

ROSS VALLEY SANITARY DISTRICT

2960 Kerner Blvd
San Rafael, CA 94901
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STAFF REPORT

For the Meeting of December 21, 2022

December 16, 2022

To: Board of Directors

From: Felicia Newhouse, Assistant General Manager
Corey Spray, Finance Supervisor

Subject: Consideration of Accepting the Fiscal Year 2022 Financial Audit of the Ross Valley Public Financing Authority (RVPFA)

Summary

Each fiscal year, the District is required to perform a financial audit of the Ross Valley Public Financing Authority (RVPFA). Fiscal Year 2022 is the sixth year that the public accounting firm of Chavan & Associates, LLP ("External Auditor") has been engaged to perform the annual financial audit. The audit was recently completed with no issues identified, and the final draft report is ready for acceptance by the Board of Directors.

Discussion

Annually, RVPFA is required to undertake an external audit of its financial statements for conformity with Generally Accepted Accounting Principles within the United States of America. An audit is comprised of two primary objectives:

- 1) Assessment of the District's internal control framework over financial reporting
- 2) Assessment of the District's financial transactions and preparation of the financial statements with related disclosures

The results of the various tests the External Auditor performs for both objectives are memorialized within the External Audit Firm's Opinion Letter along with the associated SAS 115 Memorandum on Internal Controls. The Opinion Letter is included with the RVPFA's financial statements as required. The SAS 115 Memorandum on Internal Controls is included as part of this reporting package to the Board for inclusion with the financial statements. Please note that the SAS 115 Memorandum is all inclusive of Ross Valley Sanitary District, meaning itself and all of its blended component units.

Based on the External Auditor's assessment for FY 2022, no issues with RVPFA's internal control framework were identified and an unmodified opinion was issued for preparation of the year-end financial statements with related disclosures.

Furthermore, all related discussion of the procedures performed by the External Auditor along with the associated results therein are documented within the submitted SAS 114 Auditor's Communication with Those Charged with Governance Letter. Please note that the SAS 114 Auditor Communication Letter is all inclusive of Ross Valley Sanitary District, meaning itself and all of its blended component units.

Recommendation

Accept the FY 2022 Ross Valley Public Financing Authority Annual Financial Report, as presented.

Attachments:

- A. Annual Financial Report for FY 2022
- B. SAS 115 Memorandum on Internal Controls for FY 2022—*presented alongside the District's ACFR Staff Report*
- C. SAS 114 Auditor's Communication with Those Charged with Governance Letter for FY 2022—*presented alongside the District's ACFR Staff Report*

**ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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ROSS VALLEY PUBLIC FINANCING AUTHORITY

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

BOARD OF DIRECTORS

Doug Kelly Elected June 2016	President
Thomas Gaffney Elected June 2014	Secretary
Michael Boorstein Elected June 2014	Treasurer
Pamela Meigs Elected June 2010	Alternate Secretary
Mary Sylla Elected June 2012	Alternate Treasurer

OFFICERS OF AUTHORITY

Doug Kelly	President
Steve Moore, P.E.	Executive Director
Thomas Gaffney	Secretary
Felicia Newhouse	Treasurer

JOINT POWERS AUTHORITY MEMBERS

**Ross Valley Sanitary District
California Municipal Finance Authority**

**PREPARED BY
Ross Valley Sanitary District
Administrative Services Department**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ross Valley Public Financing Authority
San Rafael, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Ross Valley Public Financing Authority (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ross Valley Public Financing Authority, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our



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

In performing an audit in accordance with GAAS, we:

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

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

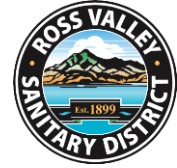
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Authority's internal control over financial reporting and compliance.

C & A LLP

December 15, 2022
Morgan Hill, California

ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



This section presents management's analysis of the Ross Valley Public Financing ("RVPFA" or "the Authority") financial condition and activities as of and for the fiscal year June 30, 2022. Management's Discussion and Analysis (MD&A) serves as an introduction to the Authority's financial statements. This information should be read in conjunction with the audited financial statements that follow this section.

The information in this MD&A is presented under the following headings:

- Financial Highlights
- Overview of the Financial Statements
- Authority-Wide Financial Analysis
- Debt Service Receivable
- Debt Administration
- Economic Factors and Next Year's Operations
- Request for Information

FINANCIAL HIGHLIGHTS

- Total assets continue to be below total liabilities by \$453,113, which is represented in the Restricted net position.
- Net position decreased by \$26,415, or 6.19%, during the fiscal year.
- Debt Service Receivable decreased by \$3.15 million, or 3.3%, to \$199.24 million. Total receivable premium amortization recognized is \$387,137.
- Bonds payable, net of unamortized premium, decreased by \$2.87 million, or 3.01%, to \$92.69 million. Total premium amortization recognized is \$0.36 million.
- Total revenues decreased by \$51,280, or 1.28%, to \$3.95 million.
- Total expenses decreased by \$226,624, or 5.39%, to \$3.98 million.



ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (*UNAUDITED*)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

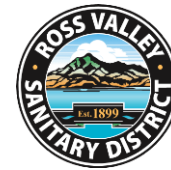
The Authority's financial statements comprise of the two components to present its operations: The basic financial statements and notes to the basic financial statements.

The *Basic Financial Statements* comprise of three individual statements:

- *Statement of Net Position:* This statement presents information on the Authority's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or worsening.
- *Statement of Revenues, Expenses, and Changes in Net Position:* This statement presents the results of the Authority's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Authority successfully recovered its costs through charges to the Ross Valley Sanitary District ("the District"). All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement from items that will result in future cash flows.
- *Statement of Cash Flows:* This statement presents the changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt, and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to the Basic Financial Statements* provide information that is essential to a full understanding of the basic financial statements that is not presented on the face of the financial statements.

ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



AUTHORITY-WIDE FINANCIAL ANALYSIS

Table 1 – Comparative Condensed Statement of Net Position
June 30, 2022 and 2021

	2022	(Restated) 2021	\$ Change	% Change
Total assets:				
Current receivable assets	\$ 2,947,375	\$ 2,826,225	\$ 121,150	4.29%
Restricted cash assets	1,573,048	1,622,700	(49,653)	-3.06%
Noncurrent receivable assets	92,237,776	95,384,913	(3,147,137)	-3.30%
Total assets	96,758,198	99,833,838	(3,075,640)	-3.08%
Total liabilities:				
Current payable liabilities	4,520,422	4,448,922	71,500	1.61%
Noncurrent bond liabilities	92,690,889	95,811,614	(3,120,725)	-3.26%
Total liabilities	97,211,311	100,260,535	(3,049,225)	-3.04%
Total net position:				
Restricted net position	\$ (453,113)	\$ (426,697)	\$ (26,415)	-6.19%

The Authority's total net position decreased \$26,415, or 6.19%, between fiscal year 2022 and 2021. The decrease is attributable to total year-over-year decreases in both total assets of \$3.1 million and total liabilities of \$3 million. Each total category change is further detailed in the below points:

- Total noncurrent receivable assets overall decreased by \$3.15 million, or 3.3%, year-over-year between fiscal year 2022 and 2021. The Authority serves as a pass-through entity where it collects debt service proceeds from the District and remits the collected proceeds to the paying agent for payment on the bond obligations. So, as the life of the revenue bonds progress to eventual maturity, the receivable balance the Authority carries for future collection from the District to repay the revenue bond obligations decreases over time. See the *Debt Service Receivable* section below for further detail.
- Total noncurrent liabilities overall decreased by \$3.12 million, or 3.04%, year-over-year between fiscal year 2022 and 2021. Similar to the movement in the noncurrent assets, the principal balance on the noncurrent bond obligations decreases over time as debt service repayment proceeds are collected and remitted to the paying agent, Bank of New York Mellon. See the *Debt Administration* section below for further detail.

The activity within the restricted net position reflects the above changes impacting it.



ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

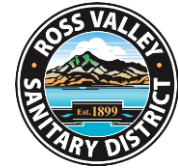
Table 2 – Comparative Condensed Statement of Change in Net Position
June 30, 2022 and 2021

	2022	(Restated) 2021	\$ Change	% Change
Revenues:				
Debt service interest income	\$ 3,949,052	\$ 3,999,878	\$ (50,827)	-1.27%
Investment income	40	493	(453)	-91.96%
Total revenues	3,949,091	4,000,371	(51,280)	-1.28%
Expenses:				
Debt service interest expense	3,588,369	3,834,204	(245,835)	-6.41%
Receivable amortization expense	387,137	367,927	19,210	5.22%
Total expenses	3,975,506	4,202,131	(226,624)	-5.39%
Change in net position	(26,415)	(201,760)	175,345	86.91%
Net position at beginning of year	(426,697)	(224,938)	(201,760)	-89.70%
Net position at end of year	\$ (453,113)	\$ (426,697)	\$ (26,415)	-6.19%

The Authority's total change in net position decreased \$26,415, or 6.19%, between fiscal year 2022 and 2021. The net decrease is attributable to year-over-year decreases in both debt service interest expense of \$245,835 and debt service interest income of \$50,827 offset by increases in receivable amortization expense of \$19,210. Each year-over-year change is further detailed below:

- Debt service interest income decreased \$50,827, or 1.27%, year-over-year between fiscal year 2022 and 2021. This is driven by decreased interest collections for debt service from the District given the aggregate principal balance on all revenue bond obligations is declining over the life of the bonds.
- Debt service interest expense decreased \$245,835, or 6.41%, year-over-year between fiscal year 2022 and 2021. This is driven by the declining principal balance on all revenue bond obligations as the principal balance is steadily paid off.
- Receivable amortization expense increased by \$19,210, or 5.22%, year-over-year between fiscal year 2022 and 2021. The increase is due to timing of when amortization began for disbursed debt proceeds from the bond trust cash accounts. In fiscal year 2021, the Authority disbursed \$11,345,863 in project funds to the District for capital project needs, all of which were at different points in time within that fiscal year. So, the amortization expense of the allocated principal balance received from the 2019 Revenue Bond Premium started midyear whereas fiscal year 2022's amortization expense is a full fiscal year.

ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



DEBT SERVICE RECEIVABLE

The Authority issued the Revenue Bond obligations in 2013, 2014, 2018 and 2019. Each of those issuances were primarily for the explicit purpose of funding capital projects being overseen by the District. Once the bond obligations were issued, the project fund proceeds were requisitioned by the District for its usage creating a receivable balance between the Authority and the District. Table 3 below presents a comparative view of the Authority's debt service receivable balance by issuance.

Table 3 – Comparative Debt Service Receivable
June 30, 2022 and 2021

		(Restated)		
	2022	2021	\$ Change	% Change
2013 revenue bond issuance	\$ 15,150,243	\$ 15,539,093	\$ (388,850)	-2.50%
2014 revenue bond issuance	25,219,580	26,196,650	(977,070)	-3.73%
2018 revenue bond issuance	22,880,759	23,586,746	(705,987)	-2.99%
2019 revenue bond issuance	31,934,569	32,888,650	(954,080)	-2.90%
Total debt service receivable	<u>\$ 95,185,151</u>	<u>\$ 98,211,138</u>	<u>\$ (3,025,987)</u>	<u>-3.08%</u>

The Authority's total debt service receivable decreased \$3.03 million, or 3.08%, between fiscal year 2022 and 2021. The primary driver for this decrease was from continued collections from the District for principal balance repayment of the outstanding revenue bond obligations. Since all underlying revenue bond issuances were at a premium, each total receivable is amortized an allocated amount identified as the premium amount received and requisitioned to the District. Total debt service receivable premium amortization attributable to the total decrease is \$387,137 for fiscal year 2022.

Within fiscal year 2022, there were no bond proceed requisitions as all issued revenue bond obligations debt proceeds were requisitioned to the District for capital project usage in fiscal year 2021.

Additional information regarding the Authority's Debt Service Receivable can be found in *Note 4 – Debt Service Receivable*.



ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

DEBT ADMINISTRATION

Over the past fiscal years, the Authority has issued several series of revenue bond obligations for the District's past capital improvement program (CIP) projects. All revenue bond obligations were publicly issued at a premium. Table 4 below presents a comparative view the Authority's revenue bond series, net of unamortized premium.

Table 4 – Comparative Outstanding Debt, Net of Unamortized Premium
June 30, 2022 and 2021

	2022	2021	\$ Change	% Change
2013 revenue bond	\$ 15,274,236	\$ 15,663,671	\$ (389,435)	-2.49%
2014 revenue bond	25,378,018	26,358,762	(980,744)	-3.72%
2018 revenue bond	22,614,129	23,290,163	(676,034)	-2.90%
2019 revenue bond	32,184,507	33,134,018	(949,512)	-2.87%
Total Long-Term Debt	<u>\$ 95,450,889</u>	<u>\$ 98,446,614</u>	<u>\$ (2,995,725)</u>	<u>-3.04%</u>

The Authority's total outstanding debt, net of unamortized premium, decreased \$2.99 million, or 3.04%, between fiscal year 2022 and 2021. The driver for this decrease was from continued repayment of the required annual debt service on the principal balance of \$2.64 million. The unamortized premium also decreased from annual periodic amortization of \$0.36 million following current accounting policy. Additional information on the long-term debt obligations can be sourced within *Note 5 – Long-Term Debt*.

All bond obligations are subject to periodic review by various credit agencies, such as Standard & Poor's (S&P), Fitch, Moody's, and others. As of fiscal year end 2022, the Authority's latest credit ratings on its revenue bond obligations from S&P and Fitch are "AA" and "AA-" respectively.

Furthermore, all bond obligation indenture agreements include covenants which require the District to collect sufficient net revenues each fiscal year to cover payment of debt service. The benchmark threshold for all obligations is at least 1.25 times annual debt service for any fiscal year. The annual debt service ratio for fiscal year 2022 is 2.08 times, meaning the District has collected sufficient funds to meet its required rate covenant under the terms of the indenture agreements. For more information on the District's financial statements, please refer to the District's Annual Comprehensive Report at <https://www.rvsd.org/169/Financial-Stewardship>.

Additional details concerning the Authority's indenture agreements and offering statements are available at <https://www.emma.msrb.org>.

ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The Authority operates as an enterprise fund that serves as the pass-through organization for the District when collecting issued revenue bond proceeds and repaying the required debt service. It has no employees nor does it make any purchases for its own activities. Any activities are performed by the District because the Authority's operations are substantively the same as the District's operations. The Authority also cannot charge fees so it is entirely reliant on the debt service collections from the District for repayment of the required debt service to the paying agent, Bank of New York Mellon. Therefore, there are not any external factors that may directly impact the operations of the Authority.

There are, however, external economic factors that may impact the financial position and performance of the District with funding the Authority for debt service repayment. For all information regarding external factors that may impact the District, please refer to the District's Annual Comprehensive Financial Report located at <https://www.rvsd.org/169/Financial-Stewardship>.

REQUEST FOR INFORMATION

This report is designed to provide our joint powers authority members, creditors, and all other stakeholders with an overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the below contact information:

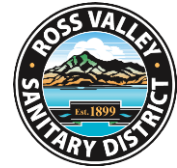
Ross Valley Public Finance Authority
2960 Kerner Blvd.
San Rafael, CA 94901
Phone: (415) 259-2949
Email: info@rvsd.org



ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
MANAGEMENT DISCUSSION & ANALYSIS (*UNAUDITED*)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



	<u>2022</u>
Assets	
Current assets:	
Debt service receivable, current (<i>Note 4</i>)	\$ 2,947,375
Total current assets	<u>2,947,375</u>
Noncurrent assets:	
Restricted cash and investments (<i>Note 3</i>)	1,573,048
Debt service receivable (<i>Note 4</i>)	<u>92,237,776</u>
Total noncurrent assets	<u>93,810,823</u>
Total assets	<u>96,758,198</u>
Liabilities	
Current liabilities:	
Bonds payable, current (<i>Note 5</i>)	2,760,000
Interest payable	<u>1,760,422</u>
Total current liabilities	<u>6,537,325</u>
Noncurrent liabilities:	
Bonds payable, net (<i>Note 5</i>)	<u>92,690,889</u>
Total noncurrent liabilities	<u>98,136,529</u>
Total liabilities	<u>97,211,311</u>
Net position:	
Restricted net position – bond trust	<u>(453,113)</u>
Total net position	<u>\$ (453,113)</u>

See accompanying notes to the financial statements.

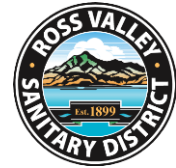


ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>2022</u>
Non-operating revenues:	
Debt service interest income	\$ 3,949,052
Investment income	<u>40</u>
Total non-operating revenue	3,949,091
 Non-operating expenses:	
Debt service interest expense	3,588,369
Receivable premium expense	<u>387,137</u>
Total non-operating expense	3,975,506
 Change in net position	<u>(26,415)</u>
 Net position at beginning of year (as stated)	2,019,078
Prior period adjustments:	
Adjustment for correction of prior period errors (Note 8)	<u>(2,445,775)</u>
Net position at beginning of year (as restated)	<u>(426,697)</u>
Net position at end of year	<u><u>\$ (453,113)</u></u>

See accompanying notes to the financial statements.

ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



	<u>2022</u>
Cash flows from non-capital financing activities:	
Cash received from District for debt service principal	\$ 2,635,000
Cash received from District for debt service interest	3,952,902
Cash paid on behalf of District for debt service principal	(2,635,000)
Cash paid on behalf of District for debt service interest	<u>(4,002,594)</u>
Net cash provided (used) by non-capital financing activities	(49,692)
Cash flows from investing activities:	
Cash received from interest and dividends	<u>40</u>
Net cash provided (used) by investing activities	40
Net increase (decrease) in cash and cash equivalents	<u>(49,653)</u>
Cash and cash equivalents at beginning of year	<u>1,622,700</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,573,048</u></u>
Reconciliation of cash and cash equivalents from the statement of net position to the statement of cash flows:	
Total restricted cash and investments	<u><u>\$ 1,573,048</u></u>
Non-cash transactions:	
Unamortized bond premium amortization	\$ 360,725
Unamortized debt service premium amortization	387,137

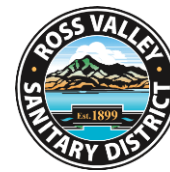
See accompanying notes to the financial statements.



ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



NOTE 1 NATURE OF THE ORGANIZATION

A. THE ORGANIZATION

Ross Valley Public Financing Authority, ("RVPFA" or the "Authority"), established in 2012, was formed pursuant to a joint powers authority (JPA) agreement between the Ross Valley Sanitary District (the "District") and the California Municipal Finance Authority. The Authority is authorized to issue bonds for the purpose of financing the acquisition of public capital improvement projects. The rights and obligations of these capital improvements projects are then to be sold on an installment sale basis to other public entities, including the District.

The Authority utilizes an enterprise fund, a type of proprietary fund, structure to account for its activities. Accordingly, activity is to be accounted as goods and services provided to the general public as if they are financed by user charges.

The Authority is further governed by a five-member Board of Directors that all consist of the same members from the District's Board of Directors. Each of the District's Board of Directors are elected by wards within the District's service area for four-year staggered terms. The election is at-large and non-partisan. The District's General Manager, who is appointed by the District's Board, serves as the Executive Director of the Authority to manage and oversee the day-to-day operations.

B. THE FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America (US GAAP), these basic financial statements present the financial position and related activities of the Ross Valley Public Financing Authority. The Authority is a blended component unit of the Ross Valley Sanitary District, which serves as the primary governmental unit based on the entity being considered financially accountable. At its foundation, the Authority is a legally separate entity; but both the Authority's Board of Directors and its operations are substantively the same as the District. However, the Authority is still required to issue its own financial statements thereby considering the Authority as the primary government for this presentation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The Authority's accounts are organized based on a proprietary fund-type, or enterprise fund. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).



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The Authority's financial activities are prepared on the economic resources measurement focus using the accrual basis of accounting in accordance with US GAAP. Under this method, all assets, deferred outflow of resources, liabilities and deferred inflows of resources associated with its operations are included on the statements of net position; meanwhile, all revenues are recognized when earned, and expenses are recognized when liabilities are incurred.

The Authority further distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. There are no revenues and expenses considered by the Authority as operating in nature given all principal operations for personnel costs and operating fees for maintaining the wastewater collection system that are funded by user charges are maintained at the District. The Authority only serves as a pass-through entity for collection and remittance of debt proceeds/service.

The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its application of this basis of accounting and measurement focus.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all demand deposits as well as highly liquid investments with a maturity of 90 days or less and carried at cost, which approximates fair value. As of June 30, 2022, this includes cash on hand, demand deposits, deposits held in trust, and the State of California Local Agency Investment Fund (LAIF).

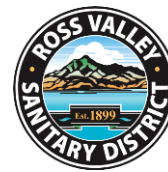
C. INVESTMENTS

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based upon quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

D. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

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Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

E. DEBT SERVICE RECEIVABLES

Debt service receivables consist of amounts owed to the Authority by the District for incurrence of indebtedness for acquisition of capital assets on behalf of the District. Each revenue bond obligation established an installment sale agreement whereby the required debt service (principal and interest) are to be paid to the Authority in exchange for the equity interest in the acquired capital assets. Debt service receivables furthermore are stated at net carrying value.

To appropriately track the repayment activity of the receivables against the long-term debt repayment activity, the allocated proceeds related to the initial discount or premium activity are to be amortized on a straight-line basis. This amortization flows as a direct expense.

F. BONDS PAYABLE

Bonds payable are loan arrangements where cash proceeds are borrowed from external parties. All loan arrangements are carried at net carrying value with associated interest accrued between debt service payment dates.

G. UNAMORTIZED BOND PREMIUM AND DISCOUNT

On all loan arrangements that are issued through the public financial markets, premium or discounts can arise based on fluctuations in market discount rates. Both premiums and discounts are amortized over the life of the bond obligation using the straight-line method. The resulting offset activity is against interest expense.



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H. NET POSITION

Net position is the excess of all of the Authority's assets and deferred outflows of resources over all of its liabilities and deferred inflows of resources. Net position is divided into three captions:

- *Net Investment in Capital Assets* – This caption represents the net equity ownership of capital assets that are financed through capital debt obligations. It consists of all capital assets, net of accumulated depreciation and amortization, less the debt obligations, net of unamortized premium and discount as well as deferred inflows or outflows of resources related to refunding gains or losses.
- *Restricted* – This caption represents the external constraints placed onto an asset's use by creditors, grantors, contributors, or laws and regulations. It consists of all assets and deferred outflows of resources net of all related liabilities and deferred inflows of resources.
- *Unrestricted* – This caption represents the amount of assets and deferred outflows of resources net of all liabilities and deferred inflows of resources not restricted for use.

It is the Authority's policy to apply restricted resources first when an expense is incurred for purposes of which both restricted and unrestricted resources are available.

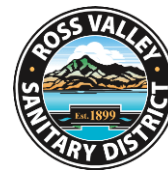
I. DEBT SERVICE INTEREST INCOME AND EXPENSE

The Authority serves as a pass-through entity for collection and remittance of debt proceeds and debt service. Accrual of interest for collection for debt service is revenue to the Authority and accrual of interest for remittance is expense to the Authority. Accrual periods are dictated by the timing and periods related to each of the relative amortization schedules for each revenue bond issuance.

J. USE OF ESTIMATES

To prepare financial statements that are in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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K. NEW ACCOUNTING STANDARDS ADOPTED IN FISCAL YEAR 2022

1. In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for fiscal periods beginning after June 15, 2021. The Authority adopted the provisions of this Statement in fiscal year 2022, which did not have a significant effect on its financial statements.
2. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The new standard is effective for fiscal periods beginning after December 15, 2020. The Authority adopted the provisions of this Statement in fiscal year 2022, which did not have a significant effect on its financial statements.
3. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the compatibility and consistency of conduit debt obligation reporting and reporting of related transactions by State and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The Authority adopted provisions of the Statement in fiscal year 2022, which did not have a significant effect on its financial statements.
4. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 enhances the compatibility and consistency of selected provisions for intra-entity transfers of assets, other post-employment benefits not provided through trusts, acquisition value in a government acquisition, and nonrecurring fair value measurements. The new standard is effective for periods beginning after June 15, 2021. The Authority adopted provisions of the Statement in fiscal year 2022, which did not have a significant effect on its financial statements.
5. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 93's objective is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The new standard is effective for periods beginning after June 15, 2021. The Authority adopted provisions of this Statement in fiscal year 2022, which did not have a significant effect on its financial statements.



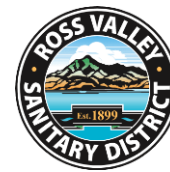
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6. In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*. GASB Statement 97 clarifies the criteria used in determining whether a fiduciary component unit exists and clarifies financial reporting for Internal Revenue Code section 457 deferred compensation plans. The new standard is effective for periods beginning after June 15, 2021. The Authority adopted the provisions of the Statement in fiscal year 2022, which did not have a significant effect on its financial statements.

L. UPCOMING ACCOUNTING AND REPORTING CHANGES

1. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The new standard is effective for periods beginning after June 15, 2022. The Authority will implement the provisions of Statement No. 94 in fiscal year 2023.
2. In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government. The new standard is effective for periods beginning after June 15, 2022. The Authority will implement the provisions of Statement No. 96 in fiscal year 2023.
3. In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement provides clarifying guidance on the accounting and financial reporting for financial guarantees, governments that extend exchange or exchange-like financial guarantees, derivative instruments, leases, public-private partnerships (PPP), subscription-based information technology arrangements (SBITAs), replacement of LIBOR, supplemental nutrition assistance program (SNAP) distributions, disclosures for nonmonetary transactions, pledges of future revenues, and disclosures for the government-wide financial statements. The new standard is effective for periods beginning after June 15, 2022. The Authority will implement the provisions of Statement No. 99 in fiscal year 2023.
4. In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. This Statement provides clarifying and consistency guidance on the financial reporting of accounting changes and error corrections. This new standard is effective for periods beginning after June 15, 2023. The Authority will implement the provisions of Statement No. 100 in fiscal year 2023.

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5. In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement updates the recognition criteria and measurement guidance for the accounting and financial reporting of compensated absences. The new standard is effective for periods beginning after December 15, 2023. The Authority will implement the provisions of Statement No. 101 in fiscal year 2023.

M. CASH AND INVESTMENTS COMPARATIVE DATA

The Authority has updated its presentation of its restricted cash and investments balance within its financial statements for fiscal year 2021, i.e., the prior year. The prior year considered the timing of debt service payments earlier than the timing specified within the indenture agreements. So the prior year's cash balance has been revised to better reflect the cash received from the District in the total amount of \$1,622,700 that is going to be remitted to the paying agent, Bank of New York Mellon, on July 1, 2021. This reclassification's impact is part of the total restatement of activities described in *Note 8 – Prior Period Adjustments*.

NOTE 3 CASH AND INVESTMENTS

A. SUMMARY OF CASH AND INVESTMENTS

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

Investments held in bond trust	\$ 1,573,048
Total Cash and Investments	<u>\$ 1,573,048</u>

B. RESTRICTED CASH AND INVESTMENTS

The Authority maintains all cash within its bond trust accounts pursuant to the bond indenture agreements where all proceeds are irrevocably pledged for specific purposes. This trust accounts are for the Authority's exclusive use of payment for debt service on its revenue bond obligations. Once proceeds are contributed into the trusts, it is irrevocable per the indenture agreements for the revenue bond series 2013, 2014, 2018, and 2019. All contributed proceeds are invested into money market funds that correspondingly earn investment income for future usage following the trust agreements. As of June 30, 2022, the District maintained the following trust accounts for each of the revenue bond obligations:

2013 revenue bond trust	\$ 492,450
2014 revenue bond trust	454,197
2018 revenue bond trust	0
2019 revenue bond trust	<u>626,401</u>
Total revenue bond trust	<u>\$ 1,573,048</u>



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C. INVESTMENT POLICY

Excess proceeds held in bond trust accounts at any point in time are to be invested following the provisions of the indenture agreement. The investment policy of the indenture agreements for the Authority's revenue bonds generally follows the California Government Code, but the indenture agreement policy may in some cases be more or less restrictive than the State of California. The following securities and investments are approved for transactions with excess proceeds within the bond trust accounts:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Minimum Credit Quality
U.S. treasury obligations	3 years	None	N/A
U.S. government agency issues	3 years	None	AAA
U.S. dollar denominated deposit accounts	360 days	None	A-1
Commercial paper	270 days	None	A-1
Money market funds	N/A	None	A-1
Repurchase agreements	N/A	None	N/A
Municipal issues	5 years	None	AA
Investment agreements	5 years	None	AA
Local agency investment fund (LAIF)	N/A	None	N/A

D. FAIR VALUE MEASUREMENTS

The following is a summary of the Authority's cash and investments measured using the fair value hierarchy as of June 30, 2022:

Investments	Credit Ratings (S&P/Moody's)	June 30, 2022 Maturities	Fair Value	Investments exempt from fair value	Fair Value Measurements Using		
					Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Money market funds	A-1	< 90 Days	\$ 1,573,048	1,573,048	-	-	-
Total restricted cash and investments			\$ 1,573,048	1,573,048			

All cash and investments categories are classified as being exempt from fair value assessment due to the stable dollar value maintained within each account. Cash proceeds furthermore can be withdrawn from each account on demand while still maintaining the stable dollar value.

E. INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. It is the Authority's indenture agreement policy to manage exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary

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to provide the cash flow and liquidity needed for operations. Current governmental code is that investment maturities may not exceed five years, with the exception of pooled investment funds such as the Local Agency Investment Fund and other government authority pools, and money market funds.

All cash and investments are held in highly liquid accounts. The expected maturity for each is within 90 days with some categories being within 90 days. See the maturities indicating likelihood of interest rate sensitivity listed for each account in Section D Fair Value Measurements.

F. CREDIT RISK

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To limit loss exposure due to credit risk, the Authority's indenture agreements limits purchases of investments to those rated A-1 for short-term investments and A for medium-term investments following the Standard & Poor's credit rating standards.

All cash and investments are held either in highly rated money market accounts or are not rated. See the ratings assigned to each category listed in Section D Fair Value Measurements.

G. CONCENTRATION OF CREDIT RISK

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

As of fiscal year ended June 30, 2022, none of the Authority's investments had concentrations in any single issuer greater than 5 percent.

H. CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., the broker-dealer) to a transaction, a government will not be able to recover the value of its investment, collateral securities, or deposits that are in the possession of another party. The California Government Code does not contain any legal or policy requirements concerning limits of exposure to custodial risk for investments. Regarding the Authority's cash and investments that are held as money market accounts are not to be considered for custodial risk exposure considering the instruments are not held as transferrable securities.



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NOTE 4 DEBT SERVICE RECEIVABLES

The Authority's debt service receivables consisted of the following as of June 30, 2022:

	(Restated) 2021	Accrued Interest & Requisitions	Debt Service Collections	Premium Amortization	2022	Current Portion
Debt Service Principal Receivable	\$ 98,019,913	\$ -	\$ (2,635,000)	\$ (387,137)	\$ 94,997,776	\$ 2,760,000
Debt Service Interest Receivable	191,225	187,375	(191,225)	-	187,375	187,375
Total Debt Service Receivable	<u>\$ 98,211,138</u>	<u>\$ 187,375</u>	<u>\$ (2,826,225)</u>	<u>\$ (387,137)</u>	<u>\$ 95,185,151</u>	<u>\$ 2,947,375</u>
Allocated debt service premium	\$ 7,582,045	\$ -	\$ -	\$ (387,137)	\$ 7,194,908	

Note: The allocated debt service premium is included in the total debt service principal receivable.

All Authority issued revenue bond obligations were issued at a premium with the excess proceeds being requisitioned to the District for acquisition of capital assets. Actual debt proceeds remitted to the District in excess of the indenture par amount is counted as the allocated debt service receivable premium. This premium is to be annually amortized using a straight-line basis.

NOTE 5 LONG-TERM DEBT

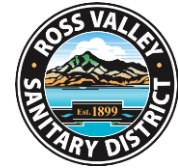
A. LONG-TERM DEBT SUMMARY

The Authority's long-term debt, net of unamortized bond premium, consisted of the following as of June 30, 2022:

	Base CUSIP Number	Interest Rate	Maturity (Fiscal Year)	2021	Issuances	Retirements	2022	Current Portion
<i>Revenue bonds from public offering</i>								
2013 revenue bond	778388	3.00% - 5.00%	2044	\$ 15,565,000	\$ -	\$ (385,000)	\$ 15,180,000	\$ 400,000
2014 revenue bond	778388	3.00% - 5.00%	2040	25,420,000	-	(930,000)	24,490,000	975,000
2018 revenue bond	778388	4.00% - 5.00%	2043	20,350,000	-	(540,000)	19,810,000	560,000
2019 revenue bond	778388	4.00% - 5.00%	2044	29,320,000	-	(780,000)	28,540,000	825,000
Plus: unamortized premium	N/A			7,791,614	-	(360,725)	7,430,889	-
Total long-term borrowings				<u>\$ 98,446,614</u>	<u>\$ -</u>	<u>\$ (2,995,725)</u>	<u>\$ 95,450,889</u>	<u>\$ 2,760,000</u>

All Authority issued revenue bond obligations covenant the District's pledge of future revenues as repayment of the bonds as well as the District maintaining a collective debt service coverage ratio greater than 1.25 times. The debt service coverage ratio is calculated as the ratio of net revenues (gross revenues less operating costs excluding depreciation) over total debt service.

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B. 2013 REVENUE BONDS

On August 29, 2013, the Authority issued \$17,780,000 of revenue bonds with a premium of \$133,039. The purpose of the bonds was to both provide new money for wastewater capital projects and refund \$9,103,322 of the District's privately placed debt obligations. The capital projects included refurbishment of existing wastewater collection and conveyance system infrastructure and purchases of capital equipment. The former debt obligations carried by the Authority were for both purchases of real estate and funding of capital projects under an installment sale agreement. The refunding resulted in a loss of \$258,920, which was recorded on the District's financial statements. The bonds were issued at a credit rating of "A" by S&P for a coupon ranging from 3.00% to 5.00%. Repayment terms of the bonds are semiannually on October 1 and April 1 with maturity on October 1, 2043. The bonds are callable any time after October 1, 2023 with no call premium. As of June 30, 2022, the outstanding principal balance is \$15,180,000 with an unamortized premium balance of \$94,236.

The Authority's 2013 Revenue Bond debt service requirements are as follows as of June 30, 2022:

Fiscal Year Ended	Principal	Interest	Total Debt Service
2023	\$ 400,000	\$ 739,500	\$ 1,139,500
2024	420,000	719,000	1,139,000
2025	440,000	697,500	1,137,500
2026	465,000	677,200	1,142,200
2027	485,000	658,200	1,143,200
2028-2032	2,770,000	2,910,000	5,680,000
2033-2037	3,540,000	2,124,750	5,664,750
2038-2044	6,660,000	1,230,000	7,890,000
Subtotal	15,180,000	\$ 9,756,150	\$ 24,936,150
Plus: unamortized premium	94,236		
Total	\$ 15,274,236		

C. 2014 REVENUE BONDS

On November 15, 2014, the Authority issued \$30,155,000 of revenue bonds with a premium of \$1,243,225. The purpose of the bonds was to provide new money for wastewater capital projects. The capital projects included refurbishment of existing wastewater collection and conveyance system infrastructure and purchases of capital equipment. The bonds were issued at a credit rating of "A+" by both S&P and Fitch for a coupon ranging from 3.00% to 5.00%. Repayment terms of the bonds are semiannually on January 1 and July 1 with maturity on January 1, 2040. The bonds are callable any time after January 1, 2025 with no call premium. As of June 30, 2022, the outstanding principal balance is \$24,490,000 with an unamortized premium balance of \$888,018.



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The Authority's 2014 Revenue Bond debt service requirements are as follows as of June 30, 2022:

Fiscal Year Ended	Principal	Interest	Total Debt Service
2023	\$ 975,000	\$ 884,019	\$ 1,859,019
2024	1,025,000	834,019	1,859,019
2025	1,075,000	781,519	1,856,519
2026	1,130,000	737,694	1,867,694
2027	1,165,000	703,269	1,868,269
2028-2032	6,380,000	2,951,559	9,331,559
2033-2037	7,505,000	1,784,538	9,289,538
2038-2040	5,235,000	319,700	5,554,700
Subtotal	24,490,000	<u>\$ 8,996,316</u>	<u>\$ 33,486,316</u>
Plus: unamortized premium	888,018		
Total	<u>\$ 25,378,018</u>		

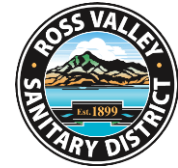
D. 2018 REVENUE BONDS

On January 11, 2018, the Authority issued \$21,870,000 of revenue bonds with a premium of \$3,400,854. The purpose of the bonds was to provide new money for wastewater capital projects. The capital projects included refurbishment of existing wastewater collection and conveyance system infrastructure and purchases of capital equipment. The bonds were issued at a credit rating of "AA-" by S&P for a coupon ranging from 4.00% to 5.00%. Repayment terms of the bonds are semiannually on January 1 and July 1 with maturity on January 1, 2043. The bonds are callable at any time after January 1, 2025 with no call premium. As of June 30, 2022, the outstanding principal balance is \$19,810,000 with an unamortized premium balance of \$2,804,129.

The Authority's 2018 Revenue Bond debt service requirements are as follows as of June 30, 2022:

Fiscal Year Ended	Principal	Interest	Total Debt Service
2023	\$ 560,000	\$ 984,900	\$ 1,544,900
2024	580,000	962,500	1,542,500
2025	610,000	933,500	1,543,500
2026	640,000	903,000	1,543,000
2027	675,000	871,000	1,546,000
2028-2032	3,910,000	3,814,500	7,724,500
2033-2037	4,995,000	2,733,500	7,728,500
2038-2043	7,840,000	1,427,250	9,267,250
Subtotal	19,810,000	<u>\$ 12,630,150</u>	<u>\$ 32,440,150</u>
Plus Unamortized Premium	2,804,129		
Total	<u>\$ 22,614,129</u>		

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FOR THE FISCAL YEAR ENDED JUNE 30, 2022



E. 2019 REVENUE BONDS

On July 1, 2019, the Authority issued \$31,455,000 of revenue bonds with a premium of \$3,866,351. The purpose of the bonds was to provide new money for wastewater capital projects, purchase of the 1111 Andersen Building, and completion of the remediation project at 2000 Larkspur Landing where the District's former treatment plant operated. The capital projects included refurbishment of existing wastewater collection and conveyance system infrastructure and purchases of capital equipment. The 1111 Andersen Building is to serve as the District's new administrative and operations headquarters. The 2000 Larkspur Landing project included the estimated project costs to remediate the soils for unrestricted land use. The bonds were issued at a credit rating of "AA" by both S&P and Fitch for a coupon ranging from 4.00% to 5.00%. Repayment terms of the bonds are semiannually on January 1 and July 1 with maturity on January 1, 2044. The bonds are callable at any time after January 1, 2029 with no call premium. There is a special covenant with the 2019 series where the bonds are callable at any point after February 1, 2022 for \$11,120,000 if the District were to sell or lease, within a certain threshold of time, the 2000 Larkspur Landing property once the project is completed. As of June 30, 2022, the outstanding principal balance is \$19,810,000 with an unamortized premium balance of \$3,644,507.

The Authority's 2019 Revenue Bond debt service requirements are as follows as of June 30, 2022:

Fiscal Year Ended	Principal	Interest	Total Debt Service
2023	\$ 825,000	\$ 1,252,800	\$ 2,077,800
2024	855,000	1,219,800	2,074,800
2025	890,000	1,185,600	2,075,600
2026	925,000	1,150,000	2,075,000
2027	965,000	1,113,000	2,078,000
2028-2032	5,440,000	4,953,800	10,393,800
2033-2037	6,615,000	3,775,800	10,390,800
2038-2044	12,025,000	2,511,450	14,536,450
Subtotal	28,540,000	\$ 17,162,250	\$ 45,702,250
Plus Unamortized Premium	3,644,507		
Total	\$ 32,184,507		



ROSS VALLEY PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF ROSS VALLEY SANITARY DISTRICT)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 COMMITMENTS AND CONTINGENCIES

A. OUTSTANDING LITIGATION

The Authority is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of District operations. To the extent the outcome of such litigation may be determined to result in financial loss to the Authority, in the opinion of Authority's management, any potential liability for these actions is adequately provided for in the basic financial statements. The timing of potential payment of such losses cannot presently be determined.

NOTE 7 SUBSEQUENT EVENTS

The Authority's management has evaluated all activities from the date of the financial statements to the date of issuance, and there are no material significant changes in operations or activities that warrant disclosure as a subsequent event.

ROSS VALLEY PUBLIC FINANCING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



NOTE 8 PRIOR PERIOD ADJUSTMENTS

The District identified three instances where beginning net position for fiscal year 2022 had to be restated for appropriate presentation of net position as of June 30, 2022:

	<u>2022</u>
Net position beginning balance, as stated	\$ 2,019,078
Adjustment for correction of prior period error	
Interest revenue correction	(1,622,697) (A)
Debt service contributions correction	(2,412,500) (B)
Cost of issuance expense correction	1,589,422 (C)
Total prior period adjustments	<u>(2,445,775)</u>
Net position beginning balance, as restated	<u>\$ (426,697)</u>

- (A) **Interest revenue correction** – As of June 30, 2021, the Authority’s debt service interest receivable was inappropriately stated due to the timing of when interest income is collected from the District. Previously, the Authority recognized interest income from debt service activities subsequent to cash collection to match accrued interest expense. Debt service interest income is recognized upon bill to the District for the required cash payment for debt service. Therefore, the Authority is correcting beginning net position in the amount of \$1,622,697.
- (B) **Debt service contributions correction** – As of June 30, 2021, the Authority’s debt service contribution principal receivable was inappropriately stated due to both the Authority not recognizing amortization expense of the premium allocation as well as recognizing debt service principal contributions as revenue. Total amortization expense that is missing since inception is \$808,857, and the total amount of revenue recognized is 1,603,643. Therefore, the Authority is correcting beginning net position in the amount of \$2,412,500.
- (C) **Cost of issuance expense error** – As of June 30, 2021, the Authority did not appropriately account for the cost of issuance costs incurred as part of issuing all four bond series. Therefore, the Authority is correcting beginning net position in the amount of \$1,589,422.



ROSS VALLEY PUBLIC FINANCING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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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**

To the Board of Directors
Ross Valley Public Financing Authority
San Rafael, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ross Valley Public Financing Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2022.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Authority's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 15, 2022
Morgan Hill, California