

**SAUALITO-MARIN CITY SERVICES DISTRICT**  
**Presentation to the Board of Directors**  
**For the Fiscal Year Ended**  
**June 30, 2024**

**NIGRO & NIGRO<sup>PC</sup>**



## SCOPE OF WORK

Perform Audit Testwork of the Entity's Annual Financial Statements/Report

Report on the Entity's internal control over financial reporting and on compliance in accordance with Government Auditing Standards

## OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

1. Form and express an opinion about whether the Annual Financial Statements results, that have been prepared by management, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Our responsibility is to plan and perform the audit to obtain **reasonable assurance (not absolute assurance)** about whether the Annual Financial Statements are free of material misstatements.
3. We are to consider the Entity's internal controls and segregations of duties over accounting procedures and financial reporting as we perform our audit testwork. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

## AUDIT RESULTS

An Auditor's **Unmodified Opinion** has been issued on the Annual Financial Statements.

- The Annual Financial Statements are fairly presented in all material respects.
- The adopted significant accounting policies have been consistently applied.
- Estimates are considered reasonable for Depreciation, Pension, and OPEB expense as well as Lease calculations.
- Required disclosures are properly reflected in the Annual Financial Statements.

### AU-C 265 – Communicating Internal Control Related Matters Identified in an Audit

**No Material Issues Arose to be Reported to the Governing Board/Management**

**Any Minor Issues Were Discussed Orally and Corrected by Management**

### How Do We Make You Better?

**Best Practice Solutions Were Conveyed to Management – That's the Audit ROI**

**Sausalito-Marin City Sanitary District**  
**Dashboard – Audited Financial Statements**

**June 30, 2024 vs 2023**

Revenues & Expenses	2024	2023	Variance
<b>Operating Revenues:</b>			
Sewer use assessments and charges	\$ 7,819,873	7,363,686	\$ 456,187
Tamalpias CSD service contract	2,392,340	2,364,363	27,977
Sausalito service contract	114,952	112,177	2,775
Other charges and services	58,528	26,827	31,701
<b>Non-Operating Revenues:</b>			
Property taxes	939,013	877,390	61,623
Investment earnings	1,340,325	418,716	921,609
<b>Total Revenues</b>	<u>12,665,031</u>	<u>11,163,159</u>	<u>1,501,872</u>
<b>Operating Expenses:</b>			
Salaries and employee benefits	2,461,652	3,225,756	(764,104)
Plant operations	1,041,455	899,106	142,349
Repairs and maintenance	69,263	71,087	(1,824)
Permit testing and monitoring	100,672	77,004	23,668
Utilities and telephone	475,441	407,973	67,468
General and administrative	275,273	249,152	26,121
<b>Operating expenses before depr.</b>	<u>4,423,756</u>	<u>4,930,078</u>	<u>(506,322)</u>
Depreciation and amortization expense	3,092,379	3,072,227	20,152
<b>Total Operating Expenses</b>	<u>7,516,135</u>	<u>8,002,305</u>	<u>(486,170)</u>
<b>Non-Operating Expenses:</b>			
Interest expense	1,211,483	1,255,005	(43,522)
<b>Total Expenses</b>	<u>8,727,618</u>	<u>9,257,310</u>	<u>(529,692)</u>
<b>Change in Revenues &amp; Expenses</b>	<u>\$ 3,937,413</u>	<u>\$ 1,905,849</u>	<u>\$ 2,031,564</u>

<b>Capital Outlay:</b>			
<b>Capital Asset Additions</b>	\$ (2,532,472)	\$ (1,201,789)	\$ (1,330,683)
<b>Depreciation Expense</b>	3,092,379	3,072,227	20,152
<b>Change in Capital Expense</b>	<u>\$ 559,907</u>	<u>\$ 1,870,438</u>	<u>\$ (1,310,531)</u>

<b>Debt Service:</b>			
<b>Principal Paid</b>	\$ (1,130,144)	\$ (1,086,422)	\$ (43,722)

<b>Cash &amp; Investments</b>	<u>\$ 34,706,645</u>	<u>\$ 31,600,742</u>	<u>\$ 3,105,903</u>
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<b>Quick Summary:</b>			
<b>Change in Revenues &amp; Expenses</b>	\$ 3,937,413		
<b>Change in Capital Expense</b>	559,907	Use of Cash	
<b>Debt Service – Principal Payments</b>	(1,130,144)	Use of Cash	
<b>Change in Accrued Interest Receivable</b>	(97,070)	Change to Cash	
<b>Change in Sewer Assessment Receivable</b>	(62,299)	Change to Cash	
<b>Change in Property Tax Receivable</b>	(34,802)	Change to Cash	
<b>Change in Accounts Payable</b>	(106,069)	Change to Cash	
<b>Change in Cash &amp; Investments</b>	<u>\$ 3,066,936</u>	<b>Approximately</b>	<u>\$ (38,967)</u>

<b>Investment Earnings to Portfolio</b>	<u>4.04%</u>
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**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
**Report to the Board of Directors**  
**For the Fiscal Year Ended**  
**June 30, 2024**

**NIGRO & NIGRO<sup>PC</sup>**

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

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*For the Fiscal Year Ended June 30, 2024*

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Board of Directors  
Sausalito-Marín City Sanitary District  
Sausalito, California

We are pleased to present this report related to our audit of the financial statements of the Sausalito-Marín City Sanitary District (District) as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Walnut Creek, California  
December 5, 2024

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## ***Required Communications***

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**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Required Communications*

*For the Fiscal Year Ended June 30, 2024*

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p><b>Our Responsibilities with Regard to the Financial Statement Audit</b></p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 1, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<p><b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b></p>	<p>An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.</p>
<p><b>Accounting Policies and Practices</b></p>	<p><b>Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p><b>Adoption of, or Change in, Significant Accounting Policies or Their Application</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management’s Judgments and Accounting Estimates</b> Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
<p><b>Audit Adjustments</b></p>	<p>Audit adjustments are summarized in the attached <b>Summary of Adjusting Journal Entries</b>.</p>
<p><b>Uncorrected Misstatements</b></p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>



**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Required Communications*

*For the Fiscal Year Ended June 30, 2024*

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<b>Area</b>	<b>Comments</b>
<b>Discussions With Management</b>	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	No significant difficulties were encountered in performing our audit.
<b>Required Supplementary Information</b>	<p>We applied certain limited procedures to the:</p> <ol style="list-style-type: none"><li>1. Management's Discussion and Analysis</li><li>2. Required Pension Plan Disclosures</li><li>3. Required OPEB Plan Disclosures</li></ol> <p>Which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<b>Other Information</b>	We were not engaged to report on the Introductory, Other and Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This information is intended solely for the information and use of Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

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***Summary of Adjusting Journal Entries***

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**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Summary of Adjusting Journal Entries  
For the Fiscal Year Ended June 30, 2024*

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***See Attached Report***

Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
To adjust CEPPT investment earnings			
5200	Interest Income	27,389.52	
2300	CEPPT Trust		27,389.52
<b>Total</b>		<b>27,389.52</b>	<b>27,389.52</b>
<b>Adjusting Journal Entries JE # 2</b>			
To book LAIF FMV			
5200	Interest Income	31,319.49	
1032	LAIF Fair Value Adj		31,319.49
<b>Total</b>		<b>31,319.49</b>	<b>31,319.49</b>
<b>Adjusting Journal Entries JE # 3</b>			
To reclass assessment revenue - DO NOT POST			
5040	Property Taxes	474.50	
5040	Property Taxes	339.84	
5030	Sewer Service Charges		474.50
5200	Interest Income		339.84
<b>Total</b>		<b>814.34</b>	<b>814.34</b>
<b>Adjusting Journal Entries JE # 4</b>			
To accrue property tax			
1201	Property Tax Receivable	762.92	
1201	Property Tax Receivable	30,576.10	
1205	Interest Receiv.	1,146.57	
5040	Property Taxes		31,339.02
5200	Interest Income		1,146.57
<b>Total</b>		<b>32,485.59</b>	<b>32,485.59</b>
<b>Adjusting Journal Entries JE # 5</b>			
To adjust depreciation expense			
9900	Depreciation	7,168.00	
2080	Accumulated depreciation		7,168.00
<b>Total</b>		<b>7,168.00</b>	<b>7,168.00</b>
<b>Adjusting Journal Entries JE # 6</b>			
To record LAIF interest receivable			
1205	Interest Receiv.	95,923.23	
5200	Interest Income		95,923.23
<b>Total</b>		<b>95,923.23</b>	<b>95,923.23</b>
<b>Adjusting Journal Entries JE # 7</b>			
To adjust OPEB activity			
3493	Deferred Inflow OPEB	211,735.00	
6042	OPEB Retiree Health	275,474.00	
2995	Deferred Outflow of Rsc OPEB		98,634.00
3250	Accrued Post-emplmnt Benefits		388,575.00
<b>Total</b>		<b>487,209.00</b>	<b>487,209.00</b>
	<b>Total Adjusting Journal Entries</b>	<b>682,309.17</b>	<b>682,309.17</b>



**SAUSALITO-MARIN CITY SANITARY  
DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2024  
(With Comparative Amounts as of June 30, 2023)**

**NIGRO  
& NIGRO<sup>PC</sup>**

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*For the Fiscal Year Ended June 30, 2024*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sausalito-Marín City Sanitary District  
Sausalito, California

### Opinion

We have audited the accompanying financial statements of the Sausalito-Marín City Sanitary District (District), which comprise the balance sheet as of June 30, 2024, and the related statement of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2024, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

### Responsibilities of Management for the Financial Statements

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

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



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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Schedule of the District's Contributions to the OPEB Plan 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.

**Prior-Year Comparative Information**

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which such partial information was derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 3, 2024, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Walnut Creek, California  
December 3, 2024

## **SAUSALITO-MARIN CITY SANITARY DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

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Management's Discussion and Analysis (MD&A) offers readers of Sausalito-Marín City Sanitary District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2024. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- In fiscal year 2024, the District's net position increased 7.61% or \$3,937,413 from the prior year's net position of \$51,724,999 to \$55,662,413, as a result of the year's operations.
- In fiscal year 2024, operating revenues increased by 5.26% or \$518,640 from \$9,867,053 to \$10,385,693 from the prior year, primarily due to an increase in sewer use assessments and charges revenue.
- In fiscal year 2024, operating expenses before depreciation expense decreased by 10.27% or \$506,322 from \$4,930,078 to \$4,423,756 from the prior year, primarily due to a decrease in salaries and benefits expense. In fiscal year ending June 30, 2023, the District realized a \$1,394,074 non-cash cost attributable to the CalPERS pension liability; however, in the fiscal year ending June 30, 2024, the District's non-cash cost attributable to the CalPERS pension liability was only \$268,275 which is a net adjustment of \$1,125,799 decrease between the years.

### **REQUIRED FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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#### FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

#### Condensed Balance Sheets

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 31,595,502	\$ 28,398,452	\$ 3,197,050
Non-current assets	3,519,764	3,449,268	70,496
Capital assets, net	<u>59,213,546</u>	<u>60,131,852</u>	<u>(918,306)</u>
<b>Total assets</b>	<u>94,328,812</u>	<u>91,979,572</u>	<u>2,349,240</u>
<b>Deferred outflows of resources</b>	<u>3,255,316</u>	<u>4,082,841</u>	<u>(827,525)</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 97,584,128</u>	<u>\$ 96,062,413</u>	<u>\$ 1,521,715</u>
<b>Liabilities:</b>			
Current liabilities	\$ 1,983,830	\$ 2,410,357	\$ (426,527)
Non-current liabilities	<u>36,955,778</u>	<u>37,819,716</u>	<u>(863,938)</u>
<b>Total liabilities</b>	<u>38,939,608</u>	<u>40,230,073</u>	<u>(1,290,465)</u>
<b>Deferred inflows of resources</b>	<u>2,982,108</u>	<u>4,107,341</u>	<u>(1,125,233)</u>
<b>Net position:</b>			
Net investment in capital assets	21,918,835	21,636,874	281,961
Restricted	1,315,287	1,244,803	70,484
Unrestricted	<u>32,428,290</u>	<u>28,843,322</u>	<u>3,584,968</u>
<b>Total net position</b>	<u>55,662,412</u>	<u>51,724,999</u>	<u>3,937,413</u>
<b>Total liabilities, deferred outflows of resources and net position</b>	<u>\$ 97,584,128</u>	<u>\$ 96,062,413</u>	<u>\$ 1,521,715</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$55,662,413 and 51,724,999 as of June 30, 2024 and 2023, respectively.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

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### FINANCIAL ANALYSIS OF THE DISTRICT (continued)

#### Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (39% as of June 30, 2024) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2024, the District showed a positive balance in its unrestricted net position of \$32,428,291, which may be utilized in future years.

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Operating revenues	\$ 10,385,693	\$ 9,867,053
Operating expenses	<u>(4,423,756)</u>	<u>(4,930,078)</u>
<b>Operating income before depreciation</b>	5,961,937	4,936,975
Depreciation and amortization expense	<u>(3,092,379)</u>	<u>(3,072,227)</u>
<b>Operating income</b>	2,869,558	1,864,748
Non-operating revenues(expenses), net	<u>1,067,855</u>	<u>41,101</u>
<b>Change in net position</b>	3,937,413	1,905,849
Net position:		
<b>Beginning of year</b>	<u>51,724,999</u>	<u>49,819,150</u>
<b>End of year</b>	<u>\$ 55,662,412</u>	<u>\$ 51,724,999</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased 7.61%, or \$3,937,414 from the prior year's net position of \$51,724,999 to \$55,662,413, as a result of the year's operations.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)

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### FINANCIAL ANALYSIS OF THE DISTRICT (continued)

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)

##### Total Revenues

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Increase (Decrease)</u>
<b>Operating revenues:</b>			
Sewer use assessments and charges	\$ 7,819,873	\$ 7,363,686	\$ 456,187
TCSD service contract	2,392,340	2,364,363	27,977
Sausalito service contract	114,952	112,177	2,775
Other charges and services	58,528	26,827	31,701
<b>Total operating revenues</b>	<u>10,385,693</u>	<u>9,867,053</u>	<u>518,640</u>
<b>Non-operating revenues:</b>			
Property taxes	939,013	877,390	61,623
Investment earnings	1,340,325	418,716	921,609
<b>Total non-operating revenues</b>	<u>2,279,338</u>	<u>1,296,106</u>	<u>983,232</u>
<b>Total revenues</b>	<u>\$ 12,665,031</u>	<u>\$ 11,163,159</u>	<u>\$ 1,501,872</u>

In fiscal year 2024, operating revenues increased by 5.26%, or \$518,640 from \$9,867,053 to \$10,385,693 from the prior year, primarily due to a \$456,187 increase in sewer use assessments and charges.

##### Total Expenses

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Increase (Decrease)</u>
<b>Operating expenses:</b>			
Salaries and benefits	\$ 2,461,652	\$ 3,225,756	\$ (764,104)
Plant operations	1,041,455	899,106	142,349
Repairs and maintenance	69,263	71,087	(1,824)
Permit testing and monitoring	100,672	77,004	23,668
Utilities and telephone	475,441	407,973	67,468
General and administrative	275,273	249,152	26,121
<b>Total operating expenses</b>	<u>4,423,756</u>	<u>4,930,078</u>	<u>(506,322)</u>
Depreciation and amortization expense	3,092,379	3,072,227	20,152
<b>Non-operating expenses:</b>			
Interest expense	1,211,483	1,255,005	(43,522)
<b>Total non-operating expenses</b>	<u>1,211,483</u>	<u>1,255,005</u>	<u>(43,522)</u>
<b>Total expenses</b>	<u>\$ 8,727,618</u>	<u>\$ 9,257,310</u>	<u>\$ (529,692)</u>

In fiscal year 2024, operating expenses before depreciation expense decreased by 10.27% or \$506,322 from 4,930,078 to \$4,423,756 from the prior year, primarily due to a decrease in salaries and benefits expense. (See bullet 3 on page 4 for a further explanation)

**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

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**FINANCIAL ANALYSIS OF THE DISTRICT (continued)**

**Capital Assets**

	<b>Balance</b>	<b>Balance</b>
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Capital assets:</b>		
Non-depreciable assets	\$ 2,933,244	\$ 1,324,019
Depreciable assets	91,475,201	90,910,353
Accumulated depreciation and amortization	<u>(35,194,899)</u>	<u>(32,102,520)</u>
<b>Total capital assets, net</b>	<u>\$ 59,213,546</u>	<u>\$ 60,131,852</u>

At the end of fiscal year 2024, the District's investment in capital assets amounted to \$59,213,546 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$2,532,472 for various projects and equipment. See Note 4 for further information.

**Debt Administration**

The long-term debt of the District is summarized below:

	<b>Balance</b>	<b>Balance</b>
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Long-term debt:</b>		
Long-term debt payable	<u>\$ 30,791,941</u>	<u>\$ 31,887,064</u>

Long-term debt decreased by a total of \$1,095,123 for the year ended June 30, 2024. Principal payments were \$1,025,000 and amortization of the debt premium amounted to \$70,123. See Note 7 for further information.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District General Manager, 1 East Rd., Sausalito, CA 94965 - (415) 332-0244.

# SAUSALITO-MARIN CITY SANITARY DISTRICT

## Balance Sheets

June 30, 2024 (With Comparative Amounts as of June 30, 2023)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2024</u>	<u>2023</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 14,605,932	\$ 28,151,474
Investments (Note 2)	16,580,949	-
Accrued interest receivable	97,070	-
Accounts receivable	199,328	228,619
Sewer assessment receivable	62,299	-
Property tax receivable	34,802	-
Prepaid expenses	15,122	18,359
<b>Total current assets</b>	<u>31,595,502</u>	<u>28,398,452</u>
<b>Non-current assets:</b>		
Restricted – cash and investments (Note 2 and 3)	3,519,764	3,449,268
Capital assets – not being depreciated (Note 4)	2,933,244	1,324,019
Capital assets – being depreciated, net (Note 4)	56,280,302	58,807,833
<b>Total non-current assets</b>	<u>62,733,310</u>	<u>63,581,120</u>
<b>Total assets</b>	<u>94,328,812</u>	<u>91,979,572</u>
<b>Deferred outflows of resources:</b>		
Deferred amounts related to net OPEB liability (Note 8)	1,185,739	1,284,373
Deferred amounts related to net pension liability (Note 9)	2,069,577	2,798,468
<b>Total deferred outflows of resources</b>	<u>3,255,316</u>	<u>4,082,841</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 97,584,128</u>	<u>\$ 96,062,413</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 399,254	\$ 863,723
Accrued interest payable	273,000	283,250
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	67,450	63,117
Right-to-use lease payable (Note 6)	109,003	105,144
Long-term debt payable (Note 7)	1,135,123	1,095,123
<b>Total current liabilities</b>	<u>1,983,830</u>	<u>2,410,357</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	67,450	63,116
Right-to-use lease payable (Note 6)	4,234,167	4,343,170
Long-term debt payable (Note 7)	29,656,818	30,791,941
Net OPEB liability (Note 8)	1,235,290	846,715
Net pension liability (Note 9)	1,762,053	1,774,774
<b>Total non-current liabilities</b>	<u>36,955,778</u>	<u>37,819,716</u>
<b>Total liabilities</b>	<u>38,939,608</u>	<u>40,230,073</u>
<b>Deferred inflows of resources:</b>		
Deferred amounts related to net OPEB liability (Note 8)	695,392	907,127
Deferred amounts related to net pension liability (Note 9)	2,286,716	3,200,214
<b>Total deferred inflows of resources</b>	<u>2,982,108</u>	<u>4,107,341</u>
<b>Net position:</b>		
Net investment in capital assets (Note 10)	21,918,835	21,636,874
Restricted – held with pension trust (Note 3)	1,315,287	1,244,803
Unrestricted	32,428,290	28,843,322
<b>Total net position</b>	<u>55,662,412</u>	<u>51,724,999</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 97,584,128</u>	<u>\$ 96,062,413</u>



**SAUSALITO-MARIN CITY SANITARY DISTRICT***Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

	<u>2024</u>	<u>2023</u>
<b>Operating revenues:</b>		
Sewer use assessments and charges	\$ 7,819,873	\$ 7,363,686
Tamalpias CSD service contract	2,392,340	2,364,363
Sausalito service contract	114,952	112,177
Other charges and services	58,528	26,827
<b>Total operating revenues</b>	<u>10,385,693</u>	<u>9,867,053</u>
<b>Operating expenses:</b>		
Salaries and employee benefits	2,461,652	3,225,756
Plant operations	1,041,455	899,106
Repairs and maintenance	69,263	71,087
Permit testing and monitoring	100,672	77,004
Utilities and telephone	475,441	407,973
General and administrative	275,273	249,152
<b>Total operating expenses</b>	<u>4,423,756</u>	<u>4,930,078</u>
<b>Operating income before depreciation and amortization</b>	5,961,937	4,936,975
Depreciation and amortization expense	<u>(3,092,379)</u>	<u>(3,072,227)</u>
<b>Operating income</b>	<u>2,869,558</u>	<u>1,864,748</u>
<b>Non-operating revenues(expenses):</b>		
Property taxes	939,013	877,390
Investment earnings	1,340,325	418,716
Interest expense	<u>(1,211,483)</u>	<u>(1,255,005)</u>
<b>Total non-operating revenues(expenses), net</b>	<u>1,067,855</u>	<u>41,101</u>
<b>Change in net position</b>	3,937,413	1,905,849
<b>Net position:</b>		
Beginning of year	<u>51,724,999</u>	<u>49,819,150</u>
End of year	<u>\$ 55,662,412</u>	<u>\$ 51,724,999</u>

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Statements of Cash Flows

For the Fiscal Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 10,352,685	\$ 10,102,692
Cash paid to employees for salaries and wages	(1,987,452)	(2,164,017)
Cash paid to vendors and suppliers for materials and services	<u>(2,452,323)</u>	<u>(1,654,946)</u>
<b>Net cash provided by operating activities</b>	<u>5,912,910</u>	<u>6,283,729</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes	<u>904,211</u>	<u>877,390</u>
<b>Net cash provided by non-capital financing activities</b>	<u>904,211</u>	<u>877,390</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(2,532,472)	(1,201,789)
Principal paid on right-to-use leased asset	(105,144)	(101,422)
Principal paid on long-term debt	(1,025,000)	(985,000)
Interest paid on long-term debt	<u>(1,291,856)</u>	<u>(1,334,978)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(4,954,472)</u>	<u>(3,623,189)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments, net	(16,364,740)	-
Investment earnings	<u>956,561</u>	<u>389,670</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(15,408,179)</u>	<u>389,670</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(13,545,530)</u>	<u>3,927,600</u>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>28,196,339</u>	<u>24,268,739</u>
End of year	<u>\$ 14,650,809</u>	<u>\$ 28,196,339</u>
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>		
Cash and cash equivalents	\$ 14,605,932	\$ 28,151,474
Restricted - cash and investments	3,519,764	3,449,268
Less: Restricted bond reserve surety investment	(2,159,600)	(2,159,600)
Less: Restricted investment held by pension trust	<u>(1,315,287)</u>	<u>(1,244,803)</u>
<b>Total cash and cash equivalents</b>	<u>\$ 14,650,809</u>	<u>\$ 28,196,339</u>

**SAUSALITO-MARIN CITY SANITARY DISTRICT***Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2024 (With Comparative Amounts as of June 30, 2023)*

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 2,869,558	\$ 1,864,748
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization	3,092,379	3,072,227
<b>Change in assets - (increase)decrease:</b>		
Accounts receivable	29,291	235,639
Sewer assessment receivable	(62,299)	-
Prepaid expenses	3,237	22,883
<b>Change in deferred outflows of resources - (increase)decrease</b>		
Deferred amounts related to net OPEB liability	98,634	(390,580)
Deferred amounts related to net pension liability	728,891	855,358
<b>Change in liabilities - increase(decrease):</b>		
Accounts payable and accrued expenses	(106,069)	26,493
Compensated absences	8,667	4,505
Net OPEB liability	388,575	259,646
Net pension liability	(12,721)	(706,736)
<b>Change in deferred inflows of resources - increase(decrease)</b>		
Deferred amounts related to net OPEB liability	(211,735)	251,678
Deferred amounts related to net pension liability	(913,498)	787,868
<b>Total adjustments</b>	<u>3,043,352</u>	<u>4,418,981</u>
<b>Net cash provided by operating activities</b>	<u>\$ 5,912,910</u>	<u>\$ 6,283,729</u>
<b>Noncash investing, capital and financing transactions:</b>		
Amortization of bond premium	\$ (70,123)	\$ (70,123)
Change in fair-value of investments	<u>\$ 216,210</u>	<u>\$ -</u>

# SAUSALITO-MARIN CITY SANITARY DISTRICT

## *Notes to Financial Statements*

*June 30, 2024*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Organization**

The Sausalito-Marín City Sanitary District (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.

The scope of this report extends exclusively to the financial information presented for the District. The District is governed by a five-person Board of Directors (Board) elected for four-year terms. The Board has no oversight responsibility for any other governmental unit or agency. As such, the Board's governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters extends only to the affairs of the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

#### **B. Basis of Presentation, Basis of Accounting**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

# SAUSALITO-MARIN CITY SANITARY DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

##### 1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

##### 2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

##### 3. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

##### 4. Accounts Receivable

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. The majority of the District's sewer user assessment revenue and all of the property tax revenue is collected by the County of Marin through charges on the tax rolls. The collections are remitted to the District as follows: 55% in December, 40% in April, and the balance of 5% during June and July. The June and July remittances allow the County as the collection agent to true-up any changes for revisions in the sewer charges after the initial calculation in August.

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**5. Prepays**

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

**6. Right-To-Use Leased Asset and Right-To-Use Lease Payable**

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. The District has established a single model for lease accounting based on the principle that leases are financings of a right-to-use underlying asset. As a lessee, the District is required to recognize a lease liability (payable) and an intangible right-to-use leased asset. 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 leased 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 leased asset is amortized on a straight-line basis over its useful life. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the leased asset and lease payable if certain changes occur that are expected to significantly affect the amount of the lease payable.

**7. Capital Assets**

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000 for each asset with an expected useful life of at least two years following the date of acquisition. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Treatment Plant	30-100 years
Equipment	5-25 years
Building	25-40 years
Office Equipment	3-10 years

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 9. Compensated Absences

The District's personnel policies provide vacation benefits to its employees. Upon separation from employment, employees are paid for accumulated vacation days and accrued administrative and compensated time off (overtime hours for which pay is not taken).

###### 10. 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 Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2023  
Measurement Date June 30, 2023  
Measurement Period July 1, 2022 to June 30, 2023

###### 11. 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) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2022  
Measurement Date June 30, 2023  
Measurement Period July 1, 2022 to June 30, 2023

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

# SAUSALITO-MARIN CITY SANITARY DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 12. Net Position

Net position is classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted net position** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

#### E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### F. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Marin County Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Marin County Treasurer's Office remits the total amount of property taxes billed regardless if they have been collected or not.

The property tax calendar is as follows:

Lien date January 1  
Levy date July 1  
Due dates November 1 and February 1  
Collection dates December 10 and April 10



## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### G. Connection Fees

The District charges connection fees to developers to reserve system capacity. Amounts charged are recorded as liabilities (unearned connection fees) until connections are actually made. Once connections are made, the fees are recognized as increases to capital contributions.

##### H. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

#### NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

<u>Description</u>	<u>June 30, 2024</u>
Cash and cash equivalents	\$ 14,605,932
Investments	16,580,949
Restricted – cash and investments	<u>3,519,764</u>
<b>Total cash and investments</b>	<b><u>\$ 34,706,645</u></b>

Cash and investments consisted of the following:

<u>Description</u>	<u>June 30, 2024</u>
Cash on hand	\$ 81
Demand deposits held with financial institutions	8,340,062
Local Agency Investment Fund (LAIF)	8,470,266
Investments	16,580,949
Investments –held by pension trust	<u>1,315,287</u>
<b>Total cash and investments</b>	<b><u>\$ 34,706,645</u></b>

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 2 – CASH AND INVESTMENTS (continued)

##### **Demand Deposits with Financial Institutions**

At June 30, 2024, the carrying amount of the District's demand deposits were \$8,340,062 and the financial institution's balances were \$8,360,142. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

##### **Custodial Credit Risk – Deposits**

Custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2024, the District's deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

##### **Local Agency Investment Fund (LAIF)**

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests its funds to manage the State's cash flow and strengthen the financial security of local public agencies. PMIA's policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). LAIF allows cities, counties, and special districts to place money in a major portfolio and, at no additional costs, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from LAIF at any time as LAIF is highly liquid and has a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers funds in LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the District held \$8,470,266 in LAIF.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

#### NOTE 2 – CASH AND INVESTMENTS (continued)

##### Restricted Cash and Investments – Pension Trust

The District established a Section 115 trust account with CalPERS entitled CEPPT to hold assets that are legally restricted for use in administering the District’s pension plan. Trust account holders can select one of two strategy options for investments. The District selected the CEPPT asset allocation Strategy 2 portfolio, which seeks to provide capital appreciation and income consistent with its strategic asset allocation. The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds. Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds. The trust had a balance of \$1,315,287 as of June 30, 2024.

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	+/- 5%	MSCI All County World Index IMI (Net)
US Fixed Income	60%	+/- 5%	Bloomberg US Aggregate Bond Index
REITs	9%	+/- 5%	FTSE EPRA/NAREIT Developed Index (Net)
TIPS	9%	+/- 3%	Bloomberg US TIPS Index, Series L
Cash/Short-TERM	1%	+/- 2%	
	100%		

##### Investments

The District’s investments as of June 30, 2024 are presented in the following Investment Table:

Type of Investments	Measurement Input	Credit Rating	Total Fair Value	Maturity 12 Months or Less
U.S. Treasury Obligations	Level 1	Exempt	\$ 16,580,949	\$ 16,580,949
<b>Total investments</b>			<b>\$ 16,580,949</b>	<b>\$ 16,580,949</b>

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

This table identifies the investment types that are authorized by the California Government Code and the District’s investment policy. The table also identifies certain provisions of the District’s investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees or the investment of funds within the pension trust that are governed by the provisions of debt agreement of the District and the agreements between the District and the trustee, respectively, rather than the general provisions of the California Government Code or the District’s investment policy.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 2 – CASH AND INVESTMENTS (continued)

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
U.S. Treasury Obligations	5-years	None	None
U.S. Government Sponsored Agency Securities	5-years	None	30%
State of California Obligations	5-years	None	None
CA Local Agency Obligations	5-years	None	None
Negotiable Certificates of Deposit (Negotiable CD)	5-years	30%	20%
Banker's Acceptances	180 days	25%	20%
Reverse Purchase Agreement	92 days	20%	None
Repurchase Agreements	1-year	None	None
Commercial Paper	270 days	25%	20%
Medium- Term Notes	5-years	30%	20%
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Mutual Funds and Money Market Mutual Funds	N/A	10%	None

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by in the Investment Table that shows the distribution of the District's investments by maturity as of June 30, 2024.

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the Investment Table are Standard & Poor's credit ratings for the District's investments as of June 30, 2024.

#### Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF.

#### Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs. All of the District's investments were assigned a Level 2 input on the Investment Table.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

#### NOTE 3 – RESTRICTED CASH AND INVESTMENTS AND RESTRICTED NET POSITION

Restricted cash and investments include \$44,877 in the restricted bond account for debt service and \$1,315,287 held with the pension trust – California Employers’ Pension prefunding Trust (CEPPT) at CalPERS.

The \$2,159,600 bond reserve surety investment from the 2017 revenue bonds debt service reserve is then used in the calculation of net investment in capital assets. (See note 10)

<u>Description</u>	<u>June 30, 2024</u>
Restricted – cash and investments	\$ 3,519,764
Less: Restricted cash for debt service	(44,877)
Less: Restricted bond reserve surety investment	<u>(2,159,600)</u>
<b>Total restricted – held with pension trust</b>	<b><u>\$ 1,315,287</u></b>

#### NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2024, were as follows:

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2024</u>
<b>Non-depreciable assets:</b>				
Construction-in-process	\$ 1,324,019	\$ 1,609,225	\$ -	\$ 2,933,244
<b>Total non-depreciable assets</b>	<u>1,324,019</u>	<u>1,609,225</u>	<u>-</u>	<u>2,933,244</u>
<b>Depreciable assets:</b>				
Conveyance and treatment facilities	22,465,159	134,202	(358,399)	22,240,962
Secondary treatment plant	10,943,562	-	-	10,943,562
Collection system upgrade	2,161,958	-	-	2,161,958
General equipment, facility upgrade and renewal	50,214,693	789,045	-	51,003,738
Office equipment	119,521	-	-	119,521
<b>Total depreciable assets</b>	<u>85,904,893</u>	<u>923,247</u>	<u>(358,399)</u>	<u>86,469,741</u>
<b>Accumulated depreciation:</b>				
Conveyance and treatment facilities	(8,667,988)	(671,458)	-	(9,339,446)
Secondary treatment plant	(4,879,480)	(133,560)	-	(5,013,040)
Collection system upgrade	(2,031,141)	(21,811)	-	(2,052,952)
General equipment, facility upgrade and renewal	(15,322,952)	(2,105,034)	-	(17,427,986)
Office equipment	(106,014)	(4,095)	-	(110,109)
<b>Total accumulated depreciation</b>	<u>(31,007,575)</u>	<u>(2,935,958)</u>	<u>-</u>	<u>(33,943,533)</u>
<b>Total depreciable assets, net</b>	54,897,318	(2,012,711)	(358,399)	52,526,208
<b>Right-to-use leased asset:</b>				
Leased land	5,005,460	-	-	5,005,460
<b>Accumulated amortization:</b>				
Leased land	(1,094,945)	(156,421)	-	(1,251,366)
<b>Total right-to-use leased asset, net</b>	<u>3,910,515</u>	<u>(156,421)</u>	<u>-</u>	<u>3,754,094</u>
<b>Total capital assets, net</b>	<b><u>\$ 60,131,852</u></b>	<b><u>\$ (559,907)</u></b>	<b><u>\$ (358,399)</u></b>	<b><u>\$ 59,213,546</u></b>

**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2024

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**NOTE 5 – COMPENSATED ABSENCES**

Summary changes to compensated absences balances for the year ended June 30, 2024, were as follows:

<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 126,233	\$ 246,826	\$ (238,159)	\$ 134,900	\$ 67,450	\$ 67,450

**NOTE 6 – RIGHT-TO-USE LEASE PAYABLE**

Changes in right-to-use lease payable for fiscal year ending June 30, 2024 was as follows:

<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 4,448,314	\$ -	\$ (105,144)	\$ 4,343,170	\$ 109,003	\$ 4,234,167

Annual debt service requirements for the right-to-use lease payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 109,003	\$ 154,997	\$ 264,000
2026	113,004	150,996	264,000
2027	117,152	146,848	264,000
2028	121,452	142,548	264,000
2029	125,909	138,091	264,000
2030-2034	702,553	617,647	1,320,200
2035-2039	841,062	478,938	1,320,000
2040-2044	1,007,165	312,835	1,320,000
2045-2049	1,206,070	113,929	1,319,999
Total	4,343,370	\$ 2,256,829	\$ 6,600,199
Current	(109,003)		
Long-term	\$ 4,234,367		

The District is reporting a total right-to-use leased asset, net of \$3,754,094 and a right-to-use lease payable of \$4,343,170 for the year ending June 30, 2024. Also, the District is reporting total amortization expense of \$156,421, principal payments of \$105,144 and interest expense of \$158,856 related to the above noted lease.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 3.61% to discount the lease payments to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 6 – RIGHT-TO-USE LEASE PAYABLE (continued)

The District’s lease is summarized as follows:

##### National Park Service (NPS) Lease

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.

An initial right-to-use lease liability was recorded in the amount of \$5,005,460. The total principal and interest paid during the year was \$105,144 and \$158,856, respectively. The lease has a treasury bond interest rate of 3.61 over thirty-two years. The District is amortizing the right-to-use leased asset of \$5,005,460 at \$156,421 per year.

#### NOTE 7 – LONG-TERM DEBT PAYABLE

Changes in long-term debt payable for the year ended June 30, 2024, were as follows:

Description	Balance			Balance June 30, 2024	Current Portion	Long-term Portion
	July 1, 2023	Additions	Payments			
Revenue bonds – 2017	\$ 28,325,000	\$ -	\$ (1,025,000)	\$ 27,300,000	\$ 1,065,000	\$ 26,235,000
Revenue bonds – 2017 – premium	1,402,464	-	(70,123)	1,332,341	-	1,332,341
Revenue bonds – 2017 – bond reserve surety	2,159,600	-	-	2,159,600	-	2,159,600
	<u>\$ 31,887,064</u>	<u>\$ -</u>	<u>\$ (1,095,123)</u>	<u>\$ 30,791,941</u>	<u>\$ 1,065,000</u>	<u>\$ 29,726,941</u>

##### Revenue Bonds – 2017

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 were issued to provide funds to (a) finance certain capital improvements to the District’s wastewater system; (b) provide a debt service reserve for the Bonds, which may be funded through the deposit of a reserve surety, as further described herein; and (c) pay the costs of issuing the bonds. The bonds are fully registered with principal due annually on April 1<sup>st</sup> and interest payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>. 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 and any balance remaining would revert back to the District once the bonds mature, or if the bonds are called or defeased. Thus, the reserve surety balance has been recorded as restricted cash and investments and used in the calculation of net investment in capital assets at June 30, 2024.

**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2024

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**NOTE 7 – LONG-TERM DEBT PAYABLE (continued)**

Annual debt service requirements for the bond payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,195,000	959,200	2,154,200
2029	1,245,000	911,400	2,156,400
2030-2034	7,010,000	3,769,200	10,779,200
2035-2039	8,540,000	2,249,800	10,789,800
2040-2042	5,990,000	485,400	6,475,400
Total	27,300,000	<u>\$ 11,521,600</u>	<u>\$ 38,821,600</u>
Current	<u>(1,065,000)</u>		
Long-term	<u>\$ 26,235,000</u>		



**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2024

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**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2024</u>
OPEB related deferred outflows	\$ 1,185,739
Net other post-employment benefits liability	1,235,290
OPEB related deferred inflows	695,392

**A. General Information about the OPEB Plan**

**Plan Description**

The District has established an agent multiple-employer other post-employment benefit plan that provides health insurance (OPEB Plan) to employees. 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.

Eligible retirees will be covered by the CalPERS health care plan as specified per District policy as follows:

For employees hired before July 1, 2004, the District will continue to provide the employee and the employees' dependents with 100% post-employment medical insurance under the CalPERS medical insurance program if the employee actively retires from District employment. Once the retiree is eligible for Medicare, the District will fund the supplemental medical insurance for the retiree and the retiree's spouse. Such benefits shall be integrated with Medicare for the rest of the retiree's lifetime.

For employees hired after July 1, 2004, the District will continue to provide the employee's CalPERS medical insurance as specified by the Public Employees Medical and Hospital Care Act (PEMHCA) if the employee actively retires from the District with a CalPERS retirement, is at least 55 years of age, has been a full-time employee and has a minimum of five (5) continuous years of qualifying District employment. The District will pay for both the employee and eligible dependents based on the PEMHCA program vesting schedule for credited years of CalPERS service. An employee will be eligible to receive 50% of the healthcare costs covered after 10 years of credited PERS service. The benefit will increase 5% per year, reaching 100% after 20 years of service. The District contribution is prorated based on years of CalPERS service up to a maximum of one hundred percent (100%) of the health benefits plan premiums for employees plus ninety percent (90%) for eligible dependents.

# SAUSALITO-MARIN CITY SANITARY DISTRICT

## Notes to Financial Statements

June 30, 2024

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### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

#### A. General Information about the OPEB Plan (continued)

##### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis with contributions being made to an OPEB Trust.

##### Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For the fiscal year ended June 30, 2024, the District's contributions totaling \$142,642, were fully offset by trust reimbursements.

##### Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

##### Method Used to Value Investments

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

#### B. Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

##### Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	4.39%
Long-Term Expected	
Rate of Return on Investments	5.25%
Inflation	2.75%
Payroll increases	3.00%
Healthcare Trend Rates	5.00%
Morbidity	CalPERS 2000 - 2019 Experience Study
Mortality	CalPERS 2021 Experience Study
Disability	CalPERS 2000 - 2019 Experience Study
Retirement	CalPERS 2021 Experience Study
	2.7% @55 and 2% @62
Percent Married	80% of future retirees would enroll a spouse

**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2024

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**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Net OPEB Liability (continued)**

**Actuarial Assumptions (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
PARS moderate investment policy:		
Equity	40.00%	5.25%
Fixed income	43.00%	0.99%
TIPS	5.00%	0.45%
Commodities	4.00%	3.00%
REITs	8.00%	4.50%
<b>Total</b>	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.39%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. Changes in the Net OPEB Liability**

The changes in the total OPEB liability are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
<b>Balance at June 30, 2023 (Measurement date June 30, 2022)</b>	\$ 3,220,610	\$ 2,373,895	\$ 846,715
<b>Changes for the year:</b>			
Service cost	105,877	-	105,877
Interest	139,546	-	139,546
Differences in experience	130,833	-	130,833
Changes in assumption	119,093	-	119,093
Employer contributions	-	24,008	(24,008)
Net investment income	-	83,936	(83,936)
Benefit payments	(169,506)	(169,506)	-
Administrative expenses	-	(1,170)	1,170
Net changes	<u>325,843</u>	<u>(62,732)</u>	<u>388,575</u>
<b>Balance at June 30, 2024 (Measurement date June 30, 2023)</b>	<u>\$ 3,546,453</u>	<u>\$ 2,311,163</u>	<u>\$ 1,235,290</u>

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**C. Changes in the Net OPEB Liability (continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.39%) or 1 percentage point higher (5.39%) than the current discount rate:

	<u>1% Decrease</u> <u>3.39%</u>	<u>Discount Rate</u> <u>4.39%</u>	<u>1% Increase</u> <u>5.39%</u>
Net OPEB Liability	<u>\$ 1,820,369</u>	<u>\$ 1,235,290</u>	<u>\$ 770,443</u>

**Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Current Trend</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 744,551</u>	<u>\$ 1,235,290</u>	<u>\$ 1,861,400</u>

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$275,475. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Account Description</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Changes in assumptions	780,630	(213,241)
Differences between expected and actual experience	107,880	(319,117)
Differences between projected and actual earnings on OPEB plan investments	<u>297,229</u>	<u>(163,034)</u>
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 1,185,739</u>	<u>\$ (695,392)</u>

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

##### D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$142,642 as deferred outflows of resources related to contributions subsequent to the measurement date that were fully offset by trust reimbursements that will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2025	\$ 36,981
2026	43,053
2027	123,831
2028	50,931
2029	78,332
Thereafter	<u>157,219</u>
<b>Total</b>	<u><u>\$ 490,347</u></u>

At June 30, 2024, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2024.

#### NOTE 9 – PENSION PLAN

##### Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2024</u>
Pension related deferred outflows	\$ 2,069,577
Net pension liability	1,762,053
Pension related deferred inflows	2,286,716

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

**NOTE 9 – PENSION PLAN (continued)**

**A. General Information about the Pension Plan**

**The Plan**

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<b>Miscellaneous Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2023	15.310%	7.470%

**Plan Description**

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2023 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2023 measurement date, the following members were covered by the benefit terms:

<b>Plan Members</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	
Active members	6	4	10
Transferred and terminated members	5	2	7
Retired members and beneficiaries	21	-	21
<b>Total plan members</b>	<b>32</b>	<b>6</b>	<b>38</b>

All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

**NOTE 9 – PENSION PLAN (continued)**

**A. General Information about the Pension Plan (continued)**

**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 nonindustrial disability benefits after ten 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 each Plan are applied as specified by the Public Employees’ Retirement Law.

**Contributions**

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

Contributions for the year ended June 30, 2024, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Contributions – member	\$ 262,873	\$ 42,984	\$ 305,857

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

**Proportionate Share of Net Pension Liability and Pension Expense**

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2023, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2024:

Measurement Date	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2024	June 30, 2023	
June 30, 2023	June 30, 2022		
Percentage of Risk Pool Net Pension Liability	0.035238%	0.037929%	-0.002691%
Percentage of Plan Net Pension Liability	0.014124%	0.015365%	-0.001241%

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

June 30, 2024

**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

The District’s proportionate share percentage of the net pension liability over the measurement period for the fiscal year ended June 30, 2024, was as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2022 (Measurement Date)	\$ 15,508,277	\$ 13,733,503	\$ 1,774,774
Balance as of June 30, 2023 (Measurement Date)	\$ 16,845,246	\$ 15,083,193	\$ 1,762,053
<b>Change in Plan Net Pension Liability</b>	<b>\$ 1,336,969</b>	<b>\$ 1,349,690</b>	<b>\$ (12,721)</b>

For the year ended June 30, 2024, the District recognized pension expense of \$108,529. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 305,857	\$ -
Difference between actual and proportionate share of employer contributions	1,282,030	(255,818)
Adjustment due to differences in proportions	-	(2,016,934)
Differences between expected and actual experience	90,015	(13,964)
Differences between projected and actual earnings on pension plan investments	285,292	-
Changes in assumptions	106,383	-
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 2,069,577</b>	<b>\$ (2,286,716)</b>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.



**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

June 30, 2024

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**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

An amount of \$305,857 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2025	\$ (364,025)
2026	(286,079)
2027	118,922
2028	<u>8,186</u>
<b>Total</b>	<u>\$ (522,996)</u>

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022, total pension liability. The June 30, 2024, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Price Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

**Long-term Expected Rate of Return**

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term fair value return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Notes to Financial Statements*

*June 30, 2024*

**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

**Long-term Expected Rate of Return (continued)**

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

Asset class <sup>1</sup>	Assumed asset allocation	Real Return <sup>1,2</sup>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Subsequent Events**

There were no subsequent events that would materially affect the results in this disclosure.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount Rate 6.90%	Discount Rate + 1%
	5.90%		7.90%
CalPERS – Miscellaneous Plan	4,040,300	\$ 1,762,053	\$ (113,141)

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 9 – PENSION PLAN (continued)

##### B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

###### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

##### C. Payable to the Pension Plans

At June 30, 2024, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2024.

#### NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	June 30, 2024
<b>Net investment in capital assets</b>	
Capital assets – not being depreciated	\$ 2,933,244
Capital assets, net – being depreciated	56,280,302
Right-to-use lease payable – current portion	(109,003)
Long-term debt payable – current portion	(1,135,123)
Right-to-use lease payable – non-current portion	(4,234,167)
Long-term debt payable – non-current portion	(29,656,818)
Unspent proceeds bond reserve surety (Note 3)	<u>(2,159,600)</u>
<b>Total net investment in capital assets</b>	<b><u>\$ 21,918,835</u></b>

#### NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

#### NOTE 12 – RISK MANAGEMENT POOL

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disaster. The District's insurance coverage is carried through the California Sanitation Risk Management Association (CSRMA) in pooled programs and through a commercial insurance carrier. CSRMA is a public entity risk pool currently operating as a common risk management and insurance program for member sanitary districts located throughout California. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group. Although CSRMA may assess additional premiums to a member district in the event of losses in excess of reserves, no additional assessments have occurred nor are they contemplated. The financial statements of CSRMA are available their website, [www.csrma.org](http://www.csrma.org). Condensed financial information for CSRMA is presented below:

<b>A. Entity</b>	CSRMA	
<b>B. Purpose</b>	To spread the adverse effects of losses among the member entities and purchase excess insurance as a group.	
<b>C. Participants</b>	As of June 30, 2023 – 59 member districts	
<b>D. Governing board</b>	Ten representatives employed by members	
<b>E. Condensed financial information</b>	June 30, 2023	
<b>Audit signed</b>	December 4, 2023	
<b>Statement of financial position:</b>		<b><u>June 30, 2023</u></b>
<b>Total assets</b>		<u>\$ 35,837,500</u>
<b>Total liabilities</b>		<u>25,803,417</u>
<b>Net position</b>		<u>\$ 10,034,083</u>
<b>Statement of revenues, expenses and changes in net position:</b>		
<b>Total revenues</b>		\$ 21,686,396
<b>Total expenses</b>		<u>(18,692,969)</u>
<b>Change in net position</b>		2,993,427
<b>Beginning – net position</b>		<u>7,040,656</u>
<b>Ending – net position</b>		<u>\$ 10,034,083</u>
<b>F. Member agencies share of year-end financial position</b>	Not Calculated	

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023, and 2022.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### **NOTE 13 – 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 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 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).

#### **NOTE 14 – COMMITMENTS AND CONTINGENCIES**

##### **Excluded Leases – Short-Term Leases and De Minimis Leases**

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

##### **Grant Awards**

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

##### **Litigation**

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2024*

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**NOTE 15 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 3, 2024, the date which the financial statements were available to be issued.

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***Required Supplementary Information***

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## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Schedule of the District's Proportionate Share of the Net Pension Liability For the Year Ended June 30, 2024

#### Last Ten Fiscal Years\*

#### California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's	Plan's Fiduciary
				Share of the Net Pension Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.02827%	\$ 1,759,386	\$ 1,112,881	158.09%	81.15%
June 30, 2015	0.02714%	1,863,054	1,147,300	162.39%	77.84%
June 30, 2016	0.03425%	2,964,080	1,044,426	283.80%	72.86%
June 30, 2017	0.03430%	3,401,917	1,032,559	329.46%	71.39%
June 30, 2018	0.03476%	3,349,975	1,387,443	241.45%	72.94%
June 30, 2019	0.03538%	3,625,452	1,369,547	264.72%	72.34%
June 30, 2020	0.03579%	3,893,670	1,447,843	268.93%	71.73%
June 30, 2021	0.04588%	2,481,509	1,477,814	167.92%	82.76%
June 30, 2022	0.01536%	1,774,774	1,569,127	113.11%	88.56%
June 30, 2023	0.01412%	1,762,053	1,458,672	120.80%	89.54%

#### Notes to Schedule:

##### Benefit Changes:

There were no changes in benefits.

##### Changes in Assumptions:

##### From fiscal year June 30, 2015 and June 30, 2016:

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

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

There were no changes in assumptions.

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

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

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

There were no significant changes in assumptions.

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

There were no significant changes in assumptions.

##### From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

##### From fiscal year June 30, 2021 to June 30, 2022:

There were no significant changes in assumptions.

##### From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%.

##### From fiscal year June 30, 2023 to June 30, 2024:

There were no significant changes in assumptions.

\*Fiscal year 2014 was the first measurement date year of implementation; therefore, only ten years are shown.



**SAUSALITO-MARIN CITY SANITARY DISTRICT**

*Schedule of the District's Contributions to the Defined Benefit Pension Plan  
For the Year Ended June 30, 2024*

**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2015	\$ 182,164	\$ (182,164)	\$ -	\$ 1,147,300	15.88%
June 30, 2016	237,897	(237,897)	-	1,044,426	22.78%
June 30, 2017	276,097	(276,097)	-	1,032,559	26.74%
June 30, 2018	305,142	(305,142)	-	1,387,443	21.99%
June 30, 2019	346,236	(346,236)	-	1,369,547	25.28%
June 30, 2020	406,346	(406,346)	-	1,447,843	28.07%
June 30, 2021	462,360	(462,360)	-	1,477,814	31.29%
June 30, 2022	502,668	(502,668)	(3,000,000)	1,569,127	223.22%
June 30, 2023	281,403	(281,403)	-	1,458,672	19.29%
June 30, 2024	305,857	(305,857)	-	1,730,872	17.67%

**Notes to Schedule:**

<b>Fiscal Year</b>	<b>Valuation Date</b>	<b>Actuarial Cost Method</b>	<b>Asset Valuation Method</b>	<b>Inflation</b>	<b>Investment Rate of Return</b>
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%

**Amortization Method** Level percentage of payroll, closed  
**Salary Increases** Depending on age, service, and type of employment  
**Investment Rate of Return** Net of pension plan investment expense, including inflation  
**Retirement Age** 55 years (2.7%@55), 62 years (2%@62)  
**Mortality** Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first measurement date year of implementation; therefore, only ten years are shown.

## SAUSALITO-MARIN CITY SANITARY DISTRICT

### Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2024

Fiscal Year Ended	Last Ten Fiscal Years*						
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB liability:</b>							
Service cost	\$ 105,877	\$ 122,278	\$ 106,248	\$ 103,153	\$ 77,423	\$ 75,168	\$ 72,979
Interest	139,546	127,721	140,282	136,718	170,969	166,877	163,427
Changes of assumptions	119,093	(325,473)	205,346	-	934,682	-	-
Differences between expected and actual experience	130,833	-	(271,863)	-	(182,895)	-	-
Benefit payments	<u>(169,506)</u>	<u>(147,709)</u>	<u>(136,691)</u>	<u>(173,738)</u>	<u>(294,320)</u>	<u>(186,322)</u>	<u>(183,982)</u>
<b>Net change in total OPEB liability</b>	325,843	(223,183)	43,322	66,133	705,859	55,723	52,424
<b>Total OPEB liability - beginning</b>	<u>3,220,610</u>	<u>3,443,793</u>	<u>3,400,471</u>	<u>3,334,338</u>	<u>2,628,479</u>	<u>2,572,756</u>	<u>2,520,332</u>
<b>Total OPEB liability - ending</b>	<u>3,546,453</u>	<u>3,220,610</u>	<u>3,443,793</u>	<u>3,400,471</u>	<u>3,334,338</u>	<u>2,628,479</u>	<u>2,572,756</u>
<b>Plan fiduciary net position:</b>							
Contributions - employer	24,008	23,827	9,691	32,224	147,160	2,212,454	311,200
Net investment income	83,936	(358,224)	497,114	135,368	173,891	14,298	23,597
Administrative expense	(1,170)	(723)	(912)	(1,237)	(534)	(741)	(159)
Benefit payments	<u>(169,506)</u>	<u>(147,709)</u>	<u>(136,691)</u>	<u>(173,738)</u>	<u>(294,320)</u>	<u>(186,322)</u>	<u>(183,982)</u>
<b>Net change in plan fiduciary net position</b>	(62,732)	(482,829)	369,202	(7,383)	26,197	2,039,689	150,656
<b>Plan fiduciary net position - beginning</b>	<u>2,373,895</u>	<u>2,856,724</u>	<u>2,487,522</u>	<u>2,494,905</u>	<u>2,468,708</u>	<u>429,019</u>	<u>278,363</u>
<b>Plan fiduciary net position - ending</b>	<u>2,311,163</u>	<u>2,373,895</u>	<u>2,856,724</u>	<u>2,487,522</u>	<u>2,494,905</u>	<u>2,468,708</u>	<u>429,019</u>
<b>District's net OPEB liability</b>	<u>\$ 1,235,290</u>	<u>\$ 846,715</u>	<u>\$ 587,069</u>	<u>\$ 912,949</u>	<u>\$ 839,433</u>	<u>\$ 159,771</u>	<u>\$ 2,143,737</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>65.17%</u>	<u>73.71%</u>	<u>82.95%</u>	<u>73.15%</u>	<u>74.82%</u>	<u>93.92%</u>	<u>16.68%</u>
<b>Covered-employee payroll</b>	<u>\$ 1,644,818</u>	<u>\$ 1,528,000</u>	<u>\$ 1,447,843</u>	<u>\$ 1,409,108</u>	<u>\$ 1,387,443</u>	<u>\$ 1,338,389</u>	<u>\$ 1,333,613</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>75.10%</u>	<u>55.41%</u>	<u>40.55%</u>	<u>64.79%</u>	<u>60.50%</u>	<u>11.94%</u>	<u>160.75%</u>

#### Notes to Schedule:

##### Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits  
Measurement Date June 30, 2018 – There were no changes in benefits  
Measurement Date June 30, 2020 – There were no changes in benefits  
Measurement Date June 30, 2019 – There were no changes in benefits  
Measurement Date June 30, 2020 – There were no changes in benefits  
Measurement Date June 30, 2021 – There were no changes in benefits  
Measurement Date June 30, 2022 – There were no changes in benefits  
Measurement Date June 30, 2023 – There were no changes in benefits

##### Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in benefits  
Measurement Date June 30, 2018 – There were no changes in benefits  
Measurement Date June 30, 2019 – There were no changes in benefits  
Measurement Date June 30, 2020 – There were no changes in benefits  
Measurement Date June 30, 2021 – There were no changes in benefits  
Measurement Date June 30, 2022 – There were no changes in benefits  
Measurement Date June 30, 2023 – There were no changes in benefits

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

**SAUSALITO-MARIN CITY SANITARY DISTRICT**  
*Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan*  
*For the Year Ended June 30, 2024*

Fiscal Year Ended	Last Ten Fiscal Years*						
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 13,955	\$ 123,001	\$ 149,558	\$ 178,821	\$ 140,878	\$ 90,675	\$ 250,037
Contributions in relation to the actuarially determined contributions	(24,008)	(23,827)	(123,882)	(136,691)	(139,597)	(147,160)	(2,143,737)
Contribution deficiency (excess)	\$ (10,053)	\$ 99,174	\$ 25,676	\$ 42,130	\$ 1,281	\$ (56,485)	\$ (1,893,700)
Covered payroll	\$ 1,567,011	\$ 1,644,818	\$ 1,528,000	\$ 1,447,843	\$ 1,409,108	\$ 1,387,443	\$ 1,338,389
Contributions as a percentage of covered payroll	1.53%	1.45%	8.11%	9.44%	9.91%	10.61%	160.17%

**Notes to Schedule:**

Valuation Date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>							
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	4.39%	4.45%	3.79%	4.21%	6.73%	6.73%	6.73%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%
Payroll increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Mortality	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Percent Married	80%	80%	80%	80%	80%	80%	80%
Healthcare trend rates	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%	6.10%

(1) Closed period, level percent of pay

(2) CalPERS 2000-2021 Experience Study

(3) CalPERS 2000-2021 Experience Study

(4) CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62

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



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

Board of Directors  
Sausalito-Marín City Sanitary District  
Sausalito, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sausalito-Marín City Sanitary District (District), which comprise the balance sheet as of June 30, 2024, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2024.

**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) as a basis for designing audit procedures 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Walnut Creek, California  
December 3, 2024

