Board Accepted on 12/6/2022

SAUSALITO-MARIN CITY SANITARY DISTRICT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022

Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

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Sausalito-Marin City Sanitary District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sausalito-Marin City Sanitary District
Sausalito, California

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Sausalito-Marin City Sanitary District, 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

During the year, the District implemented GASB Statement No. 87, *Leases.* As a result, the District recorded a right to use asset and lease liability of $5,005,460 and decreased beginning net position by $424,210 for the lease of land from the National Park Service. See note 5 for additional information. Our opinion was not modified for this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of CalPERS Pension Plan Contribution, Schedule of CalPERS Proportionate Share of Net Pension Liability, Schedule of OPEB Contributions, and schedule of Net OPEB Liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

C & A LLP

October 23, 2022
Morgan Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

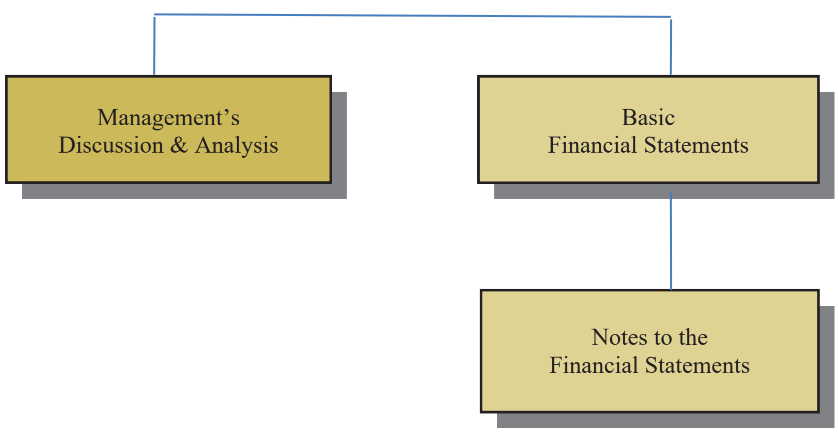
INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing. The annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Required Components of the Annual Financial Report



ORGANIZATION AND BUSINESS

The Sausalito-Marin City Sanitary District (SMCSD) is governed by an elected five-member Board of Directors and provides wastewater conveyance and treatment service to the City of Sausalito and wastewater collection, conveyance and treatment service to Marin City and other unincorporated areas within the District's boundaries. Wastewater conveyance and treatment is provided through a wastewater services agreement to Tamalpais Community Services District (TCSD) which includes Muir Woods National Monument. Wastewater treatment is also provided to National Parks Service which includes Forts Baker, Barry and Cronkhite, Marine Mammal Center and Cavallo Point Resort in exchange for the

District's use of the treatment plant property. The District's treatment plant site, located in Fort Baker, recently renewed its property lease agreement with the National Park Service that continues until 2049.

The District operates and maintains a complex wastewater system protecting the community's public health, the environment, and the San Francisco Bay. The District's wastewater conveyance system and treatment plant is designed to treat up to 13 million gallons per day(MGD) primary; up to 9 MGD secondary; and up to 3 MGD tertiary. There are thirteen (13) approved full-time staff with 11 positions currently filled. Our operations and 5-year Capital Improvements Program (CIP) are funded by a 5-year sewer rate plan (FY 2018/19 to FY 2023/24).

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2022 were as follows:

- Total net position increased by $659,819 (1.34%) which included an increase in unrestricted net position of $363,680 (1.55%).

- The District recorded deferred outflows of resources of $4,547,619 and deferred inflows of resources of $3,067,795 in order to report the different components required by GASB 68 and GASB 75 for pension and benefit accounting and reporting. Deferred outflows of resources are not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 2 in the notes to financial statements for a definition.

- Noncurrent assets increased by $10,376,640 (19.1%) mostly from increases to capital assets totaling $9,400,881. During the year, the District implemented GASB 87 which requires local governments to report certain contracts as leases. As a result, the District reported a $4,066,936 right of use asset, net of accumulated amortization, and a $4,549,736 lease liability.

- Operating revenue increased by $68,059 (.73%) primarily due to $264,000 in service charges related to the NPS lease and the implementation of GASB 87.

- Total operating expenses increased by $826,758 (10.95%) mostly because of increases to salaries, benefits and depreciation and amortization expenses. Depreciation and amortization increased by $176,808 (5.83%) because the District recognized amortization expense of $156,421 for the first time on right of use assets from leases, per GASB 87.

BASIC FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District's accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets, deferred inflows, deferred outflows, and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Activities and Changes in Net Position. These statements reflect the result of the District's operations over the past year.

The final required Financial Statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments. It also provides answers to questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022 as compared to June 30, 2021:

Table 1 - Summary Statement of Net Position

	2022	2021	Change	Percentage Change
Assets				
Current Assets	$ 24,729,432	$ 35,475,086	$ (10,745,654)	-30.29%
Noncurrent Assets	64,707,420	54,330,780	10,376,640	19.10%
Total Assets	$ 89,436,852	$ 89,805,866	$ (369,014)	-0.41%
Deferred Outflows	$ 4,547,619	$ 1,546,830	$ 3,000,789	194.00%
Liabilities				
Current Liabilities	$ 1,625,650	$ 4,001,945	$ (2,376,295)	-59.38%
Noncurrent Liabilities	39,471,876	37,829,416	1,642,460	4.34%
Total Liabilities	$ 41,097,526	$ 41,831,361	$ (733,835)	-1.75%
Deferred Inflows	$ 3,067,795	$ 362,004	$ 2,705,791	747.45%
Net Position				
Net Investment in Capital Assets	$ 25,954,933	$ 25,658,796	$ 296,137	1.15%
Restricted	44,807	44,805	2	0.00%
Unrestricted	23,819,410	23,455,730	363,680	1.55%
Total Net Position	$ 49,819,150	$ 49,159,331	$ 659,819	1.34%

Table 2 shows the changes in net position for fiscal year 2022 as compared to 2021.

Table 2 - Change in Net Position

	2022	2021	Change	Percent Change
Revenues				
Operating Revenue	$ 9,393,511	$ 9,325,452	$ 68,059	0.73%
Operating Expenses				
Salaries and Benefits	3,557,629	2,860,733	696,896	24.36%
Plant Operations	722,141	856,276	(134,135)	-15.66%
Repairs and Maintenance	73,421	70,856	2,565	3.62%
Permit Testing and Monitoring	60,653	66,851	(6,198)	-9.27%
Utilities and Telephone	362,246	332,585	29,661	8.92%
General Administration	391,306	330,145	61,161	18.53%
Depreciation and Amortization	3,211,257	3,034,449	176,808	5.83%
Total Operating Expenses	8,378,653	7,551,895	826,758	10.95%
Operating Income (Loss)	1,014,858	1,773,557	(758,699)	-42.78%
Nonoperating Revenue (Expense)	69,171	(217,196)	286,367	-131.85%
Connection Fees	-	6,130	(6,130)	0.00%
Change in Net Position	1,084,029	1,562,491	(478,462)	-30.62%
Beginning Net Position	49,159,331	47,596,840	1,562,491	3.28%
Prior Period Adjustment	(424,210)	-	(424,210)	100.00%
Beginning Net Position - As Adjusted	48,735,121	47,596,840	1,138,281	2.39%
Ending Net Position	$ 49,819,150	$ 49,159,331	$ 659,819	1.34%

While the Statement of Net Position shows the change in financial position, the Statement of Activities and Changes in Net Position (Table 2 above) provides answers as to the nature and sources of the changes. The increase in net position resulted from the surplus of operating revenues over operating expenses (operating income) during the year.

CAPITAL ASSETS

Table 3 shows June 30, 2022 capital asset balances as compared to June 30, 2021.

Table 3 - Summary of Capital Assets Net of Depreciation

	2022	2021	Change	Percentage Change
Construction in Progress	$ 8,341,425	$ 1,757,291	$ 6,584,134	374.68%
Original conveyance and treatment facilities	1,277,349	1,301,913	(24,564)	-1.89%
Secondary treatment plant	6,197,642	6,331,202	(133,560)	-2.11%
General equipment, facility upgrade and renewal	34,448,745	34,779,996	(331,251)	-0.95%
Conveyance system upgrade and renewal	6,673,171	7,214,108	(540,937)	-7.50%
Collection system upgrade	262,768	473,220	(210,452)	-44.47%
Office Equipment	19,220	28,645	(9,425)	-32.90%
Right of use assets	4,066,936	-	4,066,936	100.00%
Total Capital Assets - Net	$61,287,256	$51,886,375	$ 9,400,881	18.12%

LONG TERM LIABILITIES

Table 4 summarizes the percent changes in long-term liabilities over the past two years.

Table 4 - Summary of Long-term Liabilities

	2022	2021	Change	Percentage Change
2017 Revenue Bond	29,310,000	30,240,000	(930,000)	-3.08%
2017 Revenue Bond Premium	1,472,587	1,542,710	(70,123)	-4.55%
2017 Revenue Bond Reserve Surety	2,159,600	2,159,600	-	0.00%
NPS Lease Liability	4,549,736	-	4,549,736	100.00%
Net OPEB Liability	587,069	912,949	(325,880)	-35.70%
Net Pension Liability	2,481,510	3,893,670	(1,412,160)	-36.27%
Compensated Absences	121,728	161,221	(39,493)	-24.50%
Total Long-term Liabilities	$ 40,682,230	$ 38,910,150	$ 1,772,080	4.55%

CAPITAL PROJECTS

The District invested $10,521,244 in its capital program to renew infrastructure during the fiscal year ending June 30, 2022. Of this total $8,716,597 was spent on major capital projects and $1,804,647 on depreciable capital projects as noted in Table 3.

The following major capital project work was in progress or completed:

In-Progress

Coloma Pump Station Replacement Project

The SMCSD Coloma pump station will replace Coloma pump station and be collocated with the Whiskey Springs pump station, which is owned by the City of Sausalito but operated and maintained by the District, for improved access, capacity and reliability of both pump stations.

In November 2020, JMB Construction, Inc., the lowest responsive and responsible bidder, was noticed and awarded the construction contract in the amount of $4,945,000. They began construction in March 2021 and the project construction remains on schedule with a projected completion date of early August 2022. Final completion is pending PG&E work required to eliminate temporary power and energize the new station transformer. However, the station's temporary power was sized to accommodate full operations in anticipation of potential PG&E delays.

The total project budget is $6,125,065 and is funded with a combination of bond funds, rate funded capital and $1.5 million from the City of Sausalito to cover the City's Whiskey Springs Pump Station portion of the project. The project is approximately 92% complete with change orders adding 4% to the contract price.

The new Coloma Pump Station will have a firm capacity of 4.2 MGD in order to increase system conveyance capacity and mitigate potential sanitary sewer overflows (SSOs) during peak storm events.

This project will also improve safety and reliability as the existing pump station controls are aging and the existing wet wells require confined entry for maintenance.

Generator Reliability Improvements Project

This project replaces four of the District's emergency backup generators and one City owned generator, adds generators to two City owned stations, procures a portable generator and replaces the control panel at the District's Princess Pump Station (PS). Generators are being replaced or added to maintain reliability of the collection system, the conveyance systems and the treatment plant during power outages. Relocation and renewal of the Princess PS control panel improves reliability and safety as the existing control panel is aging and located on a deteriorating dock. In January 2021, Pacific Infrastructure Corporation was noticed and awarded the construction contract in the amount of $2,345,000. As of June 30, 2022 commissioning has been completed for Anchor PS, Spinnaker PS, Marin City PS, Locust PS, Gate 5 PS, the treatment plant, a portable generator and the Princess PS control panel. The last generator to be commissioned will be for Main Street PS which is currently under construction.

Project completion is anticipated in August of 2022. The total project budget is $2,200,000 and is being funded with a combination of bond funds, rate funded capital and $300,000 of City of Sausalito sewer funds.

Clarifier Rehabilitation and Operator Center Improvements Project

The District has completed a pre-design report for the rehabilitation of the treatment plant's existing clarifier. The existing clarifier has been in continuous operation since 1953 and requires a complete replacement of its collector mechanism and improvements to odor control. As part of the clarifier's rehabilitation, existing offices located inside the primary clarifier and digester building will be relocated to a more appropriate location. To support this relocation, the operations control room has been evaluated for expansion, combining the existing control room and break room into a more usable space for operations, and combining the locker room and lab to provide better working space for lab operations. Woodard and Curran were awarded the $166,263 design contract and are scheduled to complete the preliminary design by November 2021. Construction is planned for the 2021/2022 and 2022/2023 fiscal years. The project's cost estimate is approximately $2,204,753 which is funded with a combination of bond funds and rate funded capital

Beach Force Main Rehabilitation Project

This project will provide force main redundancy from the Main Street Pump Station (PS) to improve conveyance system reliability, allow for inspection and cleaning of the Alexander Avenue Force Main and reduce electricity costs. The existing Beach Force Main will be slip lined and additional pumps and controls installed at the Main Street PS. The project design was awarded to Woodard & Curran in April 2021 in the amount of $399,810 and is scheduled for completion by May 2022. Early design included a feasibility analysis which identified capacity and sizing of pumps and control panels, and verified that the existing station would accommodate all new equipment required. In addition, the feasibility of installing a "Primus Liner" with high strength Kevlar has been verified. This liner can be pulled the entire 2,200-foot length of the Beach Force Main thereby minimizing work in the Bay.

The total project budget is $2,640,000 and is being funded by rate funded capital. Project construction is planned for FY 2022/2023.

Headworks Gate Replacement Project

Several of the gates installed in the new headworks require replacement because they were not compliant. New gates will be installed to satisfy leak rate requirements which are necessary for maintenance and to allow for certain modes of operation. In addition, motor actuators are being evaluated to support daily flow equalization through the treatment plant. Flow equalization improves process efficiency and water quality. Project design for the gates is scheduled for completion by July 2022.

The project's design and construction budget is $300,000 and is being funded with rate funded capital. Project construction is planned for FY 2022/2023 and FY 2022/2023.

TCSD Flow Meter Project

A flow meter will be installed on the District's conveyance force main in the vicinity of TCSD's connection to the District. This flow meter will improve capacity modeling of the District's conveyance system and provide operators with real time flowrates to improve response times during high flow events. District staff is working with PG&E to provide power for the flow meter and SCADA interface. Concurrently, a project design is being prepared by Dewberry Engineers. Construction of this project will begin once PG&E and Caltrans permits have been obtained. Permitting has been estimated to take 6 months according to PG&E.

BUDGETARY HIGHLIGHTS

Revenues

The District's adopted and final revenue budgets were $9.295 million, with actual revenues recorded at $10.759 million. The difference between budgeted and actual revenues is primarily property taxes and investment revenue.

Expenditures

The District's adopted and final expenditure budgets were $9.295 million. The actual expenditures totaled $9.675 million. The difference is the net of principal debt service payments that are included in the budget but not the audited financial statements, accrual-based benefit plan expenses that are included in the audit but not the cash basis budget, and depreciation and amortization expense that is included in the audit but not the budget.

Reserves

Under the proposed budget, the District's cash position continues to improve, insuring stability in the current and future planned rates. The FY21/22 Projected Reserve (Policy) total is expected to be $8,713,456.

The following summarizes the District's budgeted reserves as of June 30, 2022:

Reserved for capital improvements	$ 3,637,400
Reserved for operations	2,256,056
Reserved for disaster recovery	2,500,000
Reserved for repair and replacement	220,000
Reserved for self insurance	100,000
Total reserves	$ 8,713,456

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District continues to follow the 5-year sewer service rate schedule (FY 2019/2020 to 2023-2024) that was adopted through the Proposition 218 process in July 2019. The rate schedule should maintain adequate reserve funding and the necessary revenue to support the overall District operation and capital costs projected over the next several years and be equitable for all of our customers. Adequate funding and timely implementation of the Capital Improvement Plan allows us to achieve our mission to protect public health, the environment and the Bay; meet requirements of our National Pollutant Discharge Elimination System (NPDES) Regional Water Quality Control Board Operating Permit; reach compliance of the 2007 EPA order; stay ahead of the ever-changing regulatory environment; and maintain safe and effective working conditions for our staff.

The District will continue the implementation of wastewater service contracts, which include pump station operation and maintenance for the City of Sausalito; treatment and conveyance services for the Tamalpais Community Services District; and treatment services for the National Park Service. The District is currently evaluating consolidating sewer collections services and/or updating the long-standing operation and maintenance service agreement with the City of Sausalito. The National Park Service and SMCSD Plant Property and Road Access Right of Entry Lease Agreement, which includes SMCSD provided wastewater services and support funded by a federal grant, continues until 2049.

Lastly, the District continues to focus on the key areas of the 2021-2026 Strategic Plan. The District completed its annual review of the plan. The adoption and annual review signify the importance of the plan to the District, its Board of Directors, and employees along with the effort placed on achieving continuous improvement in every facet of District operation. The Strategic Plan serves as a framework for decision making over the five-year period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report of a general overview of the District's finances, is provided to all interested parties. Should there be any questions about this report or if there is a need for additional information, a request in writing should be submitted to: District General Manager, Sausalito-Marin District Sanitary District, 1 East Road, Sausalito, CA, 94965, or telephone (415) 332-0244.

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BASIC FINANCIAL STATEMENTS

Sausalito-Marin City Sanitary District
Statement of Net Position
June 30, 2022

	2022
Assets	
Current Assets:	
Cash and investments	$ 24,223,892
Restricted cash and investments	40
Accounts receivable	224,258
Prepaid expenses	41,242
TCSD receivable - current	240,000
Total Current Assets	24,729,432
Noncurrent Assets:	
Restricted cash and investments	44,807
Restricted bond reserve cash and investments	2,159,600
Restricted cash with fiscal agent - pensions CEPPT	1,215,757
Capital assets:	
Non-depreciable	8,341,425
Depreciable capital assets - Net	48,878,895
Right of use assets - Net	4,066,936
Total Capital Assets - Net	61,287,256
Total Noncurrent Assets - Net	64,707,420
Total Assets	$ 89,436,852
Deferred Outflows of Resources	
OPEB adjustments	$ 893,793
Pension adjustments	3,653,826
Total Deferred Outflows of Resources	$ 4,547,619
Liabilities	
Current Liabilities:	
Accounts payable	$ 122,196
Interest payable	293,100
Current portion of long-term Liabilities	1,210,354
Total Current Liabilities	1,625,650
Noncurrent Liabilities:	
Long-term liabilities, net of current portion	39,471,876
Total Liabilities	$ 41,097,526
Deferred Inflows of Resources	
OPEB adjustments	$ 655,449
Pension adjustments	2,412,346
Total Deferred Inflows of Resources	$ 3,067,795
Net Position	
Net Investment in Capital Assets	$ 25,954,933
Restricted for debt service	44,807
Unrestricted	23,819,410
Total Net Position	$ 49,819,150

The notes to the financial statements are an integral part of this statement.

Sausalito-Marin City Sanitary District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	2022
Operating Revenues:	
Service charges	$ 6,686,273
TCSD service contract	2,268,113
Sausalito service contract	107,516
Other operating revenues	331,609
Total operating revenues	9,393,511
Operating Expenses:	
Salaries and benefits	3,557,629
Plant operations	722,141
Repairs and maintenance	73,421
Permit testing and monitoring	60,653
Depreciation and amortization	3,211,257
Utilities and telephone	362,246
General and administrative	391,306
Total operating expenses	8,378,653
Operating Income (Loss)	1,014,858
Nonoperating Revenues (Expenses):	
Interest and investment income	100,075
Interest expense	(1,296,346)
Grants from other governments	418,939
Property taxes	846,503
Total nonoperating revenues (expenses)	69,171
Change in net position	1,084,029
Beginning net position	49,159,331
Prior period adjustment - GASB 87, Leases	(424,210)
Beginning net position, as adjusted	48,735,121
Ending net position	$ 49,819,150

The notes to the financial statements are an integral part of this statement.

Sausalito-Marin City Sanitary District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

	2022
Cash Flows from Operating Activities:	
Cash received from customers and users	$ 9,576,389
Cash payments to suppliers for goods and services	(1,985,082)
Cash payments to employees for services and benefits	(5,630,160)
Cash received from claims and settlments	95,000
Net Cash Provided (Used) by Operating Activities	2,056,147
Cash Flows from Noncapital Financing Activities:	
Cash received from grants	418,939
Cash received from property taxes	846,503
Net Cash Provided (Used) by Noncapital Financing Activities	1,265,442
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(10,521,244)
Principal paid on capital debt	(1,027,831)
Interest paid on capital debt	(1,375,769)
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,924,844)
Cash Flows from Investing Activities:	
Investment income	100,075
Contributions into CalPERS pension trust held by fiscal agent	(1,215,757)
Net Cash Provided (Used) by Investing Activities	(1,115,682)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,718,937)
Cash and Cash Equivalents Beginning	34,987,676
Cash and Cash Equivalents Ending	$ 24,268,739
Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:	
Operating Income (Loss)	$ 1,014,858
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	3,211,257
(Increase) decrease in:	
Accounts receivable	37,878
Prepaid expenses	(11,163)
Deferred outflows of resources	(3,000,789)
TCSD receivable	240,000
Increase (decrease) in:	
Accounts payable	(364,152)
Net pension liabilities	(1,412,160)
Net OPEB liability	(325,880)
Deferred inflows of resources	2,705,791
Compensated absences	(39,493)
Net Cash Provided (Used) by Operating Activities	$ 2,056,147
Summary of cash and cash equivalents:	
Cash and cash equivalents	$ 24,223,892
Restricted cash and cash equivalents	44,847
Total cash and cash equivalents	$ 24,268,739

The notes to the financial statements are an integral part of this statement.

NOTE 1 – NATURE OF ORGANIZATION

The Sausalito-Marin City Sanitary District is a political subdivision of the State of California, located in Marin County, California. The District was incorporated in November of 1950 as an independent special district organized under the California Health & Safety Code, codifying the Sanitary District Act of 1923, for the purpose of collecting, conveying, treating and disposing of wastewater within its jurisdictional boundaries, which includes the City of Sausalito and unincorporated areas, including Marin City. The District provides wastewater conveyance, treatment, and disposal service to the Tamalpais Community Services District (TCSD) and the National Park Service under contract and operates and maintains the City of Sausalito pump stations under contract.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does have a separately elected governing body and does not meet the definition of a component unit. The District meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Component units are defined as legally separate organizations for which the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District determined that the Marin Public Financing Authority should be reported on a blended basis. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government.

Basis of Presentation

The District's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

The activities of the District are accounted for in a single enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus and Basis of Accounting

Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. With this measurement focus, all assets deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pension and benefit plans.

In addition, when an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Statement of Net Position

The statement of net position is designed to display the financial position of the District. The District's net position is classified into three categories as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

- Restricted – This component of net position consists of constraints placed on an assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

- Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for services. Operating expenses for the District include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

In accordance with GASB Statement No. 40, *Deposit, and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for Deposits and Investment Risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components: overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. 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. In determining this amount, three valuation techniques are available:

- Market approach – This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach – This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach – This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Accounts Receivable

District management considers all accounts receivable to be fully collectible. Accordingly, an allowance for doubtful accounts has not been recorded in these financial statements.

Statement of Cash Flows (Cash and Cash Equivalents)

For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Capital Assets, Intangible Assets and Right of Use Assets

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets (right of use assets), and all other tangible or intangible assets, that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Right of use assets are recorded at the present value payments expected to be made during the lease term. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized. Depreciation/Amortization of all exhaustible capital assets is recorded as an expense in the government-wide Statement of Activities with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the Statement of Net Position

The purpose of depreciation and amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The useful life of right of use assets is typically determined by the associated lease term of those assets. The amount charged to depreciation and amortization expense each year represents that year's pro rata share of the cost of capital assets. The District depreciates using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated or amortized.

The District has assigned the useful lives listed below to capital assets:

Treatment Plant	30-100 years
Equipment	5-25 years
Buildings	25-40 years
Other	5-30 years

Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Compensated Absences

Compensated absences include vacation leave and sick leave. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. A liability is recognized for that portion of accumulated sick leave that has been vested.

Leases (Lessee)

The District is a lessee for a noncancellable lease of $4,066,936. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported separately with capital assets as right of use assets and lease liabilities are reported with long-term liabilities in the statement of net position.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

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

GASB Statement *No. 68, accounting and financial reporting for Pensions – an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames. For the period, the following time frames were used.

Valuation Date	June 30, 2020
Measurement Date	July 1, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Other Postemployment Benefits Other Than Pensions (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 Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on the when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracted that have a maturity at the time of purchase of one year or less, which are reported at cost.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

Property taxes were levied July 1, 2021 and were payable in two installments on November 1, 2021 and February 1, 2022. Property tax revenues are recognized as revenue when received. The County of Marin bills and collects property taxes on behalf of the District on the schedule as follows:

	Secured	**Unsecured**
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 31 (August 31)

Implemented Accounting and Reporting Changes

GASB Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As of June 30, 2022, the District recognized one contract as a lease and implemented the applicable accounting and reporting requirements of a lessee under GASB 87. As a result, the District recorded a right to use asset and lease liability of $5,005,460 and decreased beginning net position by $424,210 for the lease of land from the National Park Service, which is paid for via in-kind sewer services that equal the value of the lease over a thirty-two years. The calculated annual lease payment was $264,000. See Note 5 for additional information.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Management does not believe this statement will have a significant impact on the District's financial statements.

The requirements of this Statement are effective as follows:

- 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
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

The District did not report any significant accounting changes from the implementation of this Statement during the year ended June 30, 2022.

Upcoming Accounting and Reporting Changes

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 94, *Public-Private Partnerships 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). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases. GASB 96 is effective for fiscal years beginning after June 15, 2022.* Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 99, *Omnibus 2022*

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.
The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is in the process of evaluating the impact this standard will have on the District's financial statements.

NOTE 3 – CASH AND INVESTMENTS

The District's cash and investments consisted of the following as of June 30, 2022:

Cash and Investments	Available for Operations	Restricted	Fair Value June 30, 2022
Cash:			
Cash in Banks	$ 1,958,898	$ -	$ 1,958,898
Petty Cash	300	-	300
Cash with Fiscal Agent	-	3,420,204	3,420,204
Money Market	120,254	-	120,254
Total Cash Deposits	2,079,452	3,420,204	5,499,656
Investments:			
State of California Local Agency Investment Fund	22,144,440	-	22,144,440
Total Cash and Investments	$ 24,223,892	$ 3,420,204	$ 27,644,096

Restricted cash and investments includes $44,807 in the restricted bond interest account, $2,159,600 for an insurance surety from the 2017 Revenue Bonds debt service reserve, $1,215,757 in the CEPPT pension side fund held with fiscal agent, and other residual amounts totaling $40 related to accounts held from bond issuances.

Cash Deposits

Interest bearing bank balances are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The bank balance of the District's cash in bank, which was $2,018,462, exceeded the insured limit by $1,888,716 as of June 30, 2022. None of the District's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the

District's accounts met the collateral and categorization requirements as noted in the following paragraphs.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2022:

- California Local Agency Investment Fund (LAIF) of $22,189,287; valued using Level 1 and 2 inputs.

California Local Agency Investment Fund

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the District to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2022, was approximately $230 billion. Of that amount, 100% is invested in non-derivative financial products. The balance in LAIF is available for withdrawal on demand.

Investment Policy

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government. Or its agencies; bankers' acceptances of U.S. banks; commercial paper of prime quality; negotiable certificates of deposit; repurchase or reverse repurchase agreements; and passbook savings account demand deposits. Investments prohibited by the District are inverse floaters, range notes, mortgage pool interest-only strips, and zero interest accrual at maturity notes. The District's investments were in compliance with the above provisions as of and for the year ended June 30, 2022.

The District follows the California Government Code which authorizes the District to invest in the following:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Medium Term Notes	5 years	30%	No Limit
Money Market and Mutual Funds	N/A	20%	10%
U.S. Treasury Obligations	5 years	No Limit	No Limit
Local Agency Bonds, Notes, Warrants	5 years	No Limit	No Limit
Registered State Bonds, Notes, Warrants	5 years	No Limit	No Limit
U.S. Agency Securities	5 years	No Limit	No Limit
Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	No Limit
County Pooled Investment Funds	N/A	No Limit	No Limit
Joint Power Authority Pools	N/A	No Limit	No Limit
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Reverse Repurchase Agreements	92 days	20%	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *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 the changes in market interest rates. The District manages its 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 to provide the cash flow and liquidity needed for operations. The District manages the sensitivity of investments to interest rate risk by invested only in the LAIF pool.

- *Credit Risk* – Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the District only invests in the LAIF pool.

- *Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written policy for custodial credit risk over deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. In the case of investments, the risk of loss of the investment due failure, impairment, or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial risk.

- *Concentration of Credit Risk* – See the chart on the previous page for the District's limitations on the amount that can be invested in any one issuer. As of June 30, 2022, the District invested 100% of its cash not deposited in checking, money market accounts, or fiscal agents in LAIF.

NOTE 4 – CAPITAL ASSETS

The District's capital assets consisted of the following as of June 30, 2022:

Capital Assets	Balance June, 30 2021	Additions	Deletions	GASB 87 Adjustments	Balance June 30, 2022
Non-depreciable Capital Assets:					
Construction in progress	$ 1,757,291	$ 6,584,134	$ -	$ -	$ 8,341,425
Total Non-depreciable Capital Assets	1,757,291	6,584,134	-	-	8,341,425
Depreciable Capital Assets:					
Original conveyance and treatment facilities	2,456,434	-	-	-	2,456,434
Secondary treatment plant	10,943,562	-	-	-	10,943,562
General equipment, facility upgrade and renewal	45,916,644	1,804,647	(1)		47,721,290
Conveyance system upgrade and renewal	13,694,755	-	-	-	13,694,755
Collection system upgrade	2,176,604	-	-	-	2,176,604
Office equipment	142,321	-	(22,800)	-	119,521
Total Depreciable Capital Assets	75,330,320	1,804,647	(22,801)	-	77,112,166
Right of Use Assets:					
Leased land	-	-	-	5,005,460	5,005,460
Less Accumulated Depreciation and Amortization for:					
Original conveyance and treatment facilities	1,154,521	24,564	-	-	1,179,085
Secondary treatment plant	4,612,360	133,560	-	-	4,745,920
General equipment, facility upgrade and renewal	11,136,648	2,135,898	(1)	-	13,272,545
Conveyance system upgrade and renewal	6,480,647	540,937	-	-	7,021,584
Collection system upgrade	1,703,384	210,452	-	-	1,913,836
Office equipment	113,676	9,425	(22,800)	-	100,301
Right of use asset leased land amortization	-	156,421	-	782,103	938,524
Total Accumulated Deprec. and Amort.	25,201,236	3,211,257	(22,801)	782,103	29,171,795
Depreciable and Amortizable Capital Assets - Net	50,129,084	(1,406,610)	-	4,223,357	52,945,831
Total Capital Assets - Net	$ 51,886,375	$ 5,177,524	$ -	$ 4,223,357	$ 61,287,256

Depreciation expense for the year ended June 30, 2022 was $3,054,836.

NOTE 5 – LONG-TERM LIABILITIES

The District's long-term liabilities consisted of the following as of June 30, 2022:

Long-term Liabilities	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
2017 Revenue Bond	$ 30,240,000	$ -	$ 930,000	$ 29,310,000	$ 985,000
2017 Revenue Bond Premium	1,542,710	-	70,123	1,472,587	70,123
2017 Revenue Bond Reserve Surety	2,159,600	-	-	2,159,600	-
NPS Lease Liability	-	4,647,567	97,831	4,549,736	101,422
Net OPEB Liability	912,949	1,165,613	1,491,493	587,069	-
Net Pension Liability	3,893,670	1,478,794	2,890,954	2,481,510	-
Compensated Absences	161,221	-	39,493	121,728	60,864
Total Long-term Liabilities	$ 38,910,150	$ 7,291,974	$ 5,519,894	$ 40,682,230	$ 1,217,409

2017 Revenue Bonds

On April 7, 2017, the District issued $33,630,000 in Series 2017 Revenue Bonds, through the Marin Public Financing Authority, at a premium with an interest rate ranging from 3.0% to 4.0%. The Bonds are being issued to provide funds to (a) finance certain capital improvements to the District's wastewater system; (ii) provide a debt service reserve for the Bonds, which may be funded through the deposit of a reserve surety, as further described herein; and (iii) pay the costs of issuing the Bonds. The Bonds are fully registered with principal due annually on April 1st and interest payable semi-annually on April 1st and October 1st. The premium on the 2017 Revenue Bonds was received as additional proceeds by the District, in the amount of $2,118,915. This premium, net of related issuance costs, is being amortized over the life of the 2017 Revenue Bonds.

In connection with the issuance of the bond, the District purchased surety bond insurance to establish a debt service reserve. The reserve will be held by a trustee as a fiscal agent and can be used to pay the required debt service payments if the District were unable to meet its debt service requirements. The $2,159,600 reserve amount will be used to make the final debt service payments, any balance remaining would revert back to the District once the bonds mature, or if the bonds are called or defeased. Thus, the reserve balance has been recorded as restricted cash and investments with an offsetting noncurrent liability at June 30, 2022.

The District's debt service requirements for the 2017 Revenue Bonds were as follows as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	$ 985,000	$ 1,172,400	$ 2,157,400
2024	1,025,000	1,133,000	2,158,000
2025	1,065,000	1,092,000	2,157,000
2026	1,105,000	1,049,400	2,154,400
2027	1,150,000	1,005,200	2,155,200
2028 - 2032	6,480,000	4,298,000	10,778,000
2033 - 2037	7,890,000	2,893,800	10,783,800
2038 - 2042	9,610,000	1,183,200	10,793,200
Total Debt Service	$ 29,310,000	$ 13,827,000	$ 43,137,000

National Park Service (NPS) Lease Liability

The District has a property lease agreement with the National Park Service (NPS) for 32 years expiring in 2049. Under the agreement, the District provides NPS wastewater treatment as an "in-kind service" in exchange for the annual lease payment for the use of approximately five (5) acres of land where the treatment plant is located. The "in kind service" allows the District to operate and maintain the wastewater treatment facility on Federal NPS lands within the Golden Gate National Recreation Area. Due to the in-kind nature of the agreement, the charges for services provided to NPS equal the lease payments for the right to use the land.

During the fiscal year, the lease payments totaled $264,000. The total principal and interest paid during the year was $97,831 and $166,169, respectively. The initial present value of the right of use asset and lease liability, at a treasury bond rate of 3.61% over the thirty-two years, was $5,005,460. The balance of the right of use asset as of June 30, 2022 was $4,066,936, net of accumulated amortization of $938,524, which is reported with the District's capital assets in Note 4. The balance of the lease liability as of June 30, 2022 was $4,549,736. There are termination clauses included in the lease agreement, however management has determined that it is not likely that those clauses will be exercised.

The following summarizes the principal and interest requirements to maturity:

Year Ending June 30	Principal Payments	Year Ending Decreases	Total
2023	$ 101,422	$ 162,578	$ 264,000
2024	105,144	158,856	264,000
2025	109,003	154,997	264,000
2026	113,004	150,996	264,000
2027	117,152	146,848	264,000
2028-2032	653,501	666,499	1,320,000
2033-2037	782,562	537,438	1,320,000
2038-2042	937,112	382,888	1,320,000
2043-2047	1,122,184	197,816	1,320,000
2048-2049	508,651	19,348	527,999
Total	$ 4,549,736	$ 2,578,263	$ 7,127,999

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The District is involved in litigation arising in the ordinary course of its operations that, in the opinion of management, will not have a material effect on the District's results of operations.

In addition, the District has entered construction and service contracts with various organizations. As of June 30, 2022, the District's total commitment remaining for these contracts was $1,095,362 from original contract balances of $10,239,913.

NOTE 7 – RISK MANAGEMENT

The District is exposed to risks of loss from property, liability, and workers' compensation. The District mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority (CSRMA). Risk sharing pools provide general liability and workers' compensation coverage. The pools operate to share risk among the members of the pool up to a limit of $15,500,000 and $750,000 for general liability and workers' compensation, respectively.

The cost to each CSRMA member District for program participation is determined by the Executive Board upon the basis of the cost allocation plan and rating formula. The premium for each participating agency includes the District's share of expected losses, program insurance costs, and program administrative costs for the year, plus the District's share of Authority general expense allocated to the program by the Board.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2021 (most recent information available):

	June 30, 2021
Total Assets	$ 31,110,033
Total Liabilities	24,687,781
Total Equity	6,422,252
Total Revenues	15,793,441
Total Expenditures	16,584,260

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan); cost-sharing multiple employers defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly ben. as a % of eligible comp.	2.7%	2%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	15.3%	7.59%

On September 12, 2012, the Governor signed pension reform AB 340, which the California State Legislature approved on August 31. Within AB 340 is the California Public Employees' Pension Reform Act of 2013 (PEPRA), which affects most California retirement systems, including CalPERS, effective January 1, 2013. PEPRA generally restricts current pension provisions while increasing flexibility for employee/employer cost sharing. The Tier 1 plan is known as the classic plan offered to miscellaneous employees by CalPERS and is effective for employees hired prior to January 1, 2013.

Contributions – Section 20814© 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 Plan 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 year ended June 30, 2022, the District contributed $3,332,742 into the plan, which included a $3,000,000 one-time contribution to fund the UAL. During the fiscal year, employees contributed 6% to 8% for Classic and 6.75% for PEPRA. The District contributed its required 15.3% for Classic and 7.59% for PEPRA, bringing the total contributions for both employees and employer to 23.3% (maximum) for Classic and 14.34% for PEPRA.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of $2,481,510. The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.09231%
Proportion - June 30, 2022	0.13069%
Change - Increase/(Decrease)	0.03838%

For the year ended June 30, 2022, the District recognized pension expense of $1,305,274.

As of June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ -
Differences between Expected and Actual Experience	278,275	-
Differences between Projected and Actual Investment Earnings	-	2,166,227
Differences between Employer's Contributions and Proportionate Share of Contributions	-	196,801
Change in Employer's Proportion	42,809	49,318
Pension Contributions Made Subsequent to Measurement Date	3,332,742	-
Total	$ 3,653,826	$ 2,412,346

The District reported $3,332,742 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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 Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	$ (482,612)
2024	(492,721)
2025	(517,296)
2026	(598,633)
2027	-
Thereafter	-
Total	$ (2,091,262)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate – The discount rate used to measure the total pension liability was 7 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the 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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 4,381,498
Current	7.15%
Net Pension Liability	$ 2,481,510
1% Increase	8.15%
Net Pension Liability	$ 910,817

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

IRS Section 115 Trust CEPPT - During the fiscal year ending June 30, 2022, the District established an IRS Section 115 Trust with the CalPERS California Employer' Pension Prefunding Trust (CEPPT) program and contributed $1,200,000 into the trust to be used toward the annual required contributions of the CalPERS Miscellaneous Plan. The trust is considered a side fund and reported as restricted cash with fiscal agent by the District and does not directly reduce the District's Net Pension Liability.

NOTE 9 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all full-time employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, death, or unforeseeable emergency. The District contributes 2% of unrepresented employee's salary as deferred compensation. During the fiscal year, District management evaluated the deferred compensation plan under GASB 84 to determine if it met the definition of a component unit and GASB 97 to determine if it met the definition of a pension plan. Management concluded the deferred compensation plan did not materially meet either definition. The District contributed $27,926 to the plan during the year.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District's Other Post-Employment Benefit (OPEB) Plan is a single employer defined benefit plan. The District contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer plan) and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The District chooses from a menu of benefit provisions and adopts certain benefit provisions by Board resolution. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. By participating in CERBT, the District is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues a Comprehensive Annual Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Benefits

Eligible employees receive benefits for life. An eligible employee's family members are also covered, both during the employee's lifetime and after the employee's death, provided employee has elected a retirement option that provides for continuation of retirement benefits for the spouse. For employees hired before 2004, the District pays the entire premium for employees and family members. Employees hired after 2004 with 10 years of service, 5 of which must be with the District, receive 50% of the District's contribution toward post-employment health benefits. The amount of health benefit increases proportionally based on the employee's credited years of service to 100% after 20 years. For employees hired after 2004, the maximum premium paid by the District is the Kaiser premium for family coverage, and eligible employee's family members receive 90% of the retiree's health benefit. Retired employees over age 65 are responsible for enrolling in Medicare Parts B and D. Medical benefits are provided through CalPERS.

Employees Covered by Benefit Terms

The benefit terms covered the following employees:

Active employees	11
Inactive employees	13
Total employees	24

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. The total contributions to the OPEB plan during the year were $123,882 which were fully offset by trust reimbursements. The actuarially determined contribution for the measurement period was $149,558. The District's contributions were 9.44% of covered payroll during the measurement period June 30, 2021 (reporting period June 30, 2022). Benefits paid by the OPEB trust during the fiscal year were $123,882. Employees are not required to contribute to the plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	3.79%
Inflation	5.75%
Salary Increases	3.00%
Healthcare Trend Rate	5.00%
Investment Rate of Return	3.79%, Net of OPEB plan investment expenses, including
Mortality	Mort and Disb Rates_PA Misc
Retirement	Rx PA Misc 2.5% @ Rx PA Misc 2% @ 62

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the District contribution 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 to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
All Commodities	4%	3.00%
Fixed Income	43%	0.99%
Global Equity	40%	5.25%
Real Estate Investment Trusts (REITs)	8%	4.50%
Treasury Inflation-Protected Securities (TIPS)	5%	0.45%
Total	100%	

Net OPEB Liability (NOL)

The District's net OPEB liability was measured as of June 30, 2021 (measurement date), and the total OPEB liability (TOL) used to calculate the net OPEB liability (NOL) was determined by an actuarial valuation as of June 30, 2021 (valuation date) for the fiscal year ended June 30, 2022 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	$ 3,400,471	$ 2,487,522	$ 912,949
Service cost	106,248	-	106,248
Interest in Total OPEB Liability	140,282	-	140,282
Employer contributions	-	9,691	(9,691)
Balance of diff between actual and exp experience	(271,863)	-	(271,863)
Balance of changes in assumptions	205,346	-	205,346
Actual investment income	-	497,114	(497,114)
Administrative expenses	-	(912)	912
Benefit payments	(136,691)	(136,691)	-
Net changes	43,322	369,202	(325,880)
Balance at June 30, 2022	$ 3,443,793	$ 2,856,724	$ 587,069

Covered Employee Payroll	$ 1,573,840
Total OPEB Liability as a % of Covered Employee Payroll	218.81%
Plan Fid. Net Position as a % of Total OPEB Liability	82.95%
Service Cost as a % of Covered Employee Payroll	6.75%
Net OPEB Liability as a % of Covered Employee Payroll	37.30%

Deferred Inflows and Outflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 323,111
Difference between actual and expected earnings	-	332,339
Change in assumptions	893,793	-
Totals	$ 893,793	$ 655,450

District contributions totaling $123,882 subsequent to the measurement date and before the end of the fiscal year were fully offset by trust reimbursements that will be included as a reduction of the net OPEB liability in the year ended June 30, 2023.

The following deferrals will be recognized as OPEB expense in the future:

Year Ended June 30,	
2023	$ (35,075)
2024	(37,985)
2025	(36,432)
2026	27,181
2027	50,416
Thereafter	270,238
Total	$ 238,343

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	$ 106,248
Interest in TOL	140,282
Expected investment income	(104,705)
Other adjustments	22,533
Difference between actual and expected experience	(57,559)
Difference between actual and expected earnings	(84,170)
Change in assumptions	105,681
Administrative expenses	912
OPEB Expense	**$ 129,222**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Net OPEB liability ending	$ 587,069
Net OPEB liability beginning	(912,949)
Change in net OPEB liability	(325,880)
Changes in deferred outflows	(67,441)
Changes in deferred inflows	522,543
OPEB Expense	**$ 129,222**

Sensitivity to Changes in the Discount Rate

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 or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	**3.79%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 1,164,675	$ 587,069	$ 128,117

Sensitivity 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 or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	**5.00%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 103,460	$ 587,069	$ 1,204,222

NOTE 11 – AGENCY SERVICE AGREEMENTS

The District maintains wastewater service agreements with the City of Sausalito, National Park Service (Golden Gate National Recreation Area) and Tamalpais Community Services District (TCSD). The agreements establish the terms and conditions related to the repair, operation and agency share costs of the wastewater collection system and treatment facility. The agreements are described below.

City of Sausalito

The District has a long-standing agreement with the City to operate and maintain four sewer pump stations that are owned by the City. The agreement is on-going and has no sunset date. Under the agreement, the District estimates the annual cost in the fiscal year budget. The District invoices the City on a quarterly basis for actual expenses incurred by the District, which includes equipment, supplies, labor, overhead and administrative expenses.

National Park Service (Golden Gate National Recreation Area)

The District has a property lease agreement with the National Park Service (NPS) for 32 years expiring in 2049. Under the agreement, the District provides to NPS wastewater treatment as an "in-kind service" in exchange for the annual lease payment for the use of approximately five (5) acres of land where the treatment plant is located. The "in kind service" allows the District to operate and maintain the wastewater treatment facility on Federal NPS lands within the Golden Gate National Recreation Area.

Tamalpais Community Services District (TCSD)

In February 2020, Boards of the Sausalito-Marin City Sanitary District (SMCSD) and Tamalpais Community Services District (TCSD) approved the 2020 Amended and Restated Agreement which superseded and replaced in its entirety the 2013 Agreement.

The Districts agreed that: (1) TCSD's payments to SMCSD for Wastewater Service will be based upon the number of Dwelling Units ("DU") and Equivalent Dwelling Units ("EDU") within TCSD's Service Area multiplied by SMCSD's applicable DU and EDU rates (rate-based approach); (2) the outstanding 2014 Inter-District loan and the Cash Funded Costs Deferral Payments between the two Districts will be paid by TCSD on the payment dates and in the amounts set forth in the amortization and payment schedules, and (3) the One Million Two Hundred Thousand Dollar ($1,200,000) mediated settlement payment will be paid by TCSD to SMCSD over five (5) years.

During the FY 20/21 year, TCSD paid off all its capital deferral and inter-district obligations totaling $2,915,953. As of FY 22/23 only a balance of $240,000 for the mediated settlement and sewer service charges are due.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated all subsequent events from the statement of financial position date of June 30, 2022, through the date the financial statements were available to be issued, October 23, 2022. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of these financial statements, the District had not yet suffered a material adverse impact from the CV19 Crisis. However, the future impact on the District's financial statements cannot be reasonably estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

Sausalito-Marin City Sanitary District

Schedule of CalPERS Pension Plan Contributions

June 30, 2022

Miscellaneous Plan

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 181,617	$ 237,897	$ 224,173	$ 257,992	$ 263,939	$ 296,675	$ 329,808	$ 332,742
Contributions in Relation to Contractually Required Contributions	181,617	237,897	224,173	257,992	263,939	296,675	329,808	3,332,742
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,000,000)
Covered Payroll	**$ 1,147,300**	**$ 1,044,426**	**$ 1,032,559**	**$ 1,387,443**	**$ 1,369,547**	**$ 1,447,843**	**$ 1,477,814**	**$ 1,569,127**
Contributions as a % of Covered Payrol	**15.83%**	**22.78%**	**21.71%**	**18.59%**	**19.27%**	**20.49%**	**22.32%**	**212.39%**

Notes to Schedule:

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate went from 7.5% to 7.65% in fiscal year 2016, then to 7.15% in 2018 and 7% in 2022.
The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Sausalito-Marin City Sanitary District

Schedule of CalPERS Proportionate Share of Net Pension Liability

June 30, 2022

Miscellaneous Plan

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of Net Pension Liability (Safety and Misc)	0.02827%	0.02714%	0.03425%	0.03430%	0.03476%	0.03538%	0.03579%	0.04588%
Proportion of Net Pension Liability (Misc Plan Only)	0.07119%	0.06791%	0.08532%	0.08630%	0.08889%	0.09053%	0.09231%	0.13069%
Proportionate Share of Net Pension Liability	$ 1,759,386	$ 1,863,054	$ 2,964,080	$ 3,401,917	$ 3,349,975	$ 3,625,452	$ 3,893,670	$ 2,481,510
Covered Payroll	$ 1,112,881	$ 1,147,300	$ 1,044,426	$ 1,032,559	$ 1,387,443	$ 1,369,547	$ 1,447,843	$ 1,477,814
Proportionate Share of NPL as a % of Covered Payroll	**158.09%**	**162.39%**	**283.80%**	**329.46%**	**241.45%**	**264.72%**	**268.93%**	**167.92%**
Plan's Fiduciary Net Position as a % of the TPL	**81.15%**	**77.84%**	**72.86%**	**71.39%**	**72.94%**	**72.34%**	**71.73%**	**82.76%**

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate went from 7.5% to 7.65% in fiscal year 2016, then to 7.15% in 2018 and 7% in 2022.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Sausalito-Marin City Sanitary District
Schedule of OPEB Contributions
June 30, 2022

Fiscal Year Ended	**2018**	**2019**	**2020**	**2021**	**2022**
Actuarially determined contribution (ADC)	$ 250,037	$ 90,675	$ 140,878	$ 178,821	$ 149,558
Less: actual contribution in relation to ADC	(2,143,737)	(147,160)	(139,597)	(136,691)	(123,882)
Contribution deficiency (excess)	$ (1,893,700)	$ (56,485)	$ 1,281	$ 42,130	$ 25,676
Covered employee payroll	$ 1,338,389	$ 1,387,443	$ 1,409,108	$ 1,447,843	$ 1,528,000
Contrib. as a % of cov. Emp. payroll	160.17%	10.61%	9.91%	9.44%	8.11%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	3.79%
Inflation	5.75%
Salary Increases	3.00%
Healthcare Trend Rate	5.00%
Investment Rate of Return	3.79%, Net of OPEB plan investment expenses, including inflation
Mortality	Mort and Disb Rates_PA Misc
Retirement	Rx PA Misc 2.5% @ 55 Rx PA Misc 2% @ 62

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

The discount rate drecreased from 6.73% to 4.21% in 2020 and 3.79% in 2022. Health trend rates decreased from 5.5% to 5% in 2020.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Sausalito-Marin City Sanitary District

Schedule of Net OPEB Liability

June 30, 2022

Fiscal Year Ended	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 72,979	$ 75,168	$ 77,423	$ 103,153	$ 106,248
Interest	163,427	166,877	170,969	136,718	140,282
Differences between expected and actual experience	-	-	(182,895)	-	(271,863)
Changes of assumptions	-	-	934,682	-	205,346
Benefit payments	(183,982)	(186,322)	(294,320)	(173,738)	(136,691)
Net change in Total OPEB Liability	52,424	55,723	705,859	66,133	43,322
Total OPEB Liability - beginning	2,520,332	2,572,756	2,628,479	3,334,338	3,400,471
Total OPEB Liability - ending	$ 2,572,756	$ 2,628,479	$ 3,334,338	$ 3,400,471	$ 3,443,793
Plan fiduciary net position					
Employer contributions	$ 311,200	$ 2,212,454	$ 147,160	$ 32,224	$ 9,691
Net investment income	23,597	14,298	173,891	135,368	497,114
Benefit payments	(183,982)	(186,322)	(294,320)	(173,738)	(136,691)
Administrative expense	(159)	(741)	(534)	(1,237)	(912)
Net change in plan fiduciary net position	150,656	2,039,689	26,197	(7,383)	369,202
Plan fiduciary net position - beginning	278,363	429,019	2,468,708	2,494,905	2,487,522
Plan fiduciary net position - ending	$ 429,019	$ 2,468,708	$ 2,494,905	$ 2,487,522	$ 2,856,724
Net OPEB liability (asset)	$ 2,143,737	159,771	839,433	912,949	587,069
Plan fiduciary net position as a percentage of the total OPEB liability	16.68%	93.92%	74.82%	73.15%	82.95%
Covered Employee Payroll	$ 1,333,613	$ 1,338,389	$ 1,387,443	$ 1,409,108	$ 1,447,843
Net OPEB liab. as % of cov. Emp. payroll	160.75%	11.94%	60.50%	64.79%	40.55%
Total OPEB liab. as % of cov. Emp. payroll	192.92%	196.39%	240.32%	241.32%	237.86%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

The discount rate drecreased from 6.73% to 4.21% in 2020 and 3.79% in 2022. Health trend rates decreased from 5.5% to 5% in 2020.

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OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan and Associates, llp
Certified Public Accountants

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
Sausalito-Marin City Sanitary District

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 Sausalito-Marin City Sanitary District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

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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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 23, 2022
Morgan Hill, California

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