility whenever discharging to the Napa River.

From July 1 through September 30 (the dry season period) discharge to the Napa River is prohibited and wastewater is either stored in oxidation ponds or treated to tertiary level and beneficially reused as recycled water for irrigation in industrial parks, golf courses, pasturelands and vineyards. High quality “Title

22 Unrestricted Use” recycled water is provided to all recycled water users.

For more information on NapaSan’s wastewater treatment process please visit the website at www.NapaSan.com.

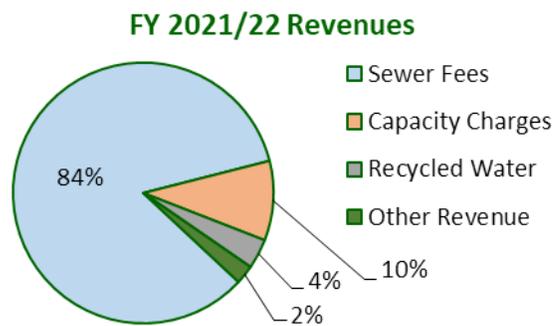
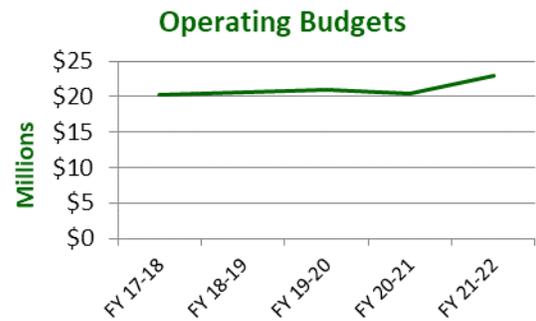
Financial Plan

NapaSan’s operating budget for Fiscal Year (FY) 2020/21 was \$20.6 million (including debt service and excluding intrafund transfers); the FY 2021/22 operating budget increased by 11.5% to \$23.0 million.

In addition to the operating budget, NapaSan has a capital budget based upon new and replacement infrastructure needs. A \$43,246,800 capital budget was adopted at the beginning of FY 2020/21; this budget was increased by \$22,656,650 for projects carried forward from the 2019/20 FY and for adjustments made to the 10- Year Capital Improvement Plan (CIP).

NapaSan’s 10-Year CIP approved in FY 2020/21 includes 239 construction projects and capital equipment purchases totaling more than \$232.7 million over the next 10 years. The new plan adopted for FY 2021/22 includes a continuation of the recommendations of the new Treatment Plant Master Plan, improvements to the treatment plant, replacement and rehabilitation of sewer pipelines in the collection system and expansions of the recycled water storage system and totals more than \$231.6 million.

As shown in the pie chart below, most of NapaSan’s operating revenue comes from sewer fees. Other major revenue sources are capacity charges and the sale of recycled water. Other revenues include lease revenue, interest earnings and development review fees.



User Rates and Charges

Sewer Service Charges

Sewer service charges are assessed on all residential properties through an annual assessment on the property taxes. Commercial businesses are assessed sewer fees based on water consumption and also collected through an annual assessment on the property taxes. Industrial users are assessed sewer fees based

on water consumption and strength factor and directly invoiced monthly.

All sewer use charges are based on an Equivalent Dwelling Unit (EDU). An EDU is equivalent to the combination of flow and strength of the wastewater that is discharged from a typical single family home.

In 2006, NapaSan increased its sewer fees by 15% per year for three years, then by Consumer Price Index (CPI) thereafter, in response to a 10-year period where NapaSan did not increase its sewer fees. The sewer use fee increased from \$274 per EDU in FY 2005-06 to \$416 per EDU in FY 2008-09. For the next two years, the fee increased by inflation, 1.2% in FY 2009/10 and 1.8% in FY 2010/11.

For FY 2011/12 and the four following years, the Board set the sewer use fee to increase by the CPI. In FY 2011/12, the fee increase was 1.5%, 2.9% in FY 2012/13, 2.2% in FY 2013/14, in 2.6% in FY 2014/15, and 2.7% in FY 2015/16.

In March 2016, the Board set the maximum charges for the next five years beginning in FY 2016/17. A fee increase of 15% was approved for FY 2016/17 and FY 2017/18. The Board approved the fee to increase 6% and 5% in FY 2018/19 and FY 2019/20, respectively. In FY 2020/21, a fee increase of 4.0% was approved.

After the conclusion of a cost of service rate study, the Board approved a modification to the calculation of sewer service charges in March 2021. The modification shifts the cost of providing sewer service appropriately and equitably to each customer class. This will also keep the sewer service charge rate at \$738.60 for the next five years.

Sewer Service Charges

	Charge per EDU	% Increase
FY97-FY06	\$274.00	
FY07	\$315.00	15.0%
FY08	\$362.00	15.0%
FY09	\$416.00	15.0%
FY10	\$421.00	1.2%
FY11	\$429.00	1.8%
FY12	\$435.44	1.5%
FY13	\$448.07	2.9%
FY14	\$457.92	2.2%

Sewer Service Charges Cont'd		
	Charge per EDU	% Increase
FY15	\$469.82	2.6%
FY16	\$482.50	2.7%
FY17	\$554.88	15.0%
FY18	\$638.10	15.0%
FY19	\$676.38	6.0%
FY20	\$710.20	5.0%
FY21	\$738.60	4.0%
FY22	\$738.60	0.0%

Capacity Charges

Capacity charges, sometimes referred to as “connection fees” or “impact fees,” are fees paid for the issuance of a permit to connect to or expand use of NapaSan’s sewer system.

The capacity charge fee had not increased since 1995, when it was increased to \$5,660 per EDU. On September 15, 2010, the Board adopted a new fee schedule for capacity charges, to be phased in over three years according to the following schedule, then by an inflation factor annually thereafter:

Capacity Charges

	Charge per EDU
1996 - 2011	\$5,660 per EDU
Jan. 1, 2012	\$6,000 per EDU
July 1, 2012	\$7,000 per EDU
July 1, 2013	\$8,300 per EDU
July 1, 2014	\$8,723 per EDU
July 1, 2015	\$8,950 per EDU
July 1, 2016	\$8,950 per EDU
July 1, 2017	\$9,299 per EDU
July 1, 2018	\$9,624 per EDU
Oct 1, 2018	\$9,520 per EDU
July 1, 2019	\$9,803 per EDU
July 1, 2020	\$9,959 per EDU
July 1, 2021	\$9,959 per EDU
Every July 1 thereafter	Increase by an inflation factor

While the Sewer Service Charges pay for the day-to-day collection and treatment of wastewater, the Capacity Charges pay for the expansion of sewer and treatment plant capacity.

Factors Affecting Financial Condition

The information presented in the Financial Section is perhaps best understood in the context of the economic environment in which NapaSan operates and strategic direction which NapaSan has chosen to take, as discussed below.

Local Economy

Napa County is a rural/suburban community in California, north of the San Francisco and San Pablo bays, with just over 137,000 residents. The local economy is dominated by wine production and associated hotels, restaurants and other businesses that support the wine industry and tourism. Located toward the southern end of the County, NapaSan provides wastewater services to the City of Napa, the county's largest city (pop. 79,200) and some surrounding unincorporated areas.

Over the past few decades, NapaSan grew due to growth in both the residential and commercial sectors. This growth slowed considerably with the slowdown in the economy starting in 2009. There is still land available for development within the service area of the District.

Neither the State of California's financial condition nor fluctuations in property valuations have significantly impacted NapaSan, as NapaSan does not have an *ad valorem* property tax nor is it dependent on state or federal financial support.

Sewer service charges revenue was minimally impacted in FY 20/21 as a result of the COVID-19 pandemic. However, other revenues, such as capacity charges and development fees, saw a reduction due to decreased activities in the development community. NapaSan anticipates a reduction in sewer service charge revenues from nonresidential customers in the upcoming fiscal year due to reduced water usages from the previous year. Many businesses were closed or operating at reduced capacity. The sewer service charges for nonresidential customers are calculated using water usage

from the previous year. The 10-Year Financial Forecast projects a reduction in sewer service charge revenue next year. To mitigate the shortfall in revenues, operating and capital expenditures were also reduced in order to balance the budget.

Strategic Planning

In May 2021, the Board updated its Strategic Plan, articulating the long-term goals, objectives and priorities of the District. Under each goal and objective, there are specific tasks identified with due dates. FY 20/21 was the first year of the updated Strategic Plan which incorporates these goals and objectives in its operational plan.

Goal 1: Infrastructure Reliability

Objectives:

- 1A: Strive to replace and rehabilitate at least 2% of sewers annually, and preferably higher, with a focus on reducing Inflow & Infiltration
- 1B: Continue to implement an Asset Management program
- 1C: Complete construction of the Browns Valley Trunk and West Napa Pump Station projects
- 1D: Update the Treatment Plant Master Plan
- 1E: Study whether to implement a Private Lateral Program
- 1F: Rehabilitation of the 66-inch Trunk Main

Goal 2: Financial Stability

Objectives:

- 2A: Update NapaSan's Sewer Service Charge Rate Study in anticipation of the Proposition 218 Hearing and Rate Setting Process in Spring 2026
- 2B: Continue efforts to develop non-rate/non-fee revenues through the development of land leases

Goal 3: Operational Optimization

Objectives:

- 3A: Continue to work with local partners on projects or programs that result in efficiencies and cost savings for our ratepayers and the community we serve
- 3B: Enhance NapaSan's plans and training associated with resiliency, disaster mitigation and disaster recovery
- 3C: Evaluate and study the potential impacts of sea/river level rise, prolonged drought and increased winter storm intensity to NapaSan's current and future operations
- 3D: Continue to study the expansion of accepting and treating winery waste through alternative methods

Goal 4: Employee Development

Objectives:

- 4A: Promote NapaSan as a progressive, professional workplace through engagement and the development and promotion of internships and "in training" programs
- 4B: Conduct employee survey, as appropriate
- 4C: Prepare for and begin MOU Negotiations of Year-Two Reopener
- 4D: Address succession planning through supervisory/management training and an internal mentorship program

Goal 5: Community Outreach and Communication

Objectives:

- 5A: Inform and engage the community and stakeholders to increase and promote understanding of NapaSan services, rates, and key messages
- 5B: Proactively communicating with the public, stakeholders and the press regarding current programs, accomplishments, projects, and news
- 5C: Collaborate with other local agencies and groups to meet common goals
- 5D: Build and maintain relationships with community leaders, elected officials and stakeholders

Goal 6: Resource Recovery

Objectives

- 6A: Evaluate current recycled water allocation policy
- 6B: Renew recycled water user agreements
- 6C: Participate with local and regional partners on long-term opportunities for water reuse
- 6D: Develop a partnership with cities of Napa and American Canyon, if possible, to complete a preliminary feasibility study for developing a "purified water" potable reuse program
- 6E: Evaluate energy self-generation with the primary goal of decreasing overall energy costs and reliance on the energy grid, and recommend policy options for consideration
- 6F: Improve recycled water quality to increase appeal and acceptability of recycled water to current and future users

Goal 7: Regulatory Compliance

Objectives:

- 7A: Negotiate a new National Pollutant Discharge Elimination System (NPDES) permit with the Regional Water Quality Control Board (RWQCB)
- 7B: Stay current on proposed state and federal legislation that could positively or negatively impact NapaSan's current or future operations
- 7C: Continue compliance with permits and reporting requirements

The Strategic Plan provides detail on these goals and specific objectives. On a quarterly basis, progress on these goals and objectives is reported to the Board.

Financial Policies

In May 2018, NapaSan updated and confirmed its comprehensive set of Financial Policies to govern the overall financial management and health of the District. Policy areas include:

- Reserves
- Revenue
- Budgeting and Capital Asset Management
- Debt Issuance and Management

- Investments
- Financial Reporting
- Accounting

Several of the Financial Policies have direct impact on the financial statements presented in this document:

- **Balanced Budget** – NapaSan maintains a balanced budget and does not use long-term debt to fund short-term or operational expenses.
- **Operating Reserves** – NapaSan maintains an operating reserve at least equal to 15% of budgeted annual operating expenses, excluding debt service and transfers.
- **Liquidity** – NapaSan maintains a liquidity reserve to ensure adequate cash is on hand to cover expenses in those months where expenses outpace revenues. The majority of NapaSan’s revenues are received in December and in April through property assessments.
- **Revenues** – NapaSan estimates revenues conservatively and does not use one-time or unpredictable revenues to fund ongoing expenses.
- **Maintenance** – NapaSan protects its investment in its capital assets by

budgeting for their adequate maintenance as a priority.

- **Debt** – NapaSan will not issue debt unless it can pay the debt service and still meet its other obligations from current revenues.
- **Pension and OPEB Liabilities** – NapaSan contributes the full Actuarially Determined Contribution for OPEBs to a Trust, and any payments in addition to the minimum required CalPERS pension payment are made toward outstanding liabilities.
- **Audit** – NapaSan has its financial statements audited annually by an independent qualified third party in accordance with generally accepted auditing standards.
- **Financial Reporting** – NapaSan reports on its financial position to the Board monthly, quarterly and annually.

A complete copy of the Financial Policies can be found in the Appendix of NapaSan’s Annual Budget, available at www.NapaSan.com.

Awards and Acknowledgements

Award Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Napa Sanitation District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the tenth year that NapaSan has received this prestigious national award. In order to be awarded a Certificate of Achievement, NapaSan must publish an easily readable and efficiently organized ACFR. This Report must also satisfy both GAAP and applicable legal requirements.

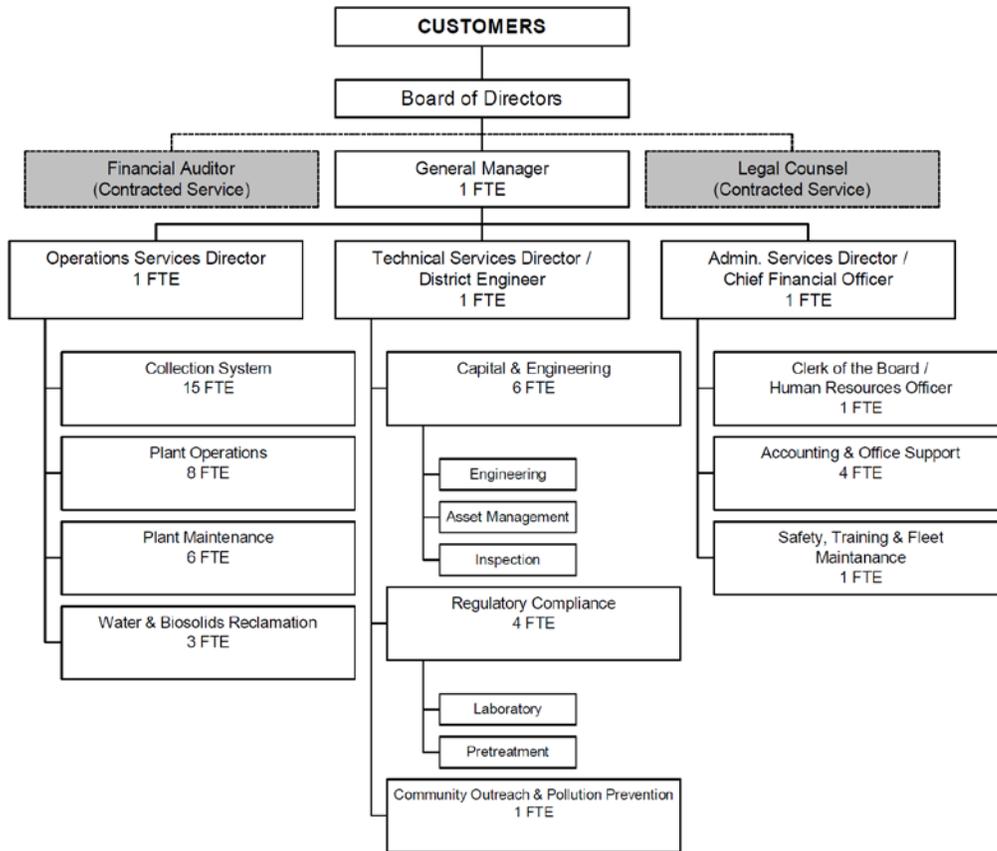
A *Certificate of Achievement for Excellence in Financial Reporting* from the GFOA is valid for a period of one year. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement requirements and staff will submit it to the GFOA to determine eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the dedicated efforts of the entire Finance Division staff, as well as the audit firm of Brown Armstrong Certified Public Accountants. All those who contributed to the preparation of this report deserve commendation for their dedication and hard work.

We also wish to recognize the commitment of the General Manager, Senior Accountant, and the Board of Directors to the high standards embodied in this report and express appreciation to them and each NapaSan department for its cooperation and support in conducting NapaSan's fiscal operations.

Organizational Chart



Total FTE: 53

Napa Sanitation District Fiscal Year 2020/21

Board of Directors

Scott Sedgley, Chair
Ryan Gregory, Vice-Chair
Peter Mott, Director
David Graves, Director
Mary Luros, Director
Alfredo Pedroza, Alternate Director
Bernie Narvaez, Alternate Director

General Manager

Tim Healy, General Manager

Management Team

Administrative Services

Vacant, Director of Administrative Services/Chief Financial Officer
Cheryl Schuh, Clerk to the Board/Human Resources Officer
Cyndi Bolden, Senior Accountant

Operations Services

Jim Keller, Operations Services Director
Seth Rossi, Collection System Manager
Dan Fritz, Plant Operations Supervisor
Mark Egan, Plant Maintenance Supervisor
Steve Caldwell, Collections System Supervisor
David Martin, Reclamation Systems Manager

Technical Services

Andrew Damron, Technical Services Director/District Engineer
Matt Lemmon, Capital Program Manager
Chris Francis, Regulatory Compliance Manager



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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Napa Sanitation District
Napa, California

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the Napa Sanitation District (District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's 2020 financial statements and, in our report dated December 9, 2020, we expressed an unmodified opinion on the basic financial statements.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 basic financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

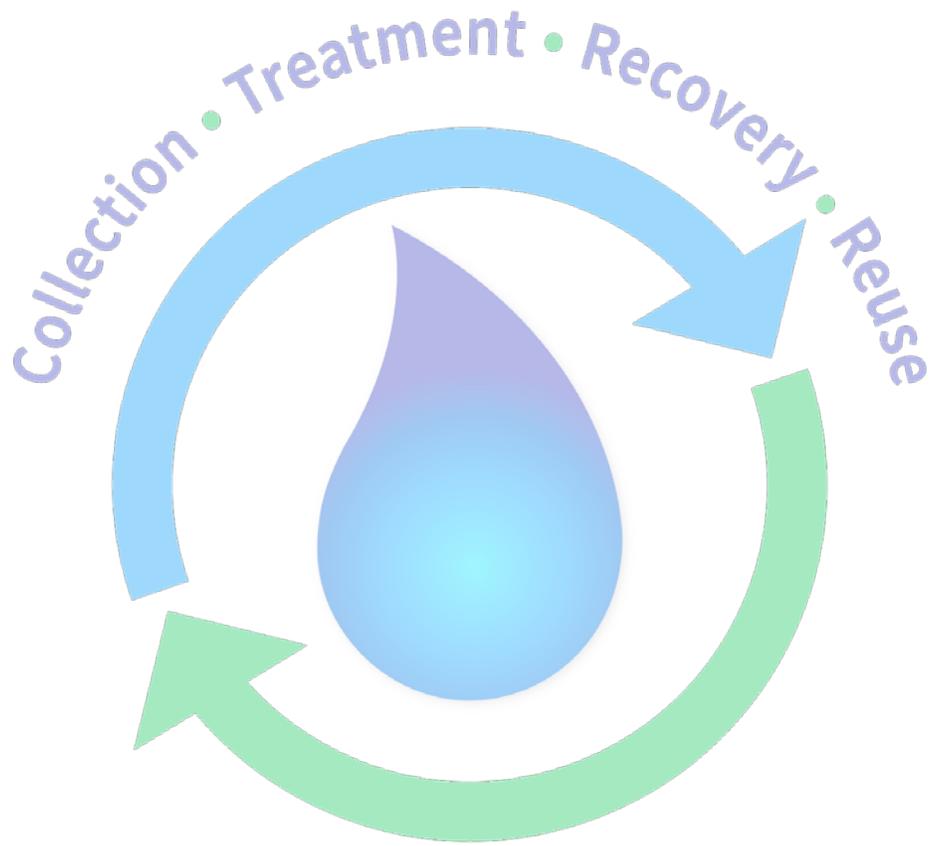
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021, on our consideration of the District's internal control over financial reporting and 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

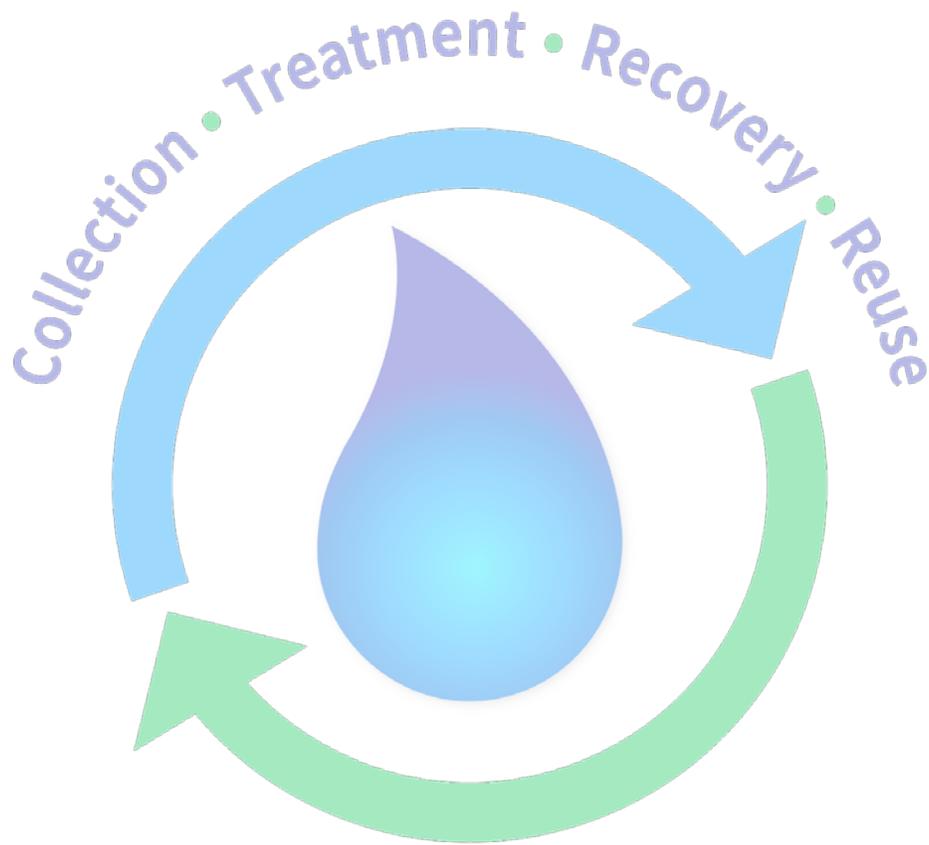
Bakersfield, California
November 24, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS



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**NAPA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

This section of the Napa Sanitation District's (the District or NapaSan) Annual Comprehensive Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the 2020/21 fiscal year by \$240,222,378 (*net position*), an increase of \$30,994,250. Of this amount, \$12,660,817 (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors and \$227,561,561 is net investment in capital assets.
- Net position increased by \$30,994,250 during the fiscal year ended June 30, 2021, mostly attributable to an increase in capital assets and a decrease in current liabilities.
- Current year results reflect operating income of \$10,636,126, a decrease of \$1,459,505 from prior year. Operating expenses decreased by \$62,012 while operating revenues decreased by \$1,521,517.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's Basic Financial Statements. The Statement of Net Position (pages 9-10); the Statement of Revenues, Expenses, and Changes in Net Position (page 11); and the Statement of Cash Flows (pages 12-13) provide information about the activities of the District. The financial statements also include various footnote disclosures, which further describe the District activities.

Condensed Statements of Net Position

	2021	2020	Change
Assets:			
Current and other assets	\$ 47,252,198	\$ 36,129,263	\$ 11,122,935
Capital assets, net	<u>268,331,062</u>	<u>237,972,968</u>	<u>30,358,094</u>
Total assets	315,583,260	274,102,231	41,481,029
Deferred outflows of resources:			
Deferred pension	3,299,353	4,348,416	(1,049,063)
Deferred OPEB	849,355	884,266	(34,911)
Deferred loss on refunding of debt	<u>289,380</u>	<u>330,940</u>	<u>(41,560)</u>
Total deferred outflows of resources	4,438,088	5,563,622	(1,125,534)
Liabilities:			
Current and other liabilities	12,368,876	8,394,683	3,974,193
Long-term liabilities	<u>65,475,727</u>	<u>59,398,032</u>	<u>6,077,695</u>
Total liabilities	77,844,603	67,792,715	10,051,888
Deferred inflows of resources:			
Deferred pension	803,118	1,334,257	(531,139)
Deferred OPEB	<u>1,151,249</u>	<u>1,310,753</u>	<u>(159,504)</u>
Total deferred inflows of resources	1,954,367	2,645,010	(690,643)
Net position:			
Net investment in capital assets	227,561,561	193,977,023	33,584,538
Unrestricted	<u>12,660,817</u>	<u>15,251,105</u>	<u>(2,590,288)</u>
Total net position	<u>\$ 240,222,378</u>	<u>\$ 209,228,128</u>	<u>\$ 30,994,250</u>

The District reports an increase in net investment in capital assets, combined with an increase in the unrestricted component of net position, for an overall increase in total net position.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Operating revenues:			
Sewer service charges	\$ 30,589,112	\$ 29,576,130	\$ 1,012,982
Capacity charges	1,324,411	4,403,474	(3,079,063)
Other charges for services	<u>2,190,972</u>	<u>1,646,408</u>	<u>544,564</u>
Total operating revenues	<u>34,104,495</u>	<u>35,626,012</u>	<u>(1,521,517)</u>
Operating expenses:			
Wastewater collection, treatment, and reclamation	4,581,963	4,368,628	213,335
Administration and general	9,949,200	10,223,845	(274,645)
Depreciation	<u>8,937,206</u>	<u>8,937,908</u>	<u>(702)</u>
Total operating expenses	<u>23,468,369</u>	<u>23,530,381</u>	<u>(62,012)</u>
Operating income	10,636,126	12,095,631	(1,459,505)
Nonoperating revenue (expense):			
Interest income	250,336	487,400	(237,064)
Interest expense	(1,491,424)	(1,257,599)	(233,825)
Gain (loss) on asset disposal	169,626	(59,331)	228,957
Other nonoperating revenues	<u>282,848</u>	<u>125,488</u>	<u>157,360</u>
Total nonoperating revenue (expense)	<u>(788,614)</u>	<u>(704,042)</u>	<u>(84,572)</u>
Net income before capital grants and contributions	9,847,512	11,391,589	(1,544,077)
Capital grants and contributions	<u>21,146,738</u>	<u>3,800,218</u>	<u>17,346,520</u>
Change in net position	30,994,250	15,191,807	15,802,443
Net position, beginning of year, as restated	<u>209,228,128</u>	<u>194,036,321</u>	<u>15,191,807</u>
Net position, end of year	<u>\$ 240,222,378</u>	<u>\$ 209,228,128</u>	<u>\$ 30,994,250</u>

For the fiscal year ended June 30, 2021, operating revenues decreased by \$1,521,517 and operating expenses decreased by \$62,012. The decrease in operating revenues is due primarily to a \$3,079,063 decrease in capacity charges, which are one-time revenues collected on new development. The sewer service charges rate increased by 4% in fiscal year 2020/21, with revenues from this source increasing 3.4%. There was a decrease in salaries and benefits (\$398,341). The decrease in salaries and benefits is a result of the significant increase in the prior year due to changes in assumptions for pension and other postemployment benefits (OPEB) expenses. There was also an increase in contractual services by \$80,595 and an increase in utilities by \$134,420.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a ten-year capital improvement program and publishes a capital budget annually in conjunction with the District's budget process. The capital improvement program is reviewed and updated on an annual basis, with amendments made during the fiscal year, if necessary.

As of June 30, 2021, the District's investment in capital assets amounted to \$268,331,062 (net of accumulated depreciation), an increase of \$30,358,094 from the prior year. This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, donated sewer lines, and other contributed assets. The most significant increase was in Construction in Progress of \$29,923,383. Construction of several major projects began in fiscal year 2020/21 and will continue into next fiscal year.

The table below provides a comparison of the District's capital assets for the current and prior years.

Capital Assets, Net of Accumulated Depreciation

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 7,287,109	\$ 7,426,149	\$ (139,040)
Buildings and improvements	185,911,739	187,429,540	(1,517,801)
Equipment	8,537,129	5,940,245	2,596,884
Construction in progress	49,221,415	19,298,032	29,923,383
Donated sewer lines and other contributed assets	<u>17,373,670</u>	<u>17,879,002</u>	<u>(505,332)</u>
	<u>\$ 268,331,062</u>	<u>\$ 237,972,968</u>	<u>\$ 30,358,094</u>

Major capital projects for the fiscal year include the following:

- Continuation of the construction of the Browns Valley Trunk project and West Napa Pump Station Rehabilitation project
- Continuation of the 2020 Sewer System Rehabilitation project
- Beginning of the construction of the 66-inch Trunk Rehabilitation project
- Beginning of construction of the 2021 Sewer System Rehabilitation project
- Continuation of project to remove solids from Oxidation Pond 1
- Completion of project to rehabilitate the Primary Clarifiers and DAFT
- Continuation of development of the Wastewater Treatment Plant Master Plan Update
- Continuation of rehabilitation to the pond levees and installation of new transfer structures
- Near completion of replacing the Collection System's Asset Management Software
- Near completion of the construction of the 2020 Treatment Plant Improvements project

For additional information on capital assets, see Note 3 on page 20.

Long-Term Obligations

At June 30, 2021, the District's total long-term obligations were \$65,475,727, compared to \$59,398,032 in the prior year. The long-term obligations amount was comprised of \$14,007,836 of the net pension liability, \$4,282,771 of the net OPEB liability, \$403,046 of compensated absences, and long-term debt of \$46,782,074.

For additional information on long-term debt, see Note 4 on page 21.

FUTURE PROJECTIONS

Revenue Projections

NapaSan has a stable revenue foundation, with about 84% of NapaSan's operating revenues in fiscal year (FY) 2020/21 coming from sewer service charges collected primarily as assessments on property tax bills. Other significant revenue sources include capacity charges (10% of operating revenue), land leases, interest income, and recycled water sales.

The Napa community has been financially impacted by the novel coronavirus COVID-19 pandemic, especially in the areas of hospitality and tourism. NapaSan expects sewer service charges to see a slight decline in FY 2021/22. Although there has been some recovery in the economy during the last year, sewer service charges for nonresidential customers are based on water usage from the previous year. The impact from businesses being shut down or operating at reduced capacity in 2020 will be a reduction in water usages which are used to calculate sewer service charges for FY 2021/22. Sewer service charges are forecasted for the next year based on the actual number of Equivalent Dwelling Units (EDUs). In March 2021, the Board of Directors (the Board) conducted public hearings pursuant to California Proposition 218 and set the maximum charge for the sewer rate to remain at \$738.60 for the next five years. A cost of study revealed a need to modify the methodology of calculating EDUs which is used to determine the sewer service charges. The modification will shift the cost of providing sewer service charges appropriately and equitably among the different customer classes. While most customers will not be impacted by the modified calculation, some customers will see increases to their sewer service charges. In order to mitigate the impact, the modification will be phased in over the next five (5) years. Sewer service charge revenues are expected to decrease by about 0.3% in FY 2021/22 or by a little over \$101,000. The total budgeted revenue is adjusted by a small percentage to account for delinquency in property tax payments. The top ten sewer service customers represent approximately 8.8% of sewer revenue. This distributed revenue source results in a more stable revenue stream and is less susceptible to economic fluctuations than other revenue sources.

Capacity charges are forecasted for the next fiscal year based on the cost per EDU and anticipated EDUs being developed during the fiscal year. The projection is a growth of 350 EDUs in FY 2021/22. There was a 2.7% increase in the capacity charge fee, from \$9,959 to \$10,228 per EDU on July 1, 2021. Annually on July 1, the rate is scheduled to increase with an established inflation measure for capital infrastructure costs.

In March 2012, the Board established a rate setting methodology for recycled water that started in January 2016 to set recycled water rates. The standard summer rate in calendar year 2020 was \$1.86 per 1,000 gallons. In calendar year 2021, the rate increased to \$1.93. Recycled water fees are forecasted based on historical use, adjusted for increases or decreases in anticipated use. This revenue source can vary by 10% - 20% or more depending on summer and winter weather patterns. FY 2020/21 sales increased 43.7% due to higher rates, increased users of the expanded recycled water system, and increased recycled water usage due to a dry winter. Additional users are expected to connect to the system in FY 2021/22.

Interest earnings are revenue NapaSan receives on idle cash and reserves that it maintains in its accounts. Cash is invested by the County of Napa on NapaSan's behalf and posted to NapaSan's accounts quarterly. For FY 2021/22, NapaSan has assumed an interest earnings rate of 1.0%.

The Browns Valley Trunk and West Napa Pump Station Replacement projects are being financed by a State Revolving Fund loan in FY 2021/22. As the West Napa Pump Station Rehabilitation project is constructed, NapaSan will receive Green Project Reserve "loan forgiveness" funding from the State Department of Water Resources and the U.S. Environmental Protection Agency.

The 66-inch Sewer Trunk Rehabilitation project is being funded by issuing tax-exempt obligations. The bond proceeds are included in the FY 2021/22 budget.

FY 2021/22 NapaSan revenues from all sources, excluding internal transfers, are expected to be \$36,257,500, with an additional \$7,133,300 in loan and bond proceeds. When compared to FY 2020/21 actual revenues, the FY 2021/22 revenues are projected to be higher, due primarily to the anticipated revenue from capacity charges.

Expense Projections

Salary and benefit expenses, including salary and wages of employees, overtime, payroll taxes such as Medicare, health insurance benefits, retirement benefits, and OPEB, are projected based on the Memoranda of Understanding (MOU) between NapaSan and its various bargaining units. These MOUs have established minimum and maximum increases for some expenses, and negotiated the level of NapaSan responsibility for others. The budgeted salary and benefit expenses for FY 2021/22 are \$11,021,800, an increase of 14.9%. This reflects adding the budget of two vacancies that were removed from the FY 2020/21 budget. It also includes an additional payment to CalPERS to reduce the unfunded pension liability.

Supplies and services budget includes the purchase of supplies and equipment to maintain and operate the various systems in NapaSan. It also includes a number of service contracts and professional contracts. FY 2021/22 supplies and services budget of \$6,796,650 is 6% higher than the FY 2020/21 adjusted budget of \$6,410,700. The increase is due to adding back in operating expenses that were removed from the FY 2020/21 budget.

Debt service expenses are projected based on actual principal and interest payment requirements. Debt service is expected to increase due to the issuance of new debt for the 66-inch Sewer Trunk Rehabilitation project. The budget for debt service is \$5,149,550 in FY 2021/22, an increase of \$561,550.

Overall, operating expenses for NapaSan in FY 2021/22 are budgeted to be \$23,003,000 (including debt service and excluding intrafund transfers). The capital budget (excluding intrafund transfers) is set at \$20,128,300 for FY 2021/22, although it is anticipated that the capital budget will increase due to unfinished projects in FY 2020/21 being carried forward into FY 2021/22.

Financial Status

The financial condition of NapaSan remains sound for FY 2021/22. District operating revenues are predicted to be stable, although capital expansion revenues (capacity charges) may fluctuate based on demand for new connections to the system. As a result of the Board's past action to increase sewer service charges, resources are available to increase NapaSan's investment in asset renewal and replacement.

The cost of employee benefits continues to rise for NapaSan. Specifically, health benefits, which adversely impact current employee and retiree costs, and OPEB and pension contributions are major contributors to escalating costs in the area of salaries and benefits. California Public Employees' Retirement System (CalPERS) anticipates costs will continue to rise after conducting their most recent review of their assets and liabilities. Energy and chemical rates in general are expected to rise and will require regular monitoring by staff, but NapaSan is also taking actions to decrease usage of these commodities through the implementation of specific capital improvement projects.

NapaSan will continue to fully fund its OPEB ("Other Postemployment Benefits") Actuarially Determined Contribution (ADC) in FY 2021/22. Increased funding of the pension liability beyond the required minimum payments to CalPERS were not made in FY 2020/21. However, the 10-Year Financial Forecast includes additional payments for the next several years starting in FY 2021/22. These are additional steps that NapaSan has taken to help improve the long-term financial health of NapaSan.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of NapaSan's finances for all those with interest in them. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Napa Sanitation District, 1515 Soscol Ferry Road, Napa, California 94558.

BASIC FINANCIAL STATEMENTS

**NAPA SANITATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)**

	2021	2020
ASSETS		
CURRENT ASSETS		
Unrestricted assets:		
Cash in County treasury	\$ 27,389,858	\$ 32,844,635
Imprest cash	300	300
Assessments receivable	253,679	360,689
Accounts receivable (net)	779,314	522,034
Other receivables	8,922,944	2,207,943
Inventory	162,100	139,516
Prepaid expenses	203,355	18,597
Restricted cash:		
With fiscal agent	9,540,648	49
Flexible spending	-	35,500
Total Current Assets	47,252,198	36,129,263
CAPITAL ASSETS		
Nondepreciable	56,508,524	26,724,181
Depreciable, net	211,822,538	211,248,787
Total Capital Assets, Net	268,331,062	237,972,968
Total Assets	315,583,260	274,102,231
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension	3,299,353	4,348,416
Deferred other postemployment benefits (OPEB)	849,355	884,266
Deferred loss on refunding of debt	289,380	330,940
Total Deferred Outflows of Resources	4,438,088	5,563,622
Total Assets and Deferred Outflows of Resources	\$ 320,021,348	\$ 279,665,853

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

**NAPA SANITATION DISTRICT
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)**

	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 7,263,314	\$ 3,754,752
Salaries and benefits payable	358,092	308,198
Unearned revenue	87,199	146,652
Deposits from others	36,520	65,200
Interest payable	686,969	632,406
Current portion of compensated absences	408,707	382,275
Current portion of long-term debt	3,528,075	3,105,200
Total Current Liabilities	12,368,876	8,394,683
NONCURRENT LIABILITIES		
Liability for compensated absences	403,046	309,288
Net pension liability	14,007,836	13,731,690
Net OPEB liability	4,282,771	4,466,260
Long-term debt, including unamortized original issue premium	46,782,074	40,890,794
Total Noncurrent Liabilities	65,475,727	59,398,032
Total Liabilities	77,844,603	67,792,715
DEFERRED INFLOWS OF RESOURCES		
Deferred pension	803,118	1,334,257
Deferred OPEB	1,151,249	1,310,753
Total Deferred Inflows of Resources	1,954,367	2,645,010
NET POSITION		
Net investment in capital assets	227,561,561	193,977,023
Unrestricted	12,660,817	15,251,105
Total Net Position	240,222,378	209,228,128
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 320,021,348	\$ 279,665,853

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

**NAPA SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sewer service charges	\$ 30,589,112	\$ 29,576,130
Capacity charges	1,324,411	4,403,474
Other charges for services	<u>2,190,972</u>	<u>1,646,408</u>
Total operating revenues	<u>34,104,495</u>	<u>35,626,012</u>
OPERATING EXPENSES		
Insurance	400,754	286,212
Salaries and benefits	8,997,757	9,396,098
Materials, supplies, and repairs	2,132,148	2,133,828
General and administrative	550,689	541,535
Contractual services	1,227,650	1,147,055
Utilities	1,222,165	1,087,745
Depreciation	<u>8,937,206</u>	<u>8,937,908</u>
Total operating expenses	<u>23,468,369</u>	<u>23,530,381</u>
Operating income	<u>10,636,126</u>	<u>12,095,631</u>
NONOPERATING REVENUE (EXPENSE)		
Lease income	233,091	131,631
Taxes	(35,549)	(42,025)
Gain (loss) on asset disposal	169,626	(59,331)
Interest income	250,336	487,400
Interest expense	(1,491,424)	(1,257,599)
Other nonoperating revenue	<u>85,306</u>	<u>35,882</u>
Total nonoperating revenue (expense)	<u>(788,614)</u>	<u>(704,042)</u>
Net income before capital contributions	9,847,512	11,391,589
Capital grants and contributions	<u>21,146,738</u>	<u>3,800,218</u>
CHANGE IN NET POSITION	30,994,250	15,191,807
NET POSITION, BEGINNING OF YEAR	<u>209,228,128</u>	<u>194,036,321</u>
NET POSITION, END OF YEAR	<u>\$ 240,222,378</u>	<u>\$ 209,228,128</u>

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

**NAPA SANITATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 27,210,544	\$ 33,682,002
Payments to suppliers	(1,836,322)	(5,459,403)
Payments to employees	(8,700,879)	(8,956,502)
	16,673,343	19,266,097
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax expense	(35,549)	(42,025)
Other nonoperating revenue	85,306	35,882
	49,757	(6,143)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of principal on long-term debt	(2,245,845)	(3,330,581)
Proceeds from the issuance of debt	8,560,000	-
Net proceeds from sale of capital assets	169,626	(59,331)
Net purchase of capital assets	(38,997,430)	(13,252,682)
Capital contributions	20,848,868	2,555,955
Interest paid	(1,491,424)	(1,257,599)
	(13,156,205)	(15,344,238)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	250,336	487,400
Lease income	233,091	131,631
	483,427	619,031
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,050,322	4,534,747
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,880,484	28,345,737
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 36,930,806	\$ 32,880,484
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents in current assets	\$ 27,390,158	\$ 32,844,935
Cash and cash equivalents in restricted assets	9,540,648	35,549
	\$ 36,930,806	\$ 32,880,484

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

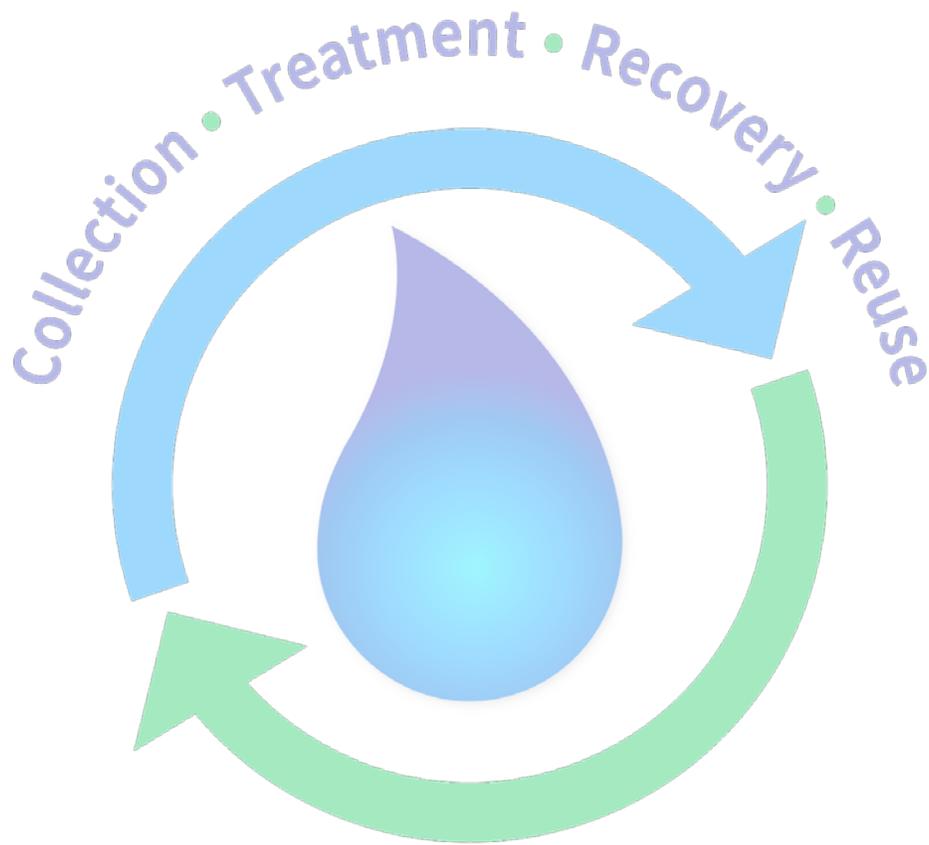
**NAPA SANITATION DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 10,636,126	\$ 12,095,631
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,937,206	8,937,908
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(257,280)	383,630
Other receivables	(6,607,991)	(2,359,387)
Inventory	(22,584)	(36,525)
Prepaid expenses	(184,758)	3,113
Deferred outflows of resources	1,125,534	811,337
Increase (decrease) in liabilities:		
Accounts payable	3,839,271	(227,637)
Salaries and benefits payable	49,894	33,330
Unearned revenue	(59,453)	53,625
Deposits from others	(28,680)	31,747
Compensated absences payable	120,190	52,336
Net OPEB liability	(183,489)	(1,168,065)
Deferred inflows of resources	(690,643)	655,054
Total adjustments	6,037,217	7,170,466
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 16,673,343	\$ 19,266,097
 Noncash Investing, Capital, and Financing Activities:		
Contribution of capital assets	\$ 297,870	\$ 1,244,263
Loss and amortization of loss on refunding of debt	\$ 41,560	\$ 41,560
Amortization of bond premiums	\$ 406,487	\$ 343,195

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

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provided in the financial section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the District, and other necessary disclosure of pertinent matters relating to the financial position of the District. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the basic financial statements and information contained in this document.



NapaSan

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**NAPA SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Napa Sanitation District (District) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The District was organized as a County Sanitation District under the California Health and Safety Code in November 1945 to provide the necessary sewerage service to the City of Napa as well as adjacent areas of Napa County (the County). The District is responsible for wastewater collection, treatment, and disposal/reuse within most of the city limits of the City of Napa (the City) as well as adjacent areas of the County.

The District is not a component unit of the County. The District is legally separate and fiscally independent of the County. The District's financial statements include all activities (operations of its administrative staff and District officers) considered to be a part of the District. The District has one blended component unit, the Napa Sanitation District Public Financing Corporation (Financing Corporation), which has been included in the basic financial statements. The District has determined that no other agency meets the criteria, developed by the GASB in its issuance of Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, to be included as a component unit in the basic financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of that entity.

B. Basis of Presentation and Method of Accounting

The District accounts for its activities as a single enterprise fund, and the financial statements are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges for services. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues from grants, entitlements, and donations are recognized in the year in which all eligible requirements have been satisfied.

C. Cash, Investments, and Equivalents

The District has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The District's cash is pooled with the County's cash for investment purposes. It has been determined that the fair value of the County's cash in total compared to cost is not materially different, so that no adjustment has been reported on these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash, Investments, and Equivalents (Continued)

Cash, short-term investments, and restricted investments are stated at cost, which approximates current fair value.

For purposes of the statement of cash flows, the District considers all cash and investments with original maturities of three months or less when purchased and its equity in the County Treasurer's Investment Pool, which is payable on demand, as cash and cash equivalents.

D. Receivables

Receivables consist mostly of fees charged for sewer services and reclaimed water sales. Assessment receivables represent amounts that were on the County's property tax bills. Accounts receivable represents amounts billed directly by the District. Management believes its receivables to be fully collectible.

E. Inventory

Inventories consist of operating materials and supplies held for consumption, and are recognized as an expense at the time inventory is used. The District carries inventory at cost, on a first in, first out (FIFO) basis.

F. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

G. Restricted Assets

Amounts shown as restricted assets have been restricted by either bonds, law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

Restricted assets include sewer capacity charges. The resolution establishing the District for sewer capacity charges restricts the use of these fees to the construction, acquisition, or financing of capital assets.

H. Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value. The District's policy is to include in construction in progress capitalized interest costs of related borrowings, net of interest earned on unspent proceeds of the related borrowings, as well as capitalized amortization of deferred charges and original issue discount.

The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of plant and equipment as follows:

	<u>Useful Life (Years)</u>
Buildings and improvements	5-50
Equipment	5-50
Donated sewer lines and other contributed assets	50

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Earned vacation may be accumulated by all personnel up to a maximum of twice their annual vacation leave plus 30 hours on June 30th. Sick leave is accumulated without restriction as to maximum hours. District employees may not receive compensation for accumulated sick leave upon termination of employment, but can convert up to 48 hours of sick leave to personal leave after accumulated sick leave exceeds 500 hours. Any unused personal leave is forfeited on June 30th for non-management employees.

Management employees can accumulate up to a maximum of 96 hours of personal leave by June 30th. Earned management leave time may be accumulated by management employees up to a maximum of twice their annual management leave time on June 30th.

The total estimated contingent liability for vested compensated absences at June 30, 2021, was \$811,753. The current portion of liability was estimated using prior year actual expense.

J. Pensions

For purposes of measuring the net pension liability, 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) plans (Plans) and additions to/deductions from the Plans' 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.

K. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

L. 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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has several items which qualify for reporting in this category: deferred pension contributions, deferred OPEB, deferred loss on refunding of debt, and deferred capacity charges.

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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items which qualify for reporting in this category: deferred pensions and deferred OPEB.

M. Net Position

The District's basic financial statements utilize a net position presentation. Net position comprises the various net earnings from operating and nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position (Continued)

- *Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. For the District, this category represents restrictions for debt service and construction projects.
- *Unrestricted* – This category represents the net position of the District, not restricted for any project or other purpose.

When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted.

N. Use of Estimates

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

O. New Accounting Pronouncements – Current Year

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The statement was early implemented.

P. New Accounting Pronouncements – Future Years

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for periods beginning after June 15, 2021. The District has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The District has not fully judged the impact of implementation of GASB Statement No. 89 on the basic financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 91 on the basic financial statements.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 92 on the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. New Accounting Pronouncements – Future Years (Continued)

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after December 31, 2022. The District has not fully judged the impact of implementation of GASB Statement No. 93 on the basic financial statements.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District has not fully judged the impact of implementation of GASB Statement No. 94 on the basic financial statements.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District has not fully judged the impact of implementation of GASB Statement No. 96 on the basic financial statements.

GASB Statement No. 97 – *Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment to GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 97 on the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments shown in the statement of net position represent the District's share of the County's cash and investment pool and restricted cash held with fiscal agents. The District voluntarily participates in the County's cash and investment pool (pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. Investments made by the County are regulated by the California Government Code and by the County's investment policy. The objectives of State statutes and the County's investment policy are primarily to safeguard investment principal by mitigating exposure to risk factors, secondarily maintaining sufficient liquidity to meet cash flow needs, and lastly to attain a return on the funds. Interest earnings from this pool are transferred to the District on a quarterly basis based on the District's average daily balance. The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's annual comprehensive financial report and may be obtained by contacting the County Auditor-Controller's Office at 1195 Third Street, Room B-10, Napa, California 94559.

The District has adopted the County's investment policy.

NOTE 2 – CASH AND INVESTMENTS (Continued)

At June 30, 2021, total cash and investments held by the District were as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash held in County treasury	\$ 27,389,858	\$ -	\$ 27,389,858
Imprest cash	300	-	300
Investments with fiscal agent	<u>-</u>	<u>9,540,648</u>	<u>9,540,648</u>
Total	<u>\$ 27,390,158</u>	<u>\$ 9,540,648</u>	<u>\$ 36,930,806</u>

Restricted cash represents an amount restricted for debt service of \$9,540,648.

Cash with fiscal agent investments was as follows:

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Cash with Fiscal Agent						
Federated Mutual Funds	Variable	On Demand	\$ 9,540,648	\$ 9,540,648	\$ 9,540,648	--

Required disclosures for the District's deposit and investment risks for the cash held in the County Treasury at June 30, 2021, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	See disclosure above

Investment in the County's Cash and Investment Pool

The District is a voluntary participant in the County's cash and investment pool. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

The Napa County Treasury Pool (Pool) holds investments that are measured at fair value on a recurring basis. Investments are categorized within a fair value hierarchy established by GAAP. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted for identical assets in active markets;
- Level 2: Investments reflect prices based upon identical or similar assets that are observable either directly or indirectly; and
- Level 3: Investments reflect prices based upon unobservable sources.

The Pool has the following recurring fair value measurements as of June 30, 2021:

The Pool is valued using Level 1: Investments reflect prices quoted for identical assets in active markets.

NOTE 3 – CAPITAL ASSETS

Changes in the District's capital assets and accumulated depreciation for the fiscal year ended June 30, 2021, are summarized as follows:

	Balance July 1, 2020	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 7,426,149	\$ -	\$ (139,040)	\$ -	\$ 7,287,109
Construction in progress	19,298,032	34,741,193	(4,394)	(4,813,416)	49,221,415
Total capital assets, not being depreciated	26,724,181	34,741,193	(143,434)	(4,813,416)	56,508,524
Capital assets, being depreciated:					
Buildings and improvements	293,738,800	2,666,912	-	3,202,009	299,607,721
Equipment	10,985,903	1,732,759	(25,343)	1,611,407	14,304,726
Donated assets	56,318,206	297,870	-	-	56,616,076
Total capital assets, being depreciated	361,042,909	4,697,541	(25,343)	4,813,416	370,528,523
Less accumulated depreciation for:					
Buildings and improvements	(106,309,260)	(7,386,722)	-	-	(113,695,982)
Equipment	(5,045,658)	(747,282)	25,343	-	(5,767,597)
Donated assets	(38,439,204)	(803,202)	-	-	(39,242,406)
Total accumulated depreciation	(149,794,122)	(8,937,206)	25,343	-	(158,705,985)
Total capital assets, being depreciated, net	211,248,787	(4,239,665)	-	4,813,416	211,822,538
Total capital assets, net	\$ 237,972,968	\$ 30,501,528	\$ (143,434)	\$ -	\$ 268,331,062

Depreciation expense for the fiscal year ended June 30, 2021, was \$8,937,206.

NOTE 4 – LONG-TERM DEBT

Individual issues of Bonds, Notes, and Certificates of Participation outstanding at June 30, 2021:

	Maturity	Interest Rates ¹	Annual Principal Installments	Original Issue Date	Original Issue	Outstanding June 30, 2021
2012 Certificates of Participation Series A Purpose: Advance refund of outstanding 2009 Certificates of Participation Series A Improvements Soscol Water Recycling Facility, Phase I Recycled Water Expansion, Influent Pump Station Replacement Expansion, Pond Aeration, and Dredge Install	2032	4.00%	\$1,120,000-\$2,605,000	12/13/2012	\$ 37,845,000	\$ 26,170,000
2021 Certificates of Participation Series A Purpose: Replacement and rehabilitation of 1.3 miles of 66-inch sewer trunk main from Kaiser Road to influent pump stations at the Soscol Water Recycling Facility and Rehabilitation of Wastewater Collection System	2041	1.75%-5.00%	\$295,000-\$550,000	2/25/2021	\$ 8,560,000	\$ 8,560,000
2017 Revenue Refunding Bonds Purpose: Advance refund of outstanding 2009 Certificates of Participation Series B Wastewater Project	2028	3.00%-4.00%	\$1,340,000-\$1,900,000	12/1/2017	\$ 14,185,000	\$ 10,550,000
State Revolving Fund (SRF) Purpose: Summit Avenue/Ora Drive	2022	2.50%	\$34,421-\$58,777	12/13/2003	\$ 901,376	\$ 116,121
State Revolving Fund (SRF) Purpose: East Spring Street/Montecito Boulevard Sewer Improvement Project Phase I	2029	1.87%	\$58,145-\$81,096	4/1/2009	\$ 1,376,804	\$ 608,670
State Revolving Fund (SRF) Purpose: East Spring Street/Montecito Boulevard Sewer Improvement Project Phase II	2029	1.85%	\$7,750-\$10,773	4/1/2009	\$ 182,869	\$ 80,911

¹ Imputed rates are used for the SRF Loans for the East Spring Street Montecito Boulevard Sewer Improvement Project.

NOTE 4 – LONG-TERM DEBT (Continued)

The following represents the changes in long-term liabilities during the fiscal year:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
SRF Loans	\$ 940,902	\$ -	\$ (135,200)	\$ 805,702	\$ 138,075
2021 Certificates of Participation Series A	-	8,560,000	-	8,560,000	295,000
2012 Certificates of Participation Series A	27,860,000	-	(1,690,000)	26,170,000	1,765,000
2017 Revenue Refunding Bonds	11,830,000	-	(1,280,000)	10,550,000	1,330,000
Add: Unamortized Original Issue Premium	3,365,092	1,265,842	(406,487)	4,224,447	-
Compensated Absences	691,563	605,009	(484,819)	811,753	408,707
Net Pension Liability	13,731,690	2,294,670	(2,018,524)	14,007,836	-
Net OPEB Liability	4,466,260	375,936	(559,425)	4,282,771	-
Total	<u>\$ 62,885,507</u>	<u>\$ 13,101,457</u>	<u>\$ (6,574,455)</u>	<u>\$ 69,412,509</u>	<u>\$ 3,936,782</u>

As of June 30, 2021, annual debt service requirements of business-type activities to maturity are as follows:

Fiscal Year Ended June 30,	Business-Type Activities					
	SRF Loans		Certificates of Participation		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 138,075	\$ 15,752	\$ 2,060,000	\$ 1,154,163	\$ 1,330,000	\$ 444,500
2023	141,013	12,814	2,120,000	1,086,850	1,380,000	390,300
2024	83,768	9,812	2,215,000	997,175	1,435,000	334,000
2025	85,329	8,251	2,310,000	903,550	1,495,000	275,400
2026	86,919	6,662	2,410,000	805,850	1,555,000	206,625
2027-2031	270,598	9,947	13,455,000	2,606,275	3,355,000	169,625
2032-2036	-	-	7,510,000	575,213	-	-
2037-2041	-	-	2,650,000	123,588	-	-
Total	<u>\$ 805,702</u>	<u>\$ 63,238</u>	<u>\$ 34,730,000</u>	<u>\$ 8,252,664</u>	<u>\$ 10,550,000</u>	<u>\$ 1,820,450</u>

In December 2017, the District issued \$14,185,000 in bonds to advance refund 2009B Certificates of Participation. Due to the advance refunding of the 2009B Certificates of Participation, a deferred outflow of resources (refunding of debt) of \$457,165 was calculated and will be amortized over the life of the debt. The District pledged 100% of revenues held in the "Revenue Fund" as security for the new bond.

NOTE 5 – PENSION PLANS

A. Deferred Compensation Plan

All permanent employees of the District are eligible to participate in a District sponsored deferred compensation plan (the DC Plan) created in accordance with Internal Revenue Code Section 457. The DC Plan provides for the deferral of a portion of the employees' compensation until retirement, termination, or certain other covered events. The funds are invested on behalf of the employees through an administrator in various instruments including mutual funds, money market funds, and others.

Prior to 1999, all amounts of compensation deferred under the DC Plan, all property and rights purchased with those amounts, and all income attributable to those amounts were (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the DC Plan), and subject to the claims of the District's general creditors.

Due to a change in Federal law concerning deferred compensation plans, the Board of Directors (Board) amended the DC Plan. In accordance with the new law, the District set up a trust to hold assets and earnings of the DC Plan for the exclusive benefit of the participants.

NOTE 5 – PENSION PLANS (Continued)

A. Deferred Compensation Plan (Continued)

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, requires governments to report Section 457 plans in the financial statements if the assets are held by a government unit in a trustee capacity or as an agent for individuals. Currently, the District has minimal administrative involvement and does not perform the investing function for the DC Plan and, therefore, is not considered to have fiduciary responsibility for the DC Plan or hold the DC Plan in a trustee capacity.

The County Auditor-Controller's office prepares the District's payroll and remits all required deposits to the third-party administrators.

B. Defined Benefit Pension Plan Description

The District contributes to CalPERS, a cost-sharing multiple-employer public employees' retirement system that acts as a common investment and administrative agent for participating public entities with the State of California. Copies of CalPERS' annual financial report may be obtained from its Executive Office – 400 P Street, Sacramento, California 95814.

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans (the Plans), cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 (COLAs), and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The COLAs for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

Miscellaneous Tier 1

Hire Date	Prior to <u>September 5, 2009</u>
Benefit Formula	2.7% @ 55
Benefit Vesting Schedule	5 years service
Benefit Payments	Monthly for life
Retirement Age	50 - 55
Monthly Benefits, as a Percentage of Eligible Compensation	2.0% to 2.7%
Required Employee Contribution Rates	8.00%
Required Employer Contribution Rates	39.79%
Number of Active Members	34

NOTE 5 – PENSION PLANS (Continued)

B. Defined Benefit Pension Plan Description (Continued)

Miscellaneous Tier 2

Hire Date	<u>On or after September 5, 2009</u>
Benefit Formula	2.0% @ 55
Benefit Vesting Schedule	5 years service
Benefit Payments	Monthly for life
Retirement Age	50 - 63
Monthly Benefits, as a Percentage of Eligible Compensation	1.426% to 2.418%
Required Employee Contribution Rates	7.00%
Required Employer Contribution Rates	14.37%
Number of Active Members	6

PEPRA

Hire Date	<u>On or after January 1, 2013</u>
Benefit Formula	2% @ 62
Benefit Vesting Schedule	5 years service
Benefit Payments	Monthly for life
Retirement Age	52 - 67
Monthly Benefits, as a Percentage of Eligible Compensation	1.0% to 2.5%
Required Employee Contribution Rates	7.25%
Required Employer Contribution Rates	8.32%
Number of Active Members	13

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

For the fiscal year ended June 30, 2021, the contributions recognized as part of pension expense for the Plans were as follows:

	<u>Miscellaneous</u>
Contributions - Employer	\$ 715,046
Contributions - Employee (Paid by Employer)	31,574

NOTE 5 – PENSION PLANS (Continued)

C. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 14,007,836
Total Net Pension Liability	<u>\$ 14,007,836</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plans as of June 30, 2020 and 2021, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	0.34291%
Proportion - June 30, 2021	0.33209%
Change - Increase (Decrease)	-0.01082%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$907,454. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 721,865	\$ -
Changes of Assumptions	-	99,910
Differences between Projected and Actual Investment Earnings	416,125	-
Differences between Employer's Contributions and Proportionate Share of Contributions	572,582	-
Change in Employer's Proportion	-	703,208
Pension Contributions Made Subsequent to Measurement Date	<u>1,588,781</u>	<u>-</u>
Total	<u>\$ 3,299,353</u>	<u>\$ 803,118</u>

NOTE 5 – PENSION PLANS (Continued)

C. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$1,588,781 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2022	\$ 37,706
2023	373,514
2024	296,649
2025	199,585
2026	-
Thereafter	-
Total	<u>\$ 907,454</u>

Actuarial Assumptions – The total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2019, actuarial accounting valuation to June 30, 2020. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by Entry Age and Services
Mortality	Derived using CalPERS' membership data for all funds ⁽¹⁾
Investment Rate of Return	7.15%
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

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

The underlying actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of the actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can found on the CalPERS website.

NOTE 5 – PENSION PLANS (Continued)

C. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plans net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans, the amortization and smoothing periods adopted by the CalPERS Board in 2013 were used. For the Plans, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for Public Employees Retirement Fund (PERF) C. The crossover test results can be found on the CalPERS' website.

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

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

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

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

^(a) An expected inflation of 2.00% used for this period.

^(b) An expected inflation of 2.92% used for this period.

NOTE 5 – PENSION PLANS (Continued)

C. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

	<u>1% Decrease</u> 6.15%	<u>Discount Rate</u> 7.15%	<u>1% Increase</u> 8.15%
Miscellaneous	\$ 20,762,468	\$ 14,007,836	\$ 8,426,695

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

D. Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2021.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District administers a single-employer defined-benefit postemployment healthcare plan. Benefits vary by hire date and employment status. Benefits continue to the surviving spouses. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

Eligibility for retiree health benefits requires service or disability retirement from the District on or after age 50 (age 52 for those hired after 9/1/2004) with at least five years of CalPERS service.

The District pays 100% of medical premiums for employees and their dependents hired prior to September 1, 2004.

The District pays a vested percentage of medical premiums for employees and their dependents for those hired on or after September 1, 2004, and prior to July 1, 2014.

The District pays a vested percentage of the single party medical premium for those hired on or after July 1, 2014.

For all employees, regardless of hire date, the District pays 100% of vision premium for retirees and dependents. The District also provides a group life policy of \$7,500 for retirees.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2020 (the census date), the benefit terms covered the following employees:

	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefit payments	52
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>52</u>
Total	<u><u>104</u></u>

Contributions

The District establishes rates based on an actuarially determined rate.

For the fiscal year ended June 30, 2021, the District's expected contribution rate is 16.10% of covered payroll. Employees pay the difference between the benefit they receive and the monthly premium.

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Inflation	2.50%
Salary Increases	Aggregate salary increases 2.75%. Individual salary increases based on CalPERS.
Investment Rate of Return	7.72%
Healthcare Cost Trend Rates	6.50% in the first year, trending down to 3.84% over 56 years.
Mortality Rate (1)	Based on CalPERS tables.

(1) - Pre-Retirement and Post-Retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Arithmetic Expected Return
Global Equity	57.00%	9.15%
Fixed Income	27.00%	4.52%
Treasury Inflation Protection Securities	5.00%	3.70%
Real Estate Investment Trusts	3.00%	4.39%
Commodities	8.00%	7.53%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.72%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2020	\$ 9,563,212	\$ 5,096,952	\$ 4,466,260
Changes in the Year:			
Service Cost	297,203	-	297,203
Interest	731,719	-	731,719
Changes of Benefit Terms	-	-	-
Differences between Actual and Expected Experience	(80,396)	-	(80,396)
Changes of Assumptions	(132,895)	-	(132,895)
Contribution - Employer - Explicit Subsidy	-	733,360	(733,360)
Contribution - Employer - Implicit Subsidy	-	94,535	(94,535)
Net Investment Income	-	175,127	(175,127)
Benefit Payments, Including Refunds of Employee Contributions	(345,160)	(345,160)	-
Implicit Rate Subsidy Fulfilled	(94,535)	(94,535)	-
Administrative Expenses	-	(3,902)	3,902
Net Changes	375,936	559,425	(183,489)
Balance at June 30, 2021	\$ 9,939,148	\$ 5,656,377	\$ 4,282,771

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

The healthcare trend for this valuation started at 6.50% and decreased to 3.84% over 54 years. The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.72%) or one percentage point higher (8.72%), follows:

	1% Decrease 6.72%	Discount Rate 7.72%	1% Increase 8.72%
Net OPEB Liability	\$ 5,386,438	\$ 4,282,771	\$ 3,351,616

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

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than current healthcare cost trend rates, follows:

	1% Decrease 5.50% Decreasing to 2.84%	Discount Rate 6.50% Decreasing to 3.84%	1% Increase 7.50% Decreasing to 4.84%
Net OPEB Liability	\$ 3,128,670	\$ 4,282,771	\$ 5,685,555

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

B. Net OPEB Liability (Continued)

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

For the fiscal year ended June 30, 2021, the District recognized an OPEB expense of \$313,351. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ 477	\$ 341,881
Changes in Assumptions	-	809,367
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	132,909	-
Contributions Subsequent to the Measurement Date	715,968	-
Total	<u>\$ 849,354</u>	<u>\$ 1,151,248</u>

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

<u>Fiscal Year Ended June 30</u>	
2022	\$ (329,926)
2023	(329,923)
2024	(167,230)
2025	(158,252)
2026	(32,531)
	<u>\$ (1,017,862)</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

Pursuant to an agreement between the County and the District, the County provides Information Technology Services and Accounting Services to the District. During the fiscal year ended June 30, 2021, the District paid the County the following amounts for these services:

Information Technology Services	\$ 339,000
Accounting Services	52,615

NOTE 8 – CAPITAL CONTRIBUTIONS

A portion of the construction costs for sewer and recycled water lines completed by the District were paid for by outside parties. The donated portion of these assets is recorded as capital contributions and is reported at acquisition value.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District joined together with other entities to form the Special District Risk Management Authority (SDRMA), a public risk entity pool currently operating as a common risk management and insurance program for 442 member entities. The purpose of SDRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. A board composed of one representative from each member agency governs SDRMA. The board controls the operations of SDRMA including selection of management and approval for operating budgets, independent of any influence by member entities. A copy of the audit report may be obtained from SDRMA at 1112 I Street, Suite 300, Sacramento, California 95814.

The District is also a member of the California Sanitation Risk Management Authority (CSRMA), a public risk sharing pool. The District's workers' compensation claims are handled by CSRMA. A board composed of one representative from each member agency governs CSRMA. The board controls the operations of CSRMA including selection of management and approval for operating budgets, independent of any influence by member entities. A copy of the audit report may be obtained from CSRMA at its web site at www.csрма.org.

In addition to SDRMA, the District also carries commercial insurance coverage for pollution legal liability and property damage. Settled claims for SDRMA or commercial insurance have not exceeded coverage in any of the past three years.

The following is a summary of the insurance policies carried by the District for the fiscal year ended June 30, 2021:

Comprehensive Business Policy - SDRMA	
General property	\$ 1,000,000,000
Special property coverage	Various
General liability	10,000,000
Boiler and machinery	100,000,000
Auto, personal injury, and property damage liability	10,000,000
Uninsured/underinsured motorists	10,000,000
Errors and omissions liability	10,000,000
Employment practices liability	10,000,000
Employee benefits liability	10,000,000
Public employees/officials dishonesty blanket coverage	1,000,000
Public officials personal liability	500,000
Pollution Legal Liability - Interstate Fire & Casualty Insurance Company	2,000,000
Workers' Compensation Program	
CSRMA - Initial workers' compensation	750,000
Safety National Casualty Corporation of St. Louis, MO - Excess workers' compensation	Statutory
Safety National Casualty Corporation of St. Louis, MO - Employer's liability	1,000,000

NOTE 10 – SUBSEQUENT EVENTS

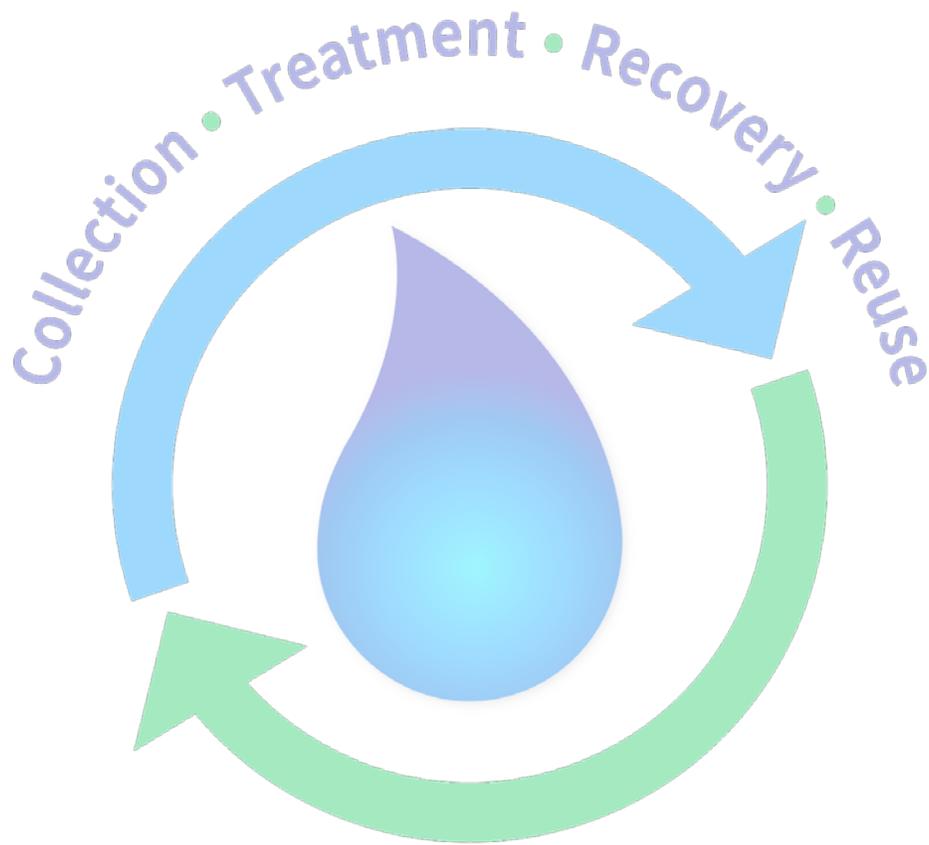
Subsequent events have been evaluated through November 24, 2021, which is the date the financial statements were issued. There are no reportable events through this date.



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REQUIRED SUPPLEMENTARY INFORMATION



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**NAPA SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS***

<i>Reporting Period</i>	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 297,203	\$ 337,417	\$ -	\$ 383,592
Interest on the Total OPEB Liability	731,719	731,013	-	689,122
Differences Between Expected and Actual Experience	(80,396)	(416,196)	1,194	-
Changes in Assumptions	(132,895)	(573,499)	(799,756)	-
Benefit Payments	(345,160)	(319,996)	31,940	(351,936)
Implicit Rate Subsidy Fulfilled	(94,535)	(118,991)	839	(104,209)
Net Change in Total OPEB Liability	375,936	(360,252)	(765,783)	616,569
Total OPEB Liability - Beginning	9,563,212	9,923,464	10,689,247	10,072,678
Total OPEB Liability - Ending (a)	<u>\$ 9,939,148</u>	<u>\$ 9,563,212</u>	<u>\$ 9,923,464</u>	<u>\$ 10,689,247</u>
Plan Fiduciary Net Position				
Net Investment Income	\$ 175,127	\$ 301,158	\$ 14,911	\$ 257,451
Contributions - Employer - Explicit Subsidy	733,360	828,246	104,050	761,546
Contributions - Employer - Implicit Subsidy	94,535	118,991	(839)	104,209
Benefit Payments	(345,160)	(319,996)	31,940	(351,936)
Implicit Rate Subsidy Fulfilled	(94,535)	(118,991)	839	(104,209)
Administrative Expenses	(3,902)	(1,595)	(338)	(1,548)
Net Change in Plan Fiduciary Net Position	559,425	807,813	150,563	665,513
Plan Fiduciary Net Position - Beginning	5,096,952	4,289,139	4,138,576	3,473,063
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,656,377</u>	<u>\$ 5,096,952</u>	<u>\$ 4,289,139</u>	<u>\$ 4,138,576</u>
Net OPEB Liability [(a) - (b)]	<u>\$ 4,282,771</u>	<u>\$ 4,466,260</u>	<u>\$ 5,634,325</u>	<u>\$ 6,550,671</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.91%	53.30%	43.22%	38.72%
Covered Payroll	\$ 4,919,343	\$ 4,739,180	\$ 4,916,543	\$ 4,784,957
Net OPEB Liability as a Percentage of Covered Payroll	87.06%	94.24%	114.60%	136.90%

* Fiscal year 2018 was the 1st year of implementation. Additional years will be presented as they become available.

**NAPA SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS***

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 734,514	\$ 834,617	\$ (45,453)	\$ 865,755
Less: Contributions to be Made	<u>827,895</u>	<u>947,237</u>	<u>103,211</u>	<u>865,755</u>
Contribution Deficiency (Excess)	<u>\$ (93,381)</u>	<u>\$ (112,620)</u>	<u>\$ (148,664)</u>	<u>\$ -</u>
Covered Payroll	\$ 5,143,030	\$ 4,919,343	\$ 4,739,180	\$ 4,916,543
Contributions as a Percentage of Covered Payroll	16.10%	19.26%	2.18%	17.61%

* Fiscal year 2018 was the 1st year of implementation. Additional years will be presented as they become available.

Assumptions and Methods

Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Closed period, level percent of pay
Amortization period	20 years
Asset valuation method	Market value projected to fiscal year-end 2019
Inflation	2.50%
Assumed rate of payroll growth	2.75%
Healthcare trend rates	6.50%, trending down to 3.84%
PEMHCA trend rate	3.00%
Rate of return on assets	7.72%
Mortality rate	CalPERS Rates
Retirement rates	CalPERS Rates
Other information	The ADC takes into account the implicit subsidy.

**NAPA SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

	<u>Miscellaneous June 30, 2020</u>	<u>Miscellaneous June 30, 2019</u>	<u>Miscellaneous June 30, 2018</u>	<u>Miscellaneous June 30, 2017</u>	<u>Miscellaneous June 30, 2016</u>	<u>Miscellaneous June 30, 2015</u>	<u>Miscellaneous June 30, 2014</u>
Proportion of the Net Pension Liability	0.33209%	0.34291%	0.35529%	0.35635%	0.36750%	0.399200%	0.3759100%
Proportionate Share of the Net Pension Liability	\$ 14,007,836	\$ 13,731,690	\$ 13,389,874	\$ 14,047,419	\$ 12,766,481	\$ 10,951,783	\$ 9,290,707
Covered Payroll	\$ 5,109,067	\$ 5,049,241	\$ 4,848,872	\$ 4,897,437	\$ 4,527,631	\$ 4,277,047	\$ 4,763,400
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	274.18%	271.96%	276.14%	286.83%	281.97%	256.06%	195.04%
Plan's Fiduciary Net Position	\$ 36,750,022	\$ 34,093,661	\$ 31,978,074	\$ 30,036,526	\$ 27,798,062	\$ 27,843,404	\$ 29,702,267
Plan's Total Pension Liability	\$ 50,757,858	\$ 47,825,351	\$ 45,367,948	\$ 44,083,945	\$ 40,564,543	\$ 38,795,187	\$ 38,992,974
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.40%	71.29%	70.49%	68.13%	68.53%	71.77%	76.17%

* Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

Changes in Assumptions:

In fiscal year 2018-19, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**NAPA SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF CONTRIBUTIONS – PENSION
LAST TEN FISCAL YEARS***

	<u>Miscellaneous June 30, 2021</u>	<u>Miscellaneous June 30, 2020</u>	<u>Miscellaneous June 30, 2019</u>	<u>Miscellaneous June 30, 2018</u>	<u>Miscellaneous June 30, 2017</u>	<u>Miscellaneous June 30, 2016</u>	<u>Miscellaneous June 30, 2015</u>
Actuarially Determined Contribution	\$ 1,588,781	\$ 2,018,524	\$ 1,838,435	\$ 1,662,038	\$ 1,581,587	\$ 1,513,722	\$ 1,326,544
Contributions in Relation to the Actuarially Determined Contribution	<u>1,588,781</u>	<u>2,018,524</u>	<u>1,838,435</u>	<u>1,662,038</u>	<u>1,581,587</u>	<u>1,513,722</u>	<u>1,326,544</u>
Contribution Deficiency (Excess)	<u>\$ -</u>						
Covered Payroll	\$ 5,309,665	\$ 5,109,067	\$ 5,049,241	\$ 4,848,872	\$ 4,897,437	\$ 4,527,631	\$ 4,277,047
Contributions as a Percentage of Covered Payroll	29.92%	39.51%	36.41%	34.28%	32.29%	33.43%	31.02%

* Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

STATISTICAL SECTION



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**NAPA SANITATION DISTRICT
STATISTICAL SECTION
(UNAUDITED)**

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

Financial Trend Information

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

Net Position by Component
Changes in Net Position by Component

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its largest single own-source revenue: sewer service charges.

Sewer Service Revenue
Sewer Service Rate per Equivalent Dwelling Unit (EDU)
Capacity Charges
Principal Revenue Payors

Debt Capacity Information

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

Debt Service Coverage
Total Outstanding Debt

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Number of Full-Time Equivalent District Employees by Department
Historic Sewer System Service Connections and Equivalent Dwelling Units (EDUs)
Historic Average Daily Influent Flow at Wastewater Treatment Plant
Historic Annual Recycled Water Sales
Operating and Capital Indicators

**NAPA SANITATION DISTRICT
NET POSITION BY COMPONENT
PAST TEN FISCAL YEARS
(In Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assets										
Current and other assets	\$ 47,252	\$ 36,129	\$ 29,585	\$ 28,764	\$ 26,803	\$ 25,221	\$ 26,971	\$ 43,534	\$ 51,357	\$ 22,414
Capital assets, net	268,331	237,973	232,414	225,064	219,202	217,580	199,245	168,218	155,508	149,916
Total assets	315,583	274,102	261,999	253,828	246,005	242,801	226,216	211,752	206,865	172,330
Deferred Outflows of Resources										
Deferred pension	3,299	4,349	4,807	7,693	4,592	3,538	1,242	-	-	-
Deferred OPEB	849	884	961	-	-	-	-	-	-	-
Deferred capacity charges	-	-	234	22	43	-	-	-	-	-
Deferred loss on refunding of debt	289	331	373	414	-	-	-	-	-	-
Total deferred outflows of resources	4,437	5,564	6,375	8,129	4,635	3,538	1,242	-	-	-
Liabilities										
Current and other liabilities	12,369	8,395	8,725	6,748	8,368	11,607	11,744	7,863	6,031	4,601
Long-term liabilities	65,475	59,398	63,623	68,496	65,328	66,582	67,972	61,603	64,404	33,751
Total liabilities	77,844	67,793	72,348	75,244	73,696	78,189	79,716	69,466	70,435	38,352
Deferred Inflows of Resources										
Pension	803	1,334	1,338	461	699	1,159	2,091	-	-	-
OPEB	1,151	1,311	652	-	-	-	-	-	-	-
Total deferred inflows of resources	1,954	2,645	1,990	461	699	1,159	2,091	-	-	-
Net Position										
Net investment in capital assets	227,562	193,977	185,087	174,602	165,848	161,208	139,960	115,847	115,038	117,505
Restricted for debt service and construction projects	-	-	-	-	-	-	-	-	-	-
Unrestricted	12,660	15,251	8,949	11,650	10,397	5,783	5,691	26,438	21,393	16,474
Total net position	\$ 240,222	\$ 209,228	\$ 194,036	\$ 186,252	\$ 176,245	\$ 166,991	\$ 145,651	\$ 142,285	\$ 136,431	\$ 133,979

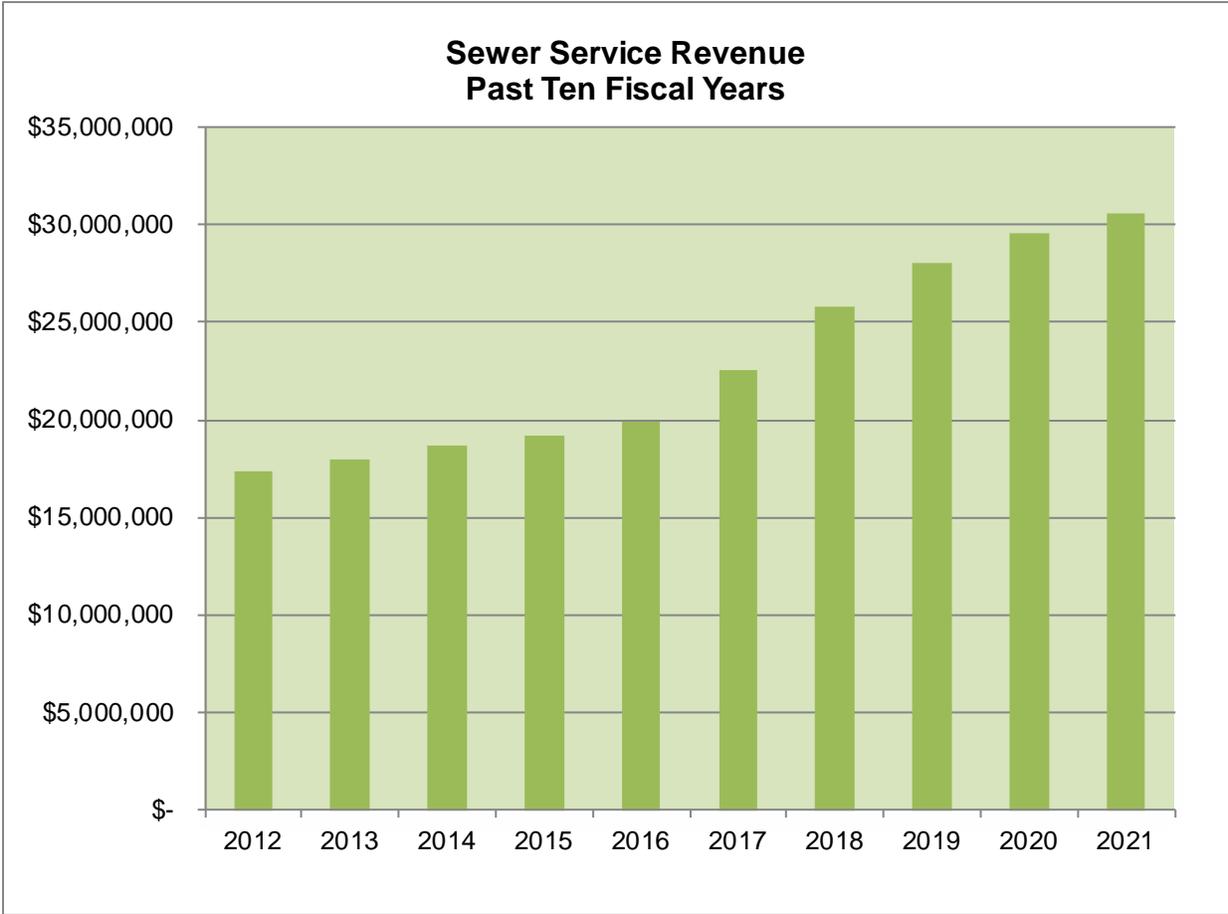
Source: Napa Sanitation District Basic Financial Statements

**NAPA SANITATION DISTRICT
CHANGES IN NET POSITION BY COMPONENT
PAST TEN FISCAL YEARS
(In Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenues										
Sewer service charges	\$ 30,589	\$ 29,576	\$ 28,018	\$ 25,806	\$ 22,502	\$ 19,887	\$ 19,191	\$ 18,665	\$ 17,965	\$ 17,400
Capacity charges	1,324	4,403	2,397	6,533	5,356	3,140	1,568	1,774	1,517	1,426
Other charges for services	2,191	1,647	1,190	1,218	1,102	828	739	688	684	689
Total operating revenues	34,104	35,626	31,605	33,557	28,960	23,855	21,498	21,127	20,166	19,515
Operating Expenses										
Insurance	401	286	225	207	191	189	188	192	185	211
Salaries and benefits	8,998	9,396	10,661	6,214	8,180	5,872	6,956	6,967	7,034	6,503
Materials, supplies, and repairs	2,132	2,134	2,160	2,033	2,186	2,156	2,090	2,118	1,978	2,037
General and administrative	551	541	568	560	625	562	518	513	632	424
Contractual services	1,227	1,147	1,095	1,274	1,149	1,198	1,095	1,131	1,229	1,329
Utilities	1,222	1,088	1,031	885	1,112	948	786	1,002	769	904
Depreciation	8,937	8,938	8,911	9,073	8,846	7,751	7,543	7,302	7,082	7,045
Amortization	-	-	-	-	-	-	-	-	43	33
Total operating expenses	23,468	23,530	24,651	20,246	22,289	18,676	19,176	19,225	18,952	18,486
Operating income	10,636	12,096	6,954	13,311	6,671	5,179	2,322	1,902	1,214	1,029
Nonoperating Revenue (Expense)										
Lease income	233	132	415	726	718	715	713	729	1,488	130
Taxes	(35)	(42)	(41)	(29)	(26)	(25)	(25)	(24)	(24)	(24)
Gain (loss) on disposal of assets	169	(59)	(9)	8	20	14	21	2,848	-	14
Interest income	250	487	504	247	107	64	147	246	200	113
Interest expense	(1,491)	(1,258)	(1,382)	(1,455)	(1,715)	(1,816)	(1,936)	(2,116)	(2,265)	(1,080)
Other nonoperating revenue	85	36	64	415	40	105	79	170	319	-
Total nonoperating revenue (expense)	(789)	(704)	(449)	(88)	(856)	(943)	(1,001)	1,853	(282)	(847)
Income before capital contributions	9,847	11,392	6,505	13,223	5,815	4,236	1,321	3,755	932	182
Capital grants and contributions	21,147	3,800	1,279	3,861	3,440	17,104	12,576	2,852	1,892	2,447
Change in Net Position	30,994	15,192	7,784	17,084	9,255	21,340	13,897	6,607	2,824	2,629
Net Position, Beginning of Year - Restated	209,228	194,036	186,252	169,168	166,990	145,651	131,754	135,678	133,607	131,350
Net Position, End of Year	<u>\$ 240,222</u>	<u>\$ 209,228</u>	<u>\$ 194,036</u>	<u>\$ 186,252</u>	<u>\$ 176,245</u>	<u>\$ 166,991</u>	<u>\$ 145,651</u>	<u>\$ 142,285</u>	<u>\$ 136,431</u>	<u>\$ 133,979</u>

Source: Napa Sanitation District Basic Financial Statements

**NAPA SANITATION DISTRICT
SEWER SERVICE REVENUE
PAST TEN FISCAL YEARS**

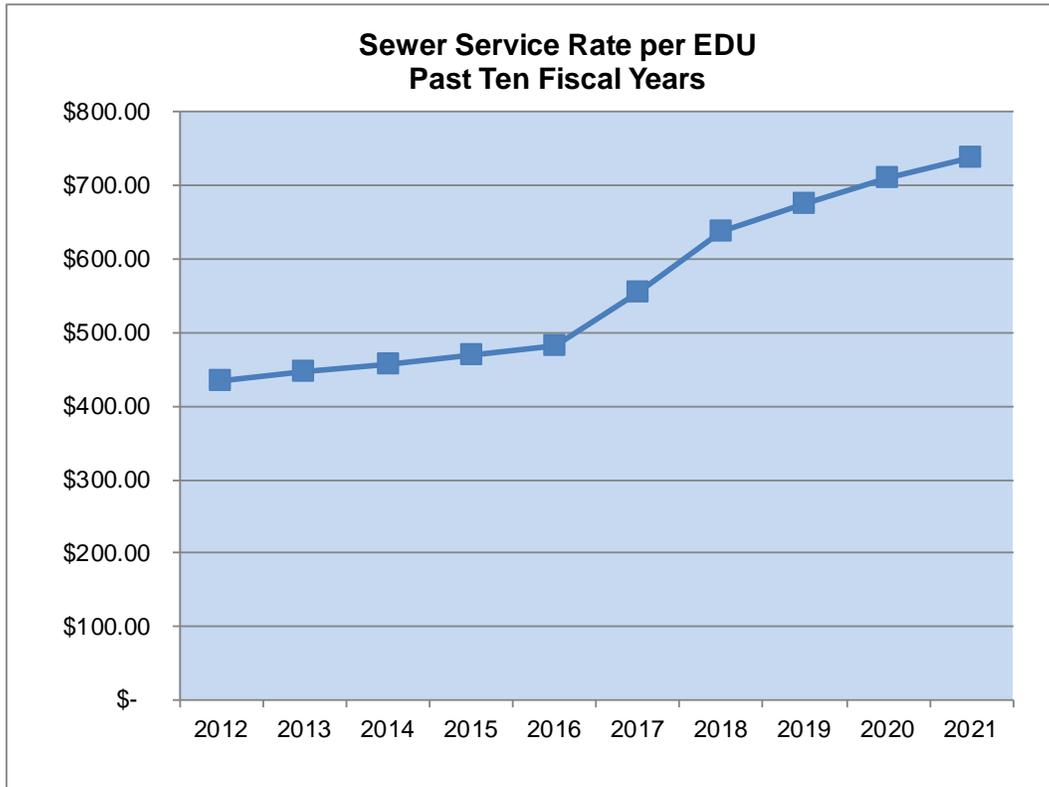


Historic Sewer Service Revenues

<u>Fiscal Year Ended June 30</u>	<u>Sewer Service Revenues</u>	<u>Percentage Change</u>
2012	\$ 17,400,473	1.3%
2013	17,965,150	3.2%
2014	18,665,200	3.9%
2015	19,190,535	2.8%
2016	19,887,172	3.6%
2017	22,501,544	13.1%
2018	25,806,368	14.7%
2019	28,018,017	8.6%
2020	29,576,130	5.6%
2021	30,589,112	3.4%

Source: Napa Sanitation District Basic Financial Statements

**NAPA SANITATION DISTRICT
SEWER SERVICE RATE PER EQUIVALENT DWELLING UNIT (EDU)
PAST TEN FISCAL YEARS**



Historic Sewer Service Rates

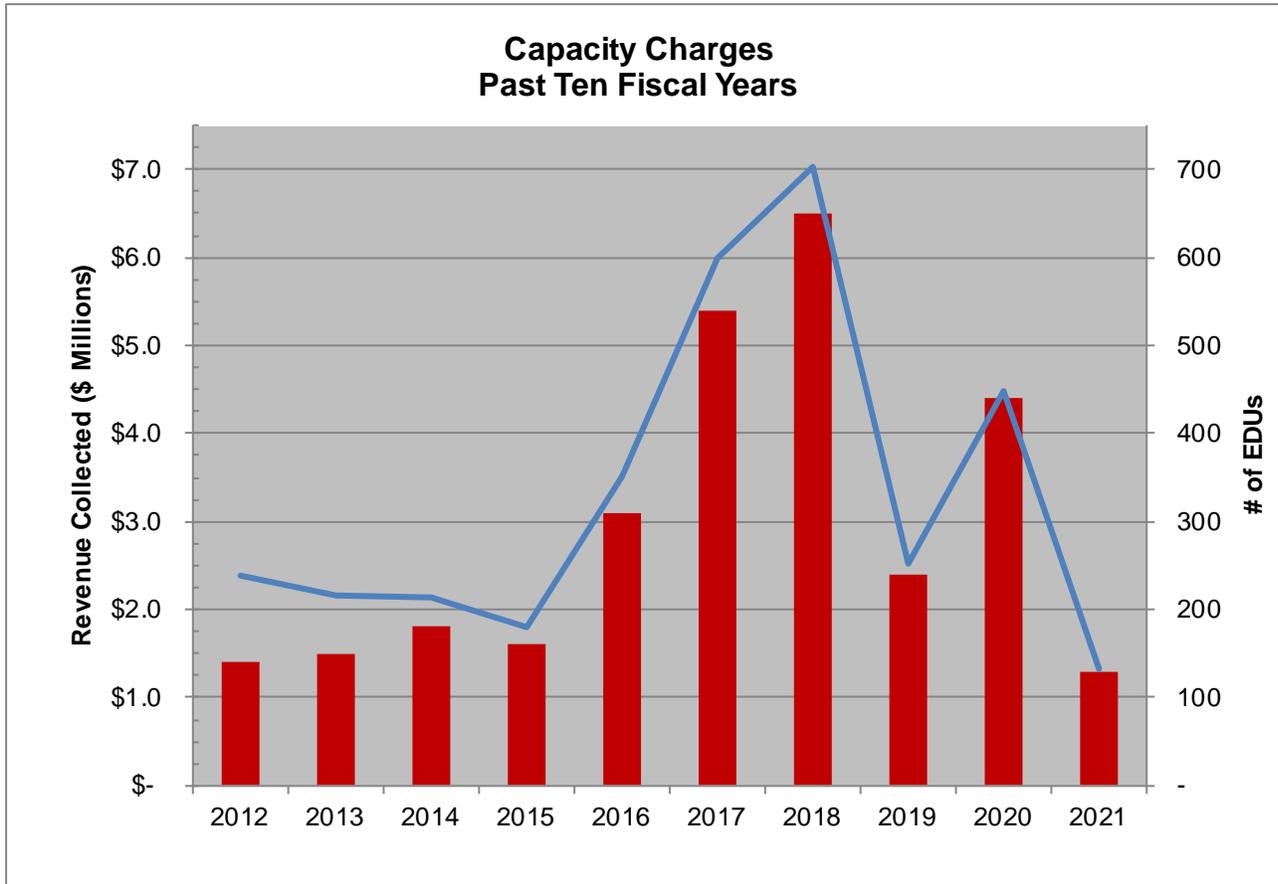
<u>Fiscal Year Ended June 30</u>	<u>Sewer Service Rates</u>	<u>Percentage Change</u>
2012	\$ 435.44	1.5%
2013	448.06	2.9%
2014	457.92	2.2%
2015	469.82	2.6%
2016	482.50	2.7%
2017	554.88	15.0%
2018	638.10	15.0%
2019	676.38	6.0%
2020	710.20	5.0%
2021	738.62	4.0%

Notes:

- In 2006, the District Board of Directors (the Board) approved a three year phased-in increase to the sewer service rates. For fiscal years (FY) 2007, 2008, and 2009, the District increased rates 15% per year. The rate thereafter increases with inflation.
- In 2016, the Board set the maximum rate increases for the following five years. The rate increased by 15% in both FY 2017 and FY 2018. The rate increase for FY 2019 is set for 6%. The maximum rate increases for FY 2020 and FY 2021 are 5% and 4%, respectively. The Board will determine the rate increase based on an evaluation of the revenue requirements (up to the maximum approved rate increase) during the preparation of the budget for those fiscal years.

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
CAPACITY CHARGES
PAST TEN FISCAL YEARS**



Historic Capacity Charges

Fiscal Year Ended June 30	Capacity Charges (per EDU)	Total Collected	Number of EDUs
2012	\$ 6,000	\$ 1,425,486	237.6
2013	7,000	1,516,677	216.7
2014	8,300	1,774,081	213.7
2015	8,723	1,568,328	179.8
2016	8,950	3,139,503	350.8
2017	8,950	5,355,828	598.4
2018	9,299	6,532,806	702.5
2019	9,520	2,396,746	251.8
2020	9,803	4,403,474	449.2
2021	9,959	1,324,411	133.0

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
PRINCIPAL REVENUE PAYORS
CURRENT FISCAL YEAR AND TEN YEARS AGO**

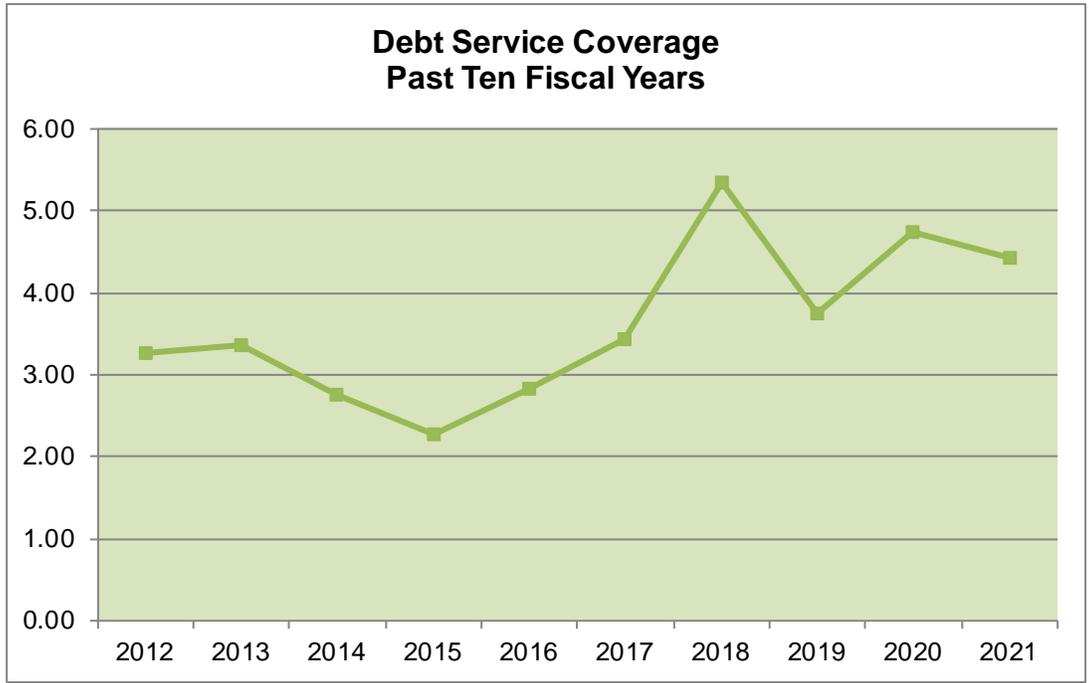
FY 2020-21			FY 2010-11		
Payor	Total Paid	Percentage of Revenue Collected	Payor	Total Paid	Percentage of Revenue Collected
Napa State Hospital	\$ 796,277	2.6%	Napa State Hospital	\$ 473,868	2.8%
NVUSD	384,367	1.3%	NVUSD	246,285	1.4%
Embassy Suites	272,765	0.9%	Queen of the Valley	181,788	1.1%
Meritage Resorts	256,146	0.8%	Marriott Hotel	146,887	0.9%
Napa County	214,489	0.7%	Napa County	142,298	0.8%
Marriott Hotel	204,518	0.7%	Embassy Suites	122,974	0.7%
Meadows of Napa Valley	186,718	0.6%	Silverado Country Club	122,174	0.7%
La Tavola Linen Service	136,419	0.4%	Meritage Hotel	114,596	0.7%
Andaz Hotel	126,448	0.4%	Napa Factory Stores	70,054	0.4%
Archer Hotel w/restaurant	118,028	0.4%	Meadows of Napa Valley	53,299	0.3%
Total	\$ 2,696,175	8.8%		\$ 1,674,223	9.7%

Notes:

- (1) Total Revenue Collected 2020-2021: \$30,588,743
- (2) Total Revenue Collected 2010-2011: \$17,173,259

Source: Napa Sanitation District

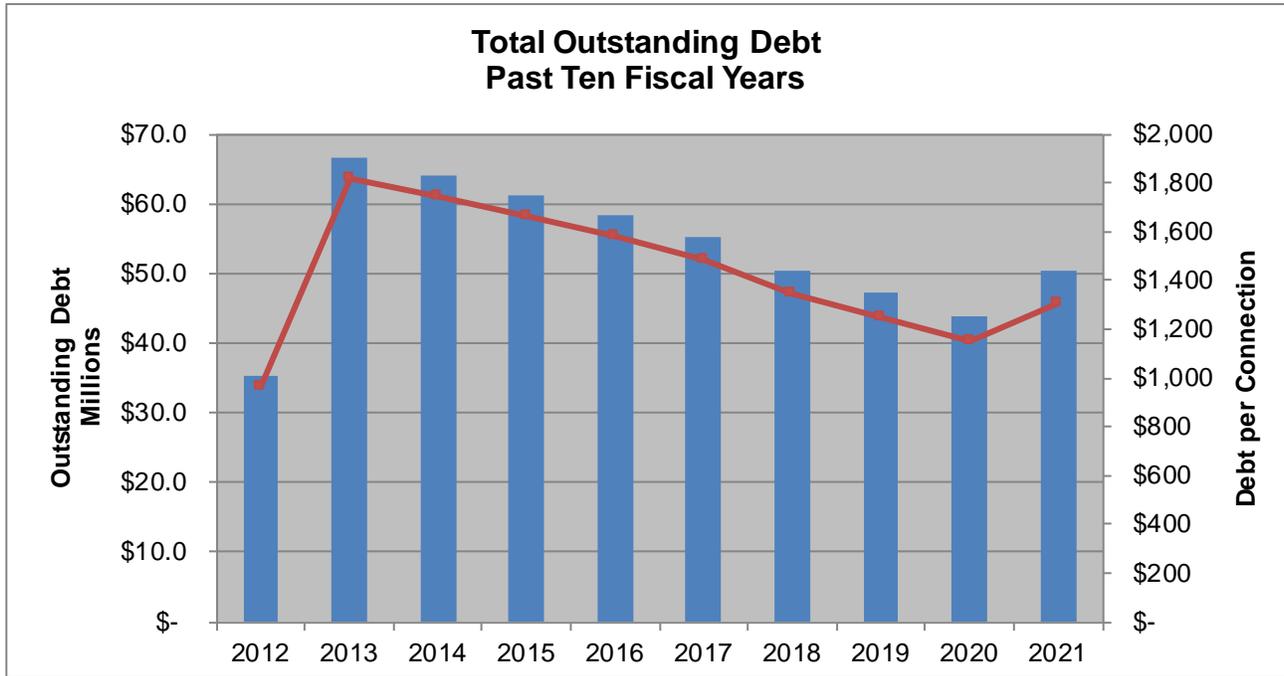
**NAPA SANITATION DISTRICT
DEBT SERVICE COVERAGE
PAST TEN FISCAL YEARS**



Fiscal Year Ended June 30	Gross Revenues	Operating Expenses	Net Revenues	Debt Service	Debt Service Coverage Ratio
2012	\$ 19,772,294	\$ 11,407,627	\$ 8,364,667	\$ 2,563,476	3.26
2013	22,174,185	11,827,078	10,347,107	3,079,427	3.36
2014	25,121,004	11,922,847	13,198,157	4,767,542	2.77
2015	22,457,769	11,632,550	10,825,219	4,772,956	2.27
2016	24,753,242	11,191,710	13,561,532	4,773,956	2.84
2017	29,845,748	13,443,268	16,402,480	4,767,781	3.44
2018	34,953,087	11,173,912	23,779,175	4,453,404	5.34
2019	32,899,151	15,739,914	17,159,237	4,587,827	3.74
2020	36,280,925	14,592,473	21,688,452	4,583,702	4.73
2021	34,842,854	14,531,163	20,311,691	4,582,400	4.43

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
TOTAL OUTSTANDING DEBT
PAST TEN FISCAL YEARS**

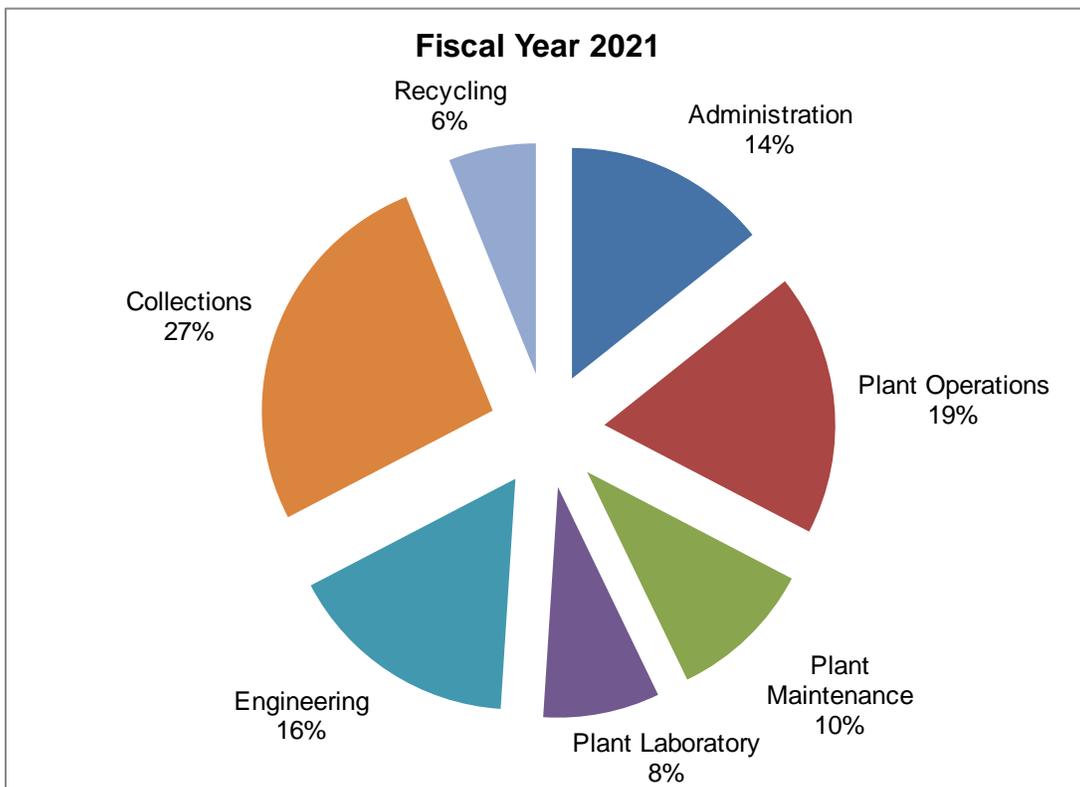


Fiscal Year Ended June 30	Type of Debt			Total Outstanding Debt	Total Connections	Debt per Connection
	Certificates of Participation	State Revolving Fund Loans	Bond Premium			
2012	\$ 32,800,000	\$ 1,926,053	\$ 442,956	\$ 35,169,009	36,326	\$ 968
2013	61,420,000	1,811,763	3,359,680	66,591,443	36,552	1,822
2014	59,195,000	1,695,051	3,178,741	64,068,792	36,722	1,745
2015	56,700,000	1,575,865	2,997,802	61,273,667	36,791	1,665
2016	54,090,000	1,454,151	2,816,862	58,361,013	36,901	1,582
2017	51,380,000	1,329,854	2,635,923	55,345,777	37,369	1,481
2018	45,235,000	1,202,919	4,051,482	50,489,401	37,535	1,345
2019	42,545,000	1,073,288	3,708,287	47,326,575	37,873	1,250
2020	39,690,000	940,902	3,365,092	43,995,994	38,250	1,150
2021	45,280,000	805,702	4,224,447	50,310,149	38,473	1,308

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
NUMBER OF FULL-TIME EQUIVALENT DISTRICT
EMPLOYEES BY DEPARTMENT
FOR THE PAST TEN FISCAL YEARS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	9	9	9	8	9	8	8	8	7	7
Plant Operations	8	9	9	9	9	8	9	8	9	9
Plant Maintenance	5	5	5	5	6	6	6	6	5	5
Plant Laboratory	4	4	4	4	4	3	4	4	4	4
Engineering	6	6	6	5	6	8	8	8	8	8
Collections	13	13	13	13	13	13	15	15	14	13
Recycling	4	4	3	3	3	3	3	3	3	3
Total Employees	49	50	49	47	50	49	53	52	50	49
Approved FTEs	51	51	51	51	51	53	53	53	53	53



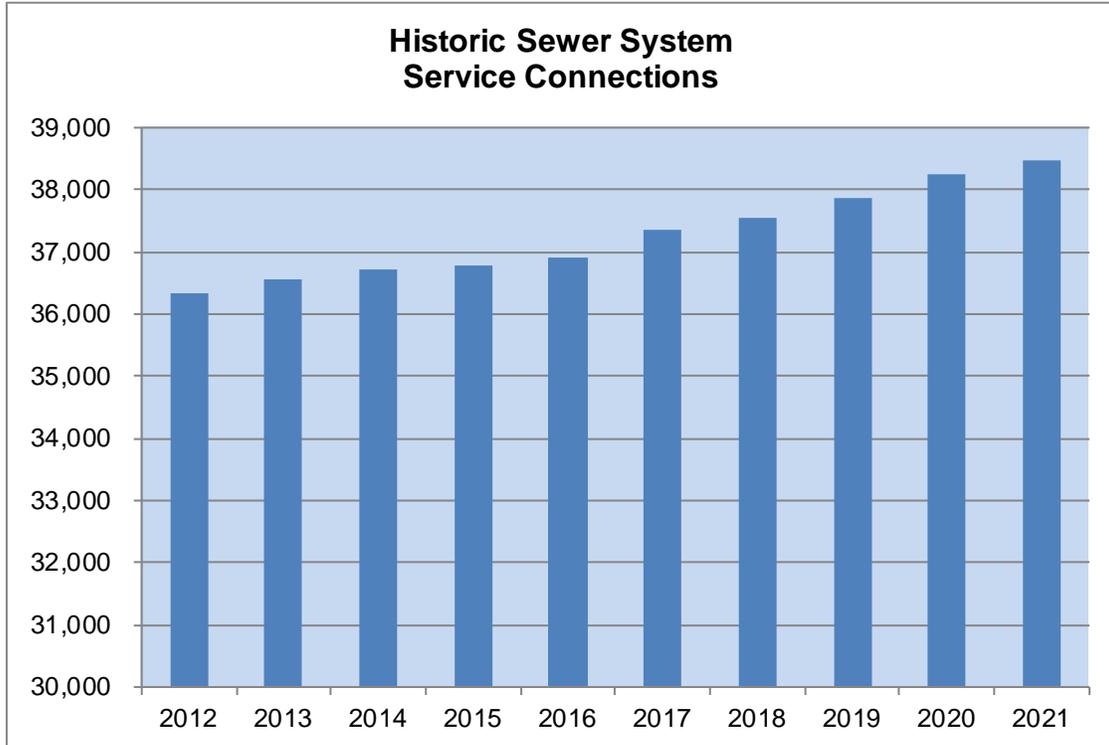
Note:

Administration includes General Manager, Administrative Staff, and Safety/Training/Fleet Officer.

Engineering includes Engineers, Asset Management Analyst, and Pollution Prevention/Outreach Coordinator.

Source: Napa Sanitation District

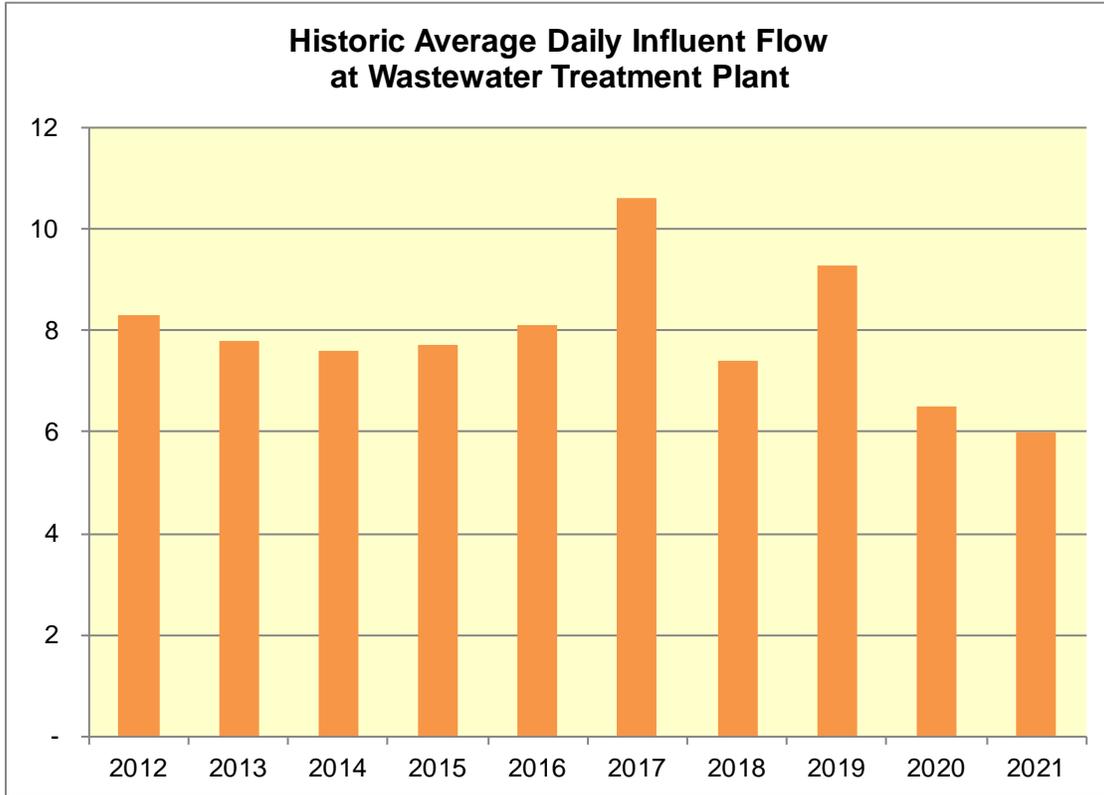
**NAPA SANITATION DISTRICT
 HISTORIC SEWER SYSTEM SERVICE CONNECTIONS
 AND EQUIVALENT DWELLING UNITS (EDUs)
 PAST TEN FISCAL YEARS**



Fiscal Year Ended June 30	Single Family	Multifamily	Commercial/ Industrial	Total Connections	Total EDUs
2012	23,412	8,478	4,436	36,326	40,142
2013	23,486	8,539	4,527	36,552	40,320
2014	23,519	8,673	4,530	36,722	40,955
2015	23,573	8,668	4,550	36,791	41,178
2016	23,612	8,715	4,574	36,901	41,378
2017	23,788	8,697	4,884	37,369	40,707
2018	23,849	8,393	5,293	37,535	40,655
2019	23,800	8,708	5,365	37,873	41,635
2020	23,941	8,764	5,545	38,250	41,862
2021	24,007	8,772	5,694	38,473	41,684

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
HISTORIC AVERAGE DAILY INFLUENT FLOW
AT WASTEWATER TREATMENT PLANT
PAST TEN FISCAL YEARS**



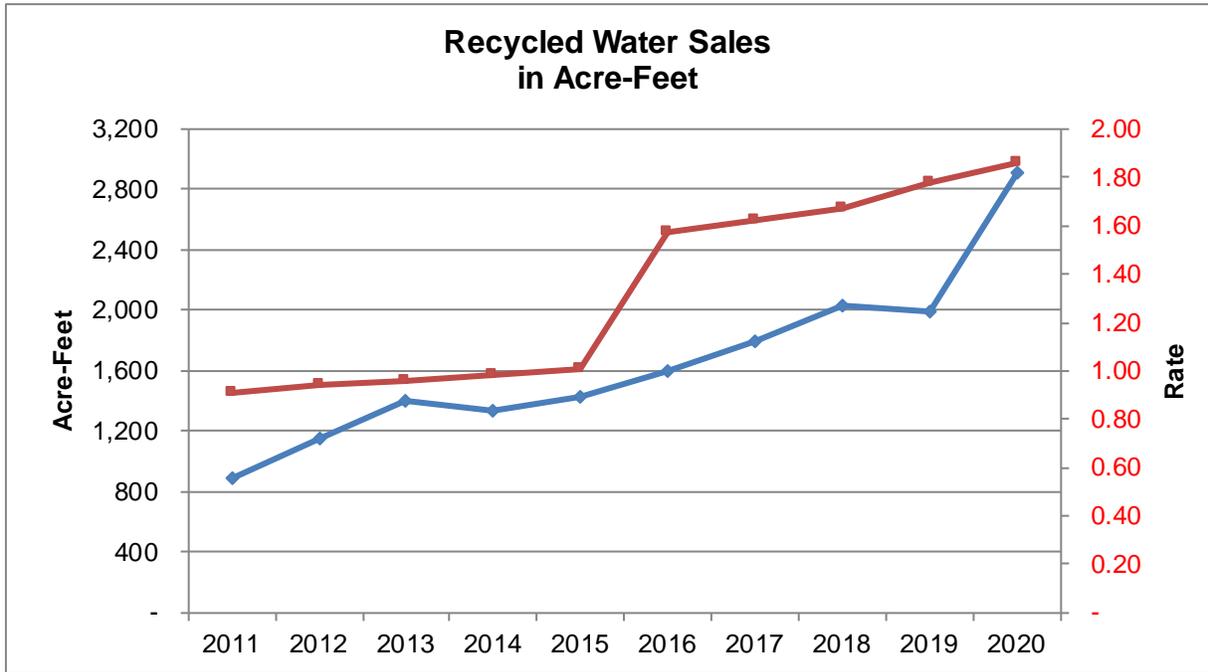
<u>Fiscal Year Ended June 30</u>	<u>Daily Average Flow (MGD)</u>	<u>Increase/Decrease</u>
2012	8.3	-22.9%
2013	7.8	-6.4%
2014	7.6	-2.6%
2015	7.7	1.3%
2016	8.1	4.9%
2017	10.6	23.6%
2018	7.4	-43.2%
2019	9.3	20.4%
2020	6.5	-43.1%
2021	6.0	-8.2%

Notes:

MGD = Million Gallons per Day

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
HISTORIC ANNUAL RECYCLED WATER SALES
PAST TEN CALENDAR YEARS**



Calendar Year Ending December 31	QUANTITY		RATES
	Total Acre-Feet	Total Million Gallons	Rate per 1,000 Gallons
2011	893	291	0.91
2012	1,153	376	0.94
2013	1,402	457	0.96
2014	1,337	436	0.98
2015	1,422	463	1.01
2016	1,603	522	1.57
2017	1,799	586	1.62
2018	2,035	663	1.67
2019	1,992	649	1.78
2020	2,909	948	1.86

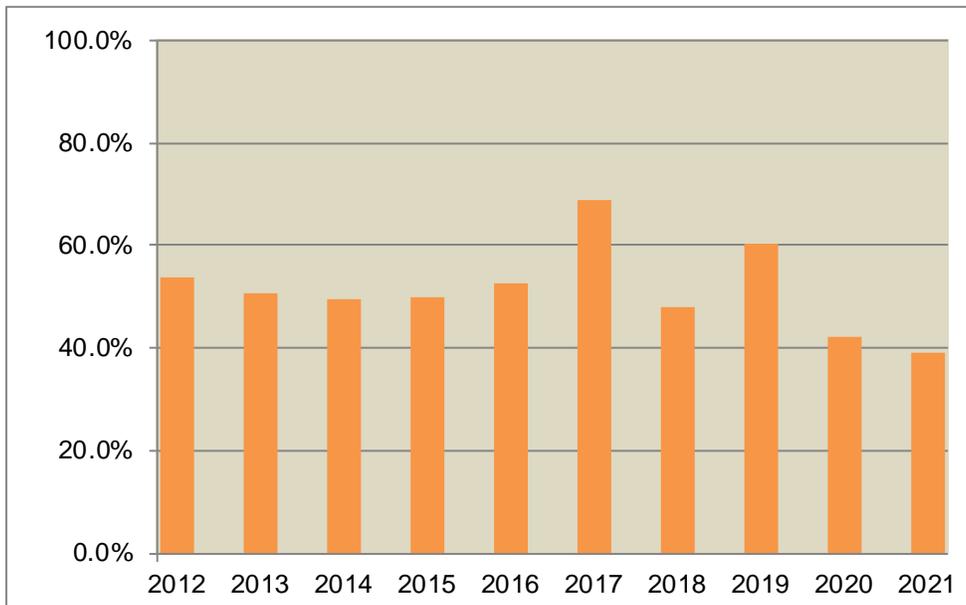
Notes:

1 Acre-Foot = .325851 Million Gallons

Source: Napa Sanitation District

**NAPA SANITATION DISTRICT
OPERATING AND CAPITAL INDICATORS
PAST TEN FISCAL YEARS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Miles of Sewer Lines	270.00	270.00	270.00	270.00	270.00	270.00	270.00	270.00	270.00	270.00
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	3	3	3	3	3	3	3	3	3	3
Treatment Design Capacity - (MG per Day)	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4
Gallons Treated - (Daily Average Flow - MGD)	8.3	7.8	7.6	7.7	8.1	10.6	7.4	9.3	6.5	6.0
Capacity Utilized	53.9%	50.6%	49.4%	50.0%	52.6%	68.8%	48.1%	60.4%	42.2%	39.0%



Source: Napa Sanitation District

OTHER REPORT



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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Napa Sanitation District
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Napa Sanitation District (the District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 24, 2021



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