

SAUALITO-MARIN CITY SERVICES DISTRICT
Presentation to the Board of Directors
For the Fiscal Year Ended
June 30, 2025

NIGRO & NIGRO^{PC}



NIGRO & NIGRO^{PC}

A Professional Accountancy Corporation

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.
- New GASB Pronouncements were adopted.
- 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, 2025 vs 2024

Revenues & Expenses	2025	2024	Variance
Operating Revenues:			
Sewer use assessments and charges	\$ 8,017,470	7,819,873	\$ 197,597
Tamalpias CSD service contract	2,479,754	2,392,340	87,414
Sausalito service contract	304,298	114,952	189,346
Other charges and services	5,827	58,528	(52,701)
Non-Operating Revenues:			
Property taxes	953,796	939,013	14,783
Investment earnings	1,446,285	1,340,325	105,960
Total Revenues	<u>13,207,430</u>	<u>12,665,031</u>	<u>542,399</u>
Operating Expenses:			
Salaries and employee benefits	2,019,599	2,461,652	(442,053)
Plant operations	980,643	1,041,455	(60,812)
Repairs and maintenance	83,892	69,263	14,629
Permit testing and monitoring	87,369	100,672	(13,303)
Utilities and telephone	497,539	475,441	22,098
General and administrative	281,002	275,273	5,729
Operating expenses before depr.	<u>3,950,044</u>	<u>4,423,756</u>	<u>(473,712)</u>
Depreciation and amortization expense	2,994,866	3,092,379	(97,513)
Total Operating Expenses	<u>6,944,910</u>	<u>7,516,135</u>	<u>(571,225)</u>
Non-Operating Expenses:			
Interest expense	1,166,224	1,211,483	(45,259)
Total Expenses	<u>8,111,134</u>	<u>8,727,618</u>	<u>(616,484)</u>
Change in Revenues & Expenses	<u>\$ 5,096,296</u>	<u>\$ 3,937,413</u>	<u>\$ 1,158,883</u>
Capital Outlay:			
Capital Asset Additions	\$ (6,469,344)	\$ (2,532,472)	\$ (3,936,872)
Depreciation Expense	<u>2,994,866</u>	<u>3,092,379</u>	<u>(97,513)</u>
Change in Capital Expense	<u>\$ (3,474,478)</u>	<u>\$ 559,907</u>	<u>\$ (4,034,385)</u>
Debt Service:			
Principal Paid	<u>\$ (1,174,003)</u>	<u>\$ (1,130,144)</u>	<u>\$ (43,859)</u>
Cash & Investments	<u>\$ 35,832,439</u>	<u>\$ 34,706,645</u>	<u>\$ 1,125,794</u>
Quick Summary:			
Change in Revenues & Expenses	\$ 5,096,296		
Change in Capital Expense	(3,474,478)	Use of Cash	
Debt Service – Principal Payments	(1,174,003)	Use of Cash	
Change in Accounts Payable	984,011	Change to Cash	
Change in OPEB Liability	63,139	Change to Cash	
Change in Pension Liability	(347,118)	Change to Cash	
Change in Cash & Investments	<u>\$ 1,147,847</u>	Approximately	<u>\$ 22,053</u>
Investment Earnings to Portfolio	<u>4.10%</u>		

SAUSALITO-MARIN CITY SANITARY DISTRICT
Report to the Board of Directors
For the Fiscal Year Ended
June 30, 2025

NIGRO & NIGRO^{PC}

SAUSALITO-MARIN CITY SANITARY DISTRICT

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

We are pleased to present this report related to our audit of the financial statements of the Sausalito-Marin City Sanitary District (District) as of and for the year ended June 30, 2025. 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 16, 2025

Required Communications

SAUSALITO-MARIN CITY SANITARY DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

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>Our Responsibilities with Regard to the Financial Statement Audit</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, 2025. 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>Overview of the Planned Scope and Timing of the Financial Statement Audit</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>Accounting Policies and Practices</p>	<p>Accounting Policies and Practices 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>Adoption of, or Change in, Significant Accounting Policies or Their Application 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>Significant or Unusual Transactions 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>Management’s Judgments and Accounting Estimates 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>Audit Adjustments</p>	<p>Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries.</p>
<p>Uncorrected Misstatements</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, 2025

Area	Comments
Discussions With Management	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.
Disagreements With Management	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.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	No significant difficulties were encountered in performing our audit.
Required Supplementary Information	We applied certain limited procedures to the: <ol style="list-style-type: none">1. Management's Discussion and Analysis2. Required Pension Plan Disclosures3. Required OPEB Plan Disclosures 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.
Other Information	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.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

Disclosure of Audit Adjustments and Reclassifications

As part of our external audit engagement, we operate under the presumption that the District's books and records are materially accurate and appropriately closed prior to the commencement of audit fieldwork. Nonetheless, audit adjustments and reclassifications are often proposed during the course of the audit to ensure the District's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and to enhance comparability with prior-year financial data. In the interest of transparency and governance, we have included, as an attachment to this letter, a summary of audit adjustments and reclassification journal entries identified during the audit.

The existence or absence of such adjustments does not inherently indicate deficiencies, but rather reflects the auditor's role in enhancing the fair presentation of the financial statements. Disclosure of these items provides the Board of Directors with insight into the scope and depth of the audit procedures performed.

To promote timely and accurate financial reporting, we recommend that management strengthen internal controls and oversight over the year-end financial close process. Enhancing these procedures can reduce the volume of post-closing audit adjustments and reclassifications, improve the quality of interim and year-end financial reporting, and support the District's efforts in maintaining compliance with financial reporting requirements and best practices in fiscal governance.

Summary of Adjusting Journal Entries

SAUSALITO-MARIN CITY SANITARY DISTRICT

*Summary of Adjusting Journal Entries
For the Fiscal Year Ended June 30, 2025*

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To adjust LAIF FMV			
1032	LAIF Fair Value Adj	13,283.10	
5200	Interest Income		13,283.10
Total		13,283.10	13,283.10
Adjusting Journal Entries JE # 2			
To adjust insurance expense			
6330	Insurance	15,121.50	
1250	Prepaid Insurance		15,121.50
Total		15,121.50	15,121.50
Adjusting Journal Entries JE # 3			
For Financial Reporting - DO NOT POST			
1201	Property Tax Receivable	4,341.63	
1200	Accounts Receivable		4,341.63
Total		4,341.63	4,341.63
Adjusting Journal Entries JE # 4			
To accrue property taxes at 06/30/25			
1201	Property Tax Receivable	28,175.65	
1205	Interest Receiv.	1,727.06	
5040	Property Taxes		28,175.65
5200	Interest Income		1,727.06
Total		29,902.71	29,902.71
Total Adjusting Journal Entries		62,648.94	62,648.94

**SAUSALITO-MARIN CITY SANITARY
DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2025
(With Comparative Amounts as of June 30, 2024)**

**NIGRO
& NIGRO^{PC}**

SAUSALITO-MARIN CITY SANITARY DISTRICT
For the Fiscal Year Ended June 30, 2025
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Financial Section



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, 2025, 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, 2025, 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.

Change in Accounting Principal

As described in Notes 1, 5, and 13 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures. Our opinion is not modified with respect to these matters.

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, 2024, 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 16, 2025, 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 16, 2025

SAUSALITO-MARIN CITY SANITARY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

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, 2025. 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 2025, the District's net position increased 9.16% or \$5,096,296 from the prior year's net position of \$55,662,412 to \$60,758,708, as a result of the year's operations.
- In fiscal year 2025, operating revenues increased by 4.06% or \$421,656 from \$10,385,693 to \$10,807,349 from the prior year, primarily due to an increase in sewer use assessments and charges and Sausalito service contract revenue.
- In fiscal year 2025, operating expenses before depreciation expense decreased by 10.71% or \$473,712 from \$4,423,756 to \$3,950,044 from the prior year, primarily due to a decrease in salaries and benefits expense. In fiscal year ending June 30, 2024, the District realized a \$268,275 non-cash cost attributable to the CalPERS pension liability; however, in the fiscal year ending June 30, 2025, the District's non-cash cost attributable to the CalPERS pension liability was a credit of \$1,113 which is a net adjustment of \$269,388 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, 2025 (With Comparative Amounts as of June 30, 2024)

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, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Assets:			
Current assets	\$ 32,844,475	\$ 31,595,502	\$ 1,248,973
Non-current assets	3,451,931	3,519,764	(67,833)
Capital assets, net	<u>62,688,024</u>	<u>59,213,546</u>	<u>3,474,478</u>
Total assets	<u>98,984,430</u>	<u>94,328,812</u>	<u>4,655,618</u>
Deferred outflows of resources	<u>2,276,630</u>	<u>3,255,316</u>	<u>(978,686)</u>
Total assets and deferred outflows of resources	<u>\$ 101,261,060</u>	<u>\$ 97,584,128</u>	<u>\$ 3,676,932</u>
Liabilities:			
Current liabilities	\$ 2,938,115	\$ 1,913,707	\$ 1,024,408
Non-current liabilities	<u>35,741,794</u>	<u>37,025,901</u>	<u>(1,284,107)</u>
Total liabilities	<u>38,679,909</u>	<u>38,939,608</u>	<u>(259,699)</u>
Deferred inflows of resources	<u>1,822,443</u>	<u>2,982,108</u>	<u>(1,159,665)</u>
Net position:			
Net investment in capital assets	26,637,439	21,918,835	4,718,604
Restricted	1,247,442	1,315,287	(67,845)
Unrestricted	<u>32,873,827</u>	<u>32,428,290</u>	<u>445,537</u>
Total net position	<u>60,758,708</u>	<u>55,662,412</u>	<u>5,096,296</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 101,261,060</u>	<u>\$ 97,584,128</u>	<u>\$ 3,676,932</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 \$60,758,708 and 55,662,412 as of June 30, 2025 and 2024, respectively.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (44% as of June 30, 2025) 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 2025, the District showed a positive balance in its unrestricted net position of \$32,873,827, which may be utilized in future years.

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Operating revenues	\$ 10,807,349	\$ 10,385,693
Operating expenses	<u>(3,950,044)</u>	<u>(4,423,756)</u>
Operating income before depreciation	6,857,305	5,961,937
Depreciation and amortization expense	<u>(2,994,866)</u>	<u>(3,092,379)</u>
Operating income	3,862,439	2,869,558
Non-operating revenues(expenses), net	<u>1,233,857</u>	<u>1,067,855</u>
Change in net position	5,096,296	3,937,413
Net position:		
Beginning of year	<u>55,662,412</u>	<u>51,724,999</u>
End of year	<u>\$ 60,758,708</u>	<u>\$ 55,662,412</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 9.16%, or \$5,096,296 from the prior year's net position of \$55,662,412 to \$60,758,708, 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, 2025 (With Comparative Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

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

Total Revenues

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Sewer use assessments and charges	\$ 8,017,470	\$ 7,819,873	\$ 197,597
TCSO service contract	2,479,754	2,392,340	87,414
Sausalito service contract	304,298	114,952	189,346
Other charges and services	5,827	58,528	(52,701)
Total operating revenues	<u>10,807,349</u>	<u>10,385,693</u>	<u>421,656</u>
Non-operating revenues:			
Property taxes	953,796	939,013	14,783
Investment earnings	1,446,285	1,340,325	105,960
Total non-operating revenues	<u>2,400,081</u>	<u>2,279,338</u>	<u>120,743</u>
Total revenues	<u>\$ 13,207,430</u>	<u>\$ 12,665,031</u>	<u>\$ 542,399</u>

In fiscal year 2025, operating revenues increased by 4.06%, or \$421,656 from \$10,385,693 to \$10,807,349 from the prior year, primarily due to a \$197,597 increase in sewer use assessments and charges and a \$189,346 increase in Sausalito service contract.

Total Expenses

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Salaries and benefits	\$ 2,019,599	\$ 2,461,652	\$ (442,053)
Plant operations	980,643	1,041,455	(60,812)
Repairs and maintenance	83,892	69,263	14,629
Permit testing and monitoring	87,369	100,672	(13,303)
Utilities and telephone	497,539	475,441	22,098
General and administrative	281,002	275,273	5,729
Total operating expenses	<u>3,950,044</u>	<u>4,423,756</u>	<u>(473,712)</u>
Depreciation and amortization expense	2,994,866	3,092,379	(97,513)
Non-operating expenses:			
Interest expense	1,166,224	1,211,483	(45,259)
Total non-operating expenses	<u>1,166,224</u>	<u>1,211,483</u>	<u>(45,259)</u>
Total expenses	<u>\$ 8,111,134</u>	<u>\$ 8,727,618</u>	<u>\$ (616,484)</u>

In fiscal year 2025, operating expenses before depreciation expense decreased by 10.71% or \$473,712 from \$4,423,756 to \$3,950,044 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, 2025 (With Comparative Amounts as of June 30, 2024)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Capital Assets

	Balance	Balance
	June 30, 2025	June 30, 2024
Capital assets:		
Non-depreciable assets	\$ 8,837,645	\$ 2,933,244
Depreciable assets	92,040,144	91,475,201
Accumulated depreciation and amortization	<u>(38,189,765)</u>	<u>(35,194,899)</u>
Total capital assets, net	<u>\$ 62,688,024</u>	<u>\$ 59,213,546</u>

At the end of fiscal year 2025, the District's investment in capital assets amounted to \$62,680,856 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$6,469,344 for various projects and equipment. See Note 4 for further information.

Debt Administration

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

	Balance	Balance
	June 30, 2025	June 30, 2024
Long-term debt:		
Long-term debt payable	<u>\$ 29,656,818</u>	<u>\$ 30,791,941</u>

Long-term debt decreased by a total of \$1,135,123 for the year ended June 30, 2025. Principal payments were \$1,065,000 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, 2025 (With Comparative Amounts as of June 30, 2024)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 15,020,933	\$ 14,605,932
Investments (Note 2)	17,359,575	16,580,949
Accrued interest receivable	123,174	97,070
Accounts receivable	244,913	199,328
Sewer assessment receivable	44,679	62,299
Property tax receivable	32,517	34,802
Prepaid expenses	18,684	15,122
Total current assets	<u>32,844,475</u>	<u>31,595,502</u>
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	3,451,931	3,519,764
Capital assets – not being depreciated (Note 4)	8,837,645	2,933,244
Capital assets – being depreciated, net (Note 4)	53,850,379	56,280,302
Total non-current assets	<u>66,139,955</u>	<u>62,733,310</u>
Total assets	<u>98,984,430</u>	<u>94,328,812</u>
Deferred outflows of resources:		
Deferred amounts related to net OPEB liability (Note 8)	940,562	1,185,739
Deferred amounts related to net pension liability (Note 9)	1,336,068	2,069,577
Total deferred outflows of resources	<u>2,276,630</u>	<u>3,255,316</u>
Total assets and deferred outflows of resources	<u>\$ 101,261,060</u>	<u>\$ 97,584,128</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,383,265	\$ 399,254
Accrued interest payable	262,350	273,000
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	74,496	67,450
Right-to-use lease payable (Note 6)	113,004	109,003
Long-term debt payable (Note 7)	1,105,000	1,065,000
Total current liabilities	<u>2,938,115</u>	<u>1,913,707</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	74,497	67,450
Right-to-use lease payable (Note 6)	4,121,163	4,234,167
Long-term debt payable (Note 7)	28,551,818	29,726,941
Net OPEB liability (Note 8)	1,261,643	1,235,290
Net pension liability (Note 9)	1,732,673	1,762,053
Total non-current liabilities	<u>35,741,794</u>	<u>37,025,901</u>
Total liabilities	<u>38,679,909</u>	<u>38,939,608</u>
Deferred inflows of resources:		
Deferred amounts related to net OPEB liability (Note 8)	586,974	695,392
Deferred amounts related to net pension liability (Note 9)	1,235,469	2,286,716
Total deferred inflows of resources	<u>1,822,443</u>	<u>2,982,108</u>
Net position:		
Net investment in capital assets (Note 10)	26,637,439	21,918,835
Restricted – held with pension trust (Note 3)	1,247,442	1,315,287
Unrestricted	32,873,827	32,428,290
Total net position	<u>60,758,708</u>	<u>55,662,412</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 101,261,060</u>	<u>\$ 97,584,128</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT*Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)*

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Sewer use assessments and charges	\$ 8,017,470	\$ 7,819,873
Tamalpais CSD service contract	2,479,754	2,392,340
Sausalito service contract	304,298	114,952
Other charges and services	5,827	58,528
Total operating revenues	<u>10,807,349</u>	<u>10,385,693</u>
Operating expenses:		
Salaries and employee benefits	2,019,599	2,461,652
Plant operations	980,643	1,041,455
Repairs and maintenance	83,892	69,263
Permit testing and monitoring	87,369	100,672
Utilities and telephone	497,539	475,441
General and administrative	281,002	275,273
Total operating expenses	<u>3,950,044</u>	<u>4,423,756</u>
Operating income before depreciation and amortization	6,857,305	5,961,937
Depreciation and amortization expense	<u>(2,994,866)</u>	<u>(3,092,379)</u>
Operating income	<u>3,862,439</u>	<u>2,869,558</u>
Non-operating revenues(expenses):		
Property taxes	953,796	939,013
Investment earnings	1,446,285	1,340,325
Interest expense	<u>(1,166,224)</u>	<u>(1,211,483)</u>
Total non-operating revenues(expenses), net	<u>1,233,857</u>	<u>1,067,855</u>
Change in net position	5,096,296	3,937,413
Net position:		
Beginning of year	<u>55,662,412</u>	<u>51,724,999</u>
End of year	<u>\$ 60,758,708</u>	<u>\$ 55,662,412</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 10,779,384	\$ 10,352,685
Cash paid to employees for salaries and wages	(1,865,924)	(1,987,452)
Cash paid to vendors and suppliers for materials and services	<u>(1,273,584)</u>	<u>(2,452,323)</u>
Net cash provided by operating activities	<u>7,639,876</u>	<u>5,912,910</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>956,081</u>	<u>904,211</u>
Net cash provided by non-capital financing activities	<u>956,081</u>	<u>904,211</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,469,344)	(2,532,472)
Principal paid on right-to-use leased asset	(109,003)	(105,144)
Principal paid on long-term debt	(1,065,000)	(1,025,000)
Interest paid on long-term debt	<u>(1,246,997)</u>	<u>(1,291,856)</u>
Net cash used in capital and related financing activities	<u>(8,890,344)</u>	<u>(4,954,472)</u>
Cash flows from investing activities:		
Purchase of investments, net	(34,104,432)	(16,364,740)
Sales of investments	34,109,000	-
Investment earnings	<u>704,832</u>	<u>956,561</u>
Net cash provided by (used in) investing activities	<u>709,400</u>	<u>(15,408,179)</u>
Net increase (decrease) in cash and cash equivalents	415,013	(13,545,530)
Cash and cash equivalents:		
Beginning of year	<u>14,650,809</u>	<u>28,196,339</u>
End of year	<u>\$ 15,065,822</u>	<u>\$ 14,650,809</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents	\$ 15,020,933	\$ 14,605,932
Restricted – cash and investments	3,451,931	3,519,764
Less: Restricted bond reserve surety investment	(2,159,600)	(2,159,600)
Less: Restricted investment held by pension trust	<u>(1,247,442)</u>	<u>(1,315,287)</u>
Total cash and cash equivalents	<u>\$ 15,065,822</u>	<u>\$ 14,650,809</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT*Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)*

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,862,439	\$ 2,869,558
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,994,866	3,092,379
Change in assets - (increase)decrease:		
Accounts receivable	(45,585)	29,291
Sewer assessment receivable	17,620	(62,299)
Prepaid expenses	(3,562)	3,237
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net OPEB liability	245,177	98,634
Deferred amounts related to net pension liability	733,509	728,891
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	984,011	(106,069)
Compensated absences	14,093	8,667
Net OPEB liability	26,353	388,575
Net pension liability	(29,380)	(12,721)
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to net OPEB liability	(108,418)	(211,735)
Deferred amounts related to net pension liability	(1,051,247)	(913,498)
Total adjustments	<u>3,777,437</u>	<u>3,043,352</u>
Net cash provided by operating activities	<u>\$ 7,639,876</u>	<u>\$ 5,912,910</u>
Noncash investing, capital and financing transactions:		
Amortization of bond premium	<u>\$ (70,123)</u>	<u>\$ (70,123)</u>
Change in fair-value of investments	<u>\$ 715,349</u>	<u>\$ 216,210</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025

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, 2025

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, 2025

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 liability for compensated absences is reported in the balance sheet. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payment such as the employer portion of medicare and social security taxes.

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, 2024
Measurement Period July 1, 2023 to June 30, 2024

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, 2023
Measurement Date June 30, 2024
Measurement Period July 1, 2023 to June 30, 2024

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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)

11. Pensions (continued)

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.

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".

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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

D. 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.

E. 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

F. 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.

G. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District has implemented new GASB pronouncements as follows:

GASB Statement No. 101 – Compensated Absences

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employers and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 5 for the effect of this Statement.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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

G. New Pronouncements – Governmental Accounting Standards Board (GASB) (continued)

GASB Statement No. 102 – Certain Risk Disclosures

This GASB Statement requires state and local governments to disclose vulnerabilities due to certain concentrations and constraints that could significantly impact their financial health. A concentration refers to a dependency on a specific source—such as a major revenue stream, customer, supplier, or workforce while a constraint involves legal, regulatory, contractual, or other external limitations that restrict an entity’s ability to respond to those risks. If these factors make the government vulnerable to a near-term severe impact, disclosure is required in the notes to the financial statements. The goal of Statement No. 102 is to improve transparency and provide users with better insight into potential risks that could affect a government’s financial condition. The District adopted the Statement as of July 1, 2024. See Note 13 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

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

<u>Description</u>	<u>June 30, 2025</u>
Cash and cash equivalents	\$ 15,020,933
Investments	17,359,575
Restricted – cash and investments	<u>3,451,931</u>
Total cash and investments	<u>\$ 35,832,439</u>

Cash and investments consisted of the following:

<u>Description</u>	<u>June 30, 2025</u>
Cash on hand	\$ 81
Demand deposits held with financial institutions	6,127,194
Local Agency Investment Fund (LAIF)	11,098,147
Investments	17,359,575
Investments –held by pension trust	<u>1,247,442</u>
Total cash and investments	<u>\$ 35,832,439</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2025, the carrying amount of the District's demand deposits were \$6,127,194 and the financial institution's balances were \$6,128,964. 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, 2025, 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, 2025, the District held \$11,098,147 in LAIF.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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 \$1,247,442 as of June 30, 2025.

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	61%	+/- 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	0%	+/- 2%	
	100%		

Investments

The District’s investments as of June 30, 2025 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	\$ 17,359,575	\$ 17,359,575
Total investments			\$ 17,359,575	\$ 17,359,575

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, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2025.

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, 2025.

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, 2025

NOTE 3 – RESTRICTED CASH AND INVESTMENTS AND RESTRICTED NET POSITION

Restricted cash and investments include \$44,889 in the restricted bond account for debt service and \$1,247,442 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, 2025</u>
Restricted – cash and investments	\$ 3,451,931
Less: Restricted cash for debt service	(44,889)
Less: Restricted bond reserve surety investment	<u>(2,159,600)</u>
Total restricted – held with pension trust	<u>\$ 1,247,442</u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2025, were as follows:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2025</u>
Non-depreciable assets:				
Construction-in-process	\$ 2,933,244	\$ 6,168,410	\$ (264,009)	\$ 8,837,645
Total non-depreciable assets	<u>2,933,244</u>	<u>6,168,410</u>	<u>(264,009)</u>	<u>8,837,645</u>
Depreciable assets:				
Conveyance and treatment facilities	22,240,962	-	-	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	51,003,738	564,943	-	51,568,681
Office equipment	119,521	-	-	119,521
Total depreciable assets	<u>86,469,741</u>	<u>564,943</u>	<u>-</u>	<u>87,034,684</u>
Accumulated depreciation:				
Conveyance and treatment facilities	(9,339,446)	(652,076)	-	(9,991,522)
Secondary treatment plant	(5,013,040)	(133,560)	-	(5,146,600)
Collection system upgrade	(2,052,952)	(13,442)	-	(2,066,394)
General equipment, facility upgrade and renewal	(17,427,986)	(2,035,272)	-	(19,463,258)
Office equipment	(110,109)	(4,095)	-	(114,204)
Total accumulated depreciation	<u>(33,943,533)</u>	<u>(2,838,445)</u>	<u>-</u>	<u>(36,781,978)</u>
Total depreciable assets, net	<u>52,526,208</u>	<u>(2,273,502)</u>	<u>-</u>	<u>50,252,706</u>
Right-to-use leased asset:				
Leased land	5,005,460	-	-	5,005,460
Accumulated amortization:				
Leased land	(1,251,366)	(156,421)	-	(1,407,787)
Total right-to-use leased asset, net	<u>3,754,094</u>	<u>(156,421)</u>	<u>-</u>	<u>3,597,673</u>
Total capital assets, net	<u>\$ 59,213,546</u>	<u>\$ 3,738,487</u>	<u>\$ (264,009)</u>	<u>\$ 62,688,024</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 5 – COMPENSATED ABSENCES

As of June 30, 2025, the total liability for compensated absences was \$148,993, of which \$74,496 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected an immaterial difference upon implementation of GASB Statement No. 101; therefore, no restatement was required.

<u>Balance</u> <u>July 1, 2024</u>	<u>Net</u> <u>Change</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 134,900	\$ 14,093	\$ 148,993	\$ 74,496	\$ 74,497

NOTE 6 – RIGHT-TO-USE LEASE PAYABLE

Changes in right-to-use lease payable for fiscal year ending June 30, 2025 was as follows:

<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 4,343,170	\$ -	\$ (109,003)	\$ 4,234,167	\$ 113,004	\$ 4,121,163

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>
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	130,531	133,469	264,000
2031-2035	728,132	591,868	1,320,000
2036-2040	871,932	448,068	1,320,000
2041-2045	1,044,131	275,869	1,320,000
2046-2049	981,924	74,074	1,055,998
Total	4,234,167	\$ 2,101,831	\$ 6,335,998
Current	(113,004)		
Long-term	\$ 4,121,163		

The District is reporting a total right-to-use leased asset, net of \$3,597,673 and a right-to-use lease payable of \$4,234,167 for the year ending June 30, 2025. Also, the District is reporting total amortization expense of \$156,421, principal payments of \$109,003 and interest expense of \$154,997 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, 2025

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 \$109,003 and \$154,997, 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, 2025, were as follows:

Description	Balance			Balance June 30, 2025	Current Portion	Long-term Portion
	July 1, 2024	Additions	Payments			
Revenue bonds – 2017	\$ 27,300,000	\$ -	\$ (1,065,000)	\$ 26,235,000	\$ 1,105,000	\$ 25,130,000
Revenue bonds – 2017 – premium	1,332,341	-	(70,123)	1,262,218	-	1,262,218
Revenue bonds – 2017 – bond reserve surety	2,159,600	-	-	2,159,600	-	2,159,600
	<u>\$ 30,791,941</u>	<u>\$ -</u>	<u>\$ (1,135,123)</u>	<u>\$ 29,656,818</u>	<u>\$ 1,105,000</u>	<u>\$ 28,551,818</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 1st and interest payable semi-annually on April 1st and October 1st. The premium on the 2017 Revenue Bonds was received as additional proceeds by the District, in the amount of \$2,118,915. This premium, net of related issuance costs, is being amortized over the life of the 2017 Revenue Bonds.

In connection with the issuance of the bond, the District purchased surety bond insurance to establish a debt service reserve. The reserve will be held by a trustee as a fiscal agent and can be used to pay the required debt service payments if the District were unable to meet its debt service requirements. The \$2,159,600 reserve amount will be used to make the final debt service payments 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, 2025.

SAUSALITO-MARIN CITY SANITARY DISTRICT
Notes to Financial Statements
 June 30, 2025

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>
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	1,295,000	861,600	2,156,600
2031-2035	7,290,000	3,488,800	10,778,800
2036-2040	8,885,000	1,908,200	10,793,200
2041-2042	4,070,000	245,800	4,315,800
Total	26,235,000	<u>\$ 10,429,600</u>	<u>\$ 36,664,600</u>
Current	<u>(1,105,000)</u>		
Long-term	<u>\$ 25,130,000</u>		

SAUSALITO-MARIN CITY SANITARY DISTRICT
Notes to Financial Statements
June 30, 2025

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>2025</u>
OPEB related deferred outflows	\$ 940,562
Net other post-employment benefits liability	1,261,643
OPEB related deferred inflows	586,974

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, 2025

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, 2025, the District’s contributions totaling \$171,469, 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, 2024 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, 2024
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	4.46%
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, 2025

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.46%. 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:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024 (Measurement date June 30, 2023)	\$ 3,546,453	\$ 2,311,163	\$ 1,235,290
Changes for the year:			
Service cost	114,805	-	114,805
Interest	152,252	-	152,252
Changes in assumption	(37,309)	-	(37,309)
Employer contributions	-	13,955	(13,955)
Net investment income	-	190,189	(190,189)
Benefit payments	(156,597)	(156,597)	-
Administrative expenses	-	(749)	749
Net changes	73,151	46,798	26,353
Balance at June 30, 2025 (Measurement date June 30, 2024)	\$ 3,619,604	\$ 2,357,961	\$ 1,261,643

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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 (3.46%) or 1 percentage point higher (5.46%) than the current discount rate:

	<u>1% Decrease</u> <u>3.46%</u>	<u>Discount Rate</u> <u>4.46%</u>	<u>1% Increase</u> <u>5.46%</u>
Net OPEB Liability	<u>\$ 1,857,033</u>	<u>\$ 1,261,643</u>	<u>\$ 788,008</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>\$ 732,595</u>	<u>\$ 1,261,643</u>	<u>\$ 1,937,786</u>

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$163,112. At June 30, 2025, 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>
OPEB contributions made after the measurement date	\$ 1,982	\$ -
Changes in assumptions	654,055	(187,889)
Differences between expected and actual experience	84,927	(249,608)
Differences between projected and actual earnings on OPEB plan investments	<u>199,598</u>	<u>(149,477)</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 940,562</u>	<u>\$ (586,974)</u>

SAUSALITO-MARIN CITY SANITARY DISTRICT
Notes to Financial Statements
June 30, 2025

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 \$1,982 as deferred outflows of resources related to contributions subsequent to the measurement date. Contributions of \$171,469 were fully offset by trust reimbursements that will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2026. 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>
2026	\$ 18,759
2027	99,537
2028	26,637
2029	54,038
2030	43,057
Thereafter	<u>109,578</u>
Total	<u>\$ 351,606</u>

At June 30, 2025, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2025.

NOTE 9 – PENSION PLAN

Summary

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

<u>Description</u>	<u>2025</u>
Pension related deferred outflows	\$ 1,336,068
Net pension liability	1,732,673
Pension related deferred inflows	1,235,469

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, 2025

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):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
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%	7.750%
Required employer contribution rates – FY 2024	17.340%	7.680%

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, 2024 measurement date, the following members were covered by the benefit terms:

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

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, 2025

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 (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the year ended June 30, 2025, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Contributions – member	\$ 297,322	\$ 48,683	\$ 346,005

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, 2024, 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, 2023, rolled forward to June 30, 2024, 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, 2025:

Measurement Date	Percentage Share of Risk Pool		
	Fiscal Year	Fiscal Year	Change Increase/ (Decrease)
	Ending June 30, 2025	Ending June 30, 2024	
	June 30, 2024	June 30, 2023	
Percentage of Risk Pool Net Pension Liability	0.035824%	0.035238%	0.000586%
Percentage of Plan Net Pension Liability	0.014287%	0.014124%	0.000163%

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025, 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>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2023 (Measurement Date)	\$ 16,845,246	\$ 15,083,193	\$ 1,762,053
Balance as of June 30, 2024 (Measurement Date)	\$ 17,620,196	\$ 15,887,523	\$ 1,732,673
Change in Plan Net Pension Liability	<u>\$ 774,950</u>	<u>\$ 804,330</u>	<u>\$ (29,380)</u>

For the year ended June 30, 2025, the District recognized pension credit of \$1,113. At June 30, 2025, 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	\$ 346,005	\$ -
Difference between actual and proportionate share of employer contributions	527,895	(385,193)
Adjustment due to differences in proportions	168,082	(844,431)
Differences between expected and actual experience	149,805	(5,845)
Differences between projected and actual earnings on pension plan investments	99,748	-
Changes in assumptions	44,533	-
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 1,336,068</u>	<u>\$ (1,235,469)</u>

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, 2025

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 \$346,005 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, 2026. 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>
2026	\$ (302,583)
2027	104,376
2028	(13,017)
2029	<u>(34,182)</u>
Total	<u>\$ (245,406)</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability. The June 30, 2025, total pension liability was based on the following actuarial methods and assumptions:

<p>Actuarial Cost Method</p> <p>Actuarial Assumptions:</p> <p>Discount Rate</p> <p>Price Inflation Salary Increases</p> <p>Salary Increases</p> <p>Mortality Rate Table</p> <p>Post Retirement Benefit Increase</p>	<p>Entry Age Actuarial Cost Method</p> <p>6.90%</p> <p>2.30%</p> <p>Varies by entry age and service</p> <p>Derived using CalPERS' membership data for all funds.</p> <p>The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter</p>
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Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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 ¹	Assumed asset allocation	Real Return ^{1,2}
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%
	100.0%	

¹ An expected inflation of 2.30% used for this period.

² 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% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
	CalPERS – Miscellaneous Plan	4,110,349	\$ 1,732,673

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2025.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

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

<u>Description</u>	<u>June 30, 2025</u>
Net investment in capital assets	
Capital assets – not being depreciated	\$ 8,837,645
Capital assets, net – being depreciated	53,850,379
Right-to-use lease payable – current portion	(113,004)
Long-term debt payable – current portion	(1,105,000)
Right-to-use lease payable – non-current portion	(4,121,163)
Long-term debt payable – non-current portion	(28,551,818)
Unspent proceeds bond reserve surety (Note 3)	(2,159,600)
Total net investment in capital assets	<u>\$ 26,637,439</u>

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, 2025

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. Condensed financial information for CSRMA is presented below:

A. Entity	CSRMA	
B. Purpose	To spread the adverse effects of losses among the member entities and purchase excess insurance as a group.	
C. Participants	As of June 30, 2024 – 60 member districts	
D. Governing board	Ten representatives employed by members	
E. Condensed financial information	June 30, 2024	
Audit signed	December 18, 2024	
Statement of financial position:		<u>June 30, 2024</u>
Total assets		<u>\$ 39,433,497</u>
Total liabilities		<u>27,415,056</u>
Net position		<u>\$ 12,018,441</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 24,879,936
Total expenses		<u>(22,895,588)</u>
Change in net position		1,984,348
Beginning - net position		<u>10,034,083</u>
Ending - net position		<u>\$ 12,018,431</u>
F. Member agencies share of year-end financial position		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, 2025, 2024, and 2023. 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, 2025, 2024, and 2023.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 13 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT No. 102)

The Sanitary District derives approximately 64% of its operating revenue from residential sanitation service charges collected through the County’s property tax roll. These charges are levied as special assessments pursuant to applicable laws and are collected in the same manner and at the same time as general property taxes. This structure creates a concentration of revenue dependency on the County’s property tax collection system, as well as the timely payment of property taxes by residential property owners within the District’s service area.

Although the District benefits from the historically high collection rates of secured property taxes in the County (typically exceeding 98%), economic downturns, changes in property values, or delays in tax collections could materially affect the timing and availability of funds to support operations and debt service. Additionally, future rate adjustments for service charges are subject to the procedural requirements of Proposition 218, which may constrain the District’s ability to increase rates in response to rising operational or capital costs.

The District monitors tax collection trends and maintains reserves in accordance with its financial policies to mitigate the potential impact of delayed or reduced revenues.

In accordance with GASB Statement No. 102, Risk Disclosures, this note serves to disclose the concentration of revenue and associated risks that could significantly impact the District’s financial position and results of operations.

NOTE 14 – 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).

SAUSALITO-MARIN CITY SANITARY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has a variety of agreements with private parties relating to installation, improvement or modification of sewer facilities and treatment systems within its service area. The financing of such construction contracts is being provided primarily from debt proceeds, capital contributions, as well as the District's replacement reserves. As of June 30, 2025, the District estimates it will cost approximately \$7,377,383 to complete the projects currently in construction-in-process.

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.

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 16, 2025, the date which the financial statements were available to be issued.

Required Supplementary Information

SAUSALITO-MARIN CITY SANITARY DISTRICT

*Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2025*

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 Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
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%
June 30, 2024	0.01429%	1,732,673	1,730,872	100.10%	90.17%

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.

From fiscal year June 30, 2024 to June 30, 2025:

There were no significant changes in assumptions.

SAUSALITO-MARIN CITY SANITARY DISTRICT

*Schedule of the District's Contributions to the Defined Benefit Pension Plan
For the Year Ended June 30, 2025*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
June 30, 2025	346,005	(346,005)	-	1,644,500	21.04%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
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%
June 30, 2025	June 30, 2023	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.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2025

Fiscal Year Ended	Last Ten Fiscal Years*			
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total OPEB liability:				
Service cost	\$ 114,805	\$ 105,877	\$ 122,278	\$ 106,248
Interest	152,252	139,546	127,721	140,282
Changes of assumptions	(37,309)	119,093	(325,473)	205,346
Differences between expected and actual experience	-	130,833	-	(271,863)
Benefit payments	<u>(156,597)</u>	<u>(169,506)</u>	<u>(147,709)</u>	<u>(136,691)</u>
Net change in total OPEB liability	73,151	325,843	(223,183)	43,322
Total OPEB liability - beginning	<u>3,546,453</u>	<u>3,220,610</u>	<u>3,443,793</u>	<u>3,400,471</u>
Total OPEB liability - ending	<u>3,619,604</u>	<u>3,546,453</u>	<u>3,220,610</u>	<u>3,443,793</u>
Plan fiduciary net position:				
Contributions - employer	13,955	24,008	23,827	9,691
Net investment income	190,189	83,936	(358,224)	497,114
Administrative expense	(749)	(1,170)	(723)	(912)
Benefit payments	<u>(156,597)</u>	<u>(169,506)</u>	<u>(147,709)</u>	<u>(136,691)</u>
Net change in plan fiduciary net position	46,798	(62,732)	(482,829)	369,202
Plan fiduciary net position - beginning	<u>2,311,163</u>	<u>2,373,895</u>	<u>2,856,724</u>	<u>2,487,522</u>
Plan fiduciary net position - ending	2,357,961	2,311,163	2,373,895	2,856,724
District's net OPEB liability	<u>\$ 1,261,643</u>	<u>\$ 1,235,290</u>	<u>\$ 846,715</u>	<u>\$ 587,069</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>65.14%</u>	<u>65.17%</u>	<u>73.71%</u>	<u>82.95%</u>
Covered-employee payroll	<u>\$ 1,567,011</u>	<u>\$ 1,644,818</u>	<u>\$ 1,528,000</u>	<u>\$ 1,447,843</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>80.51%</u>	<u>75.10%</u>	<u>55.41%</u>	<u>40.55%</u>

Notes to Schedule:

Benefit Changes:

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
 Measurement Date June 30, 2024 – There were no changes in benefits

Changes in Assumptions:

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
 Measurement Date June 30, 2024 – There were no changes in benefits

* Fiscal year 2018 was the first year of implementation; therefore, only eight 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, 2025

Fiscal Year Ended Measurement Date	Last Ten Fiscal Years*			
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB liability:				
Service cost	\$ 103,153	\$ 77,423	\$ 75,168	\$ 72,979
Interest	136,718	170,969	166,877	163,427
Changes of assumptions	-	934,682	-	-
Differences between expected and actual experience	-	(182,895)	-	-
Benefit payments	<u>(173,738)</u>	<u>(294,320)</u>	<u>(186,322)</u>	<u>(183,982)</u>
Net change in total OPEB liability	66,133	705,859	55,723	52,424
Total OPEB liability - beginning	<u>3,334,338</u>	<u>2,628,479</u>	<u>2,572,756</u>	<u>2,520,332</u>
Total OPEB liability - ending	<u>3,400,471</u>	<u>3,334,338</u>	<u>2,628,479</u>	<u>2,572,756</u>
Plan fiduciary net position:				
Contributions - employer	32,224	147,160	2,212,454	311,200
Net investment income	135,368	173,891	14,298	23,597
Administrative expense	(1,237)	(534)	(741)	(159)
Benefit payments	<u>(173,738)</u>	<u>(294,320)</u>	<u>(186,322)</u>	<u>(183,982)</u>
Net change in plan fiduciary net position	(7,383)	26,197	2,039,689	150,656
Plan fiduciary net position - beginning	<u>2,494,905</u>	<u>2,468,708</u>	<u>429,019</u>	<u>278,363</u>
Plan fiduciary net position - ending	<u>2,487,522</u>	<u>2,494,905</u>	<u>2,468,708</u>	<u>429,019</u>
District's net OPEB liability	<u>\$ 912,949</u>	<u>\$ 839,433</u>	<u>\$ 159,771</u>	<u>\$ 2,143,737</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>73.15%</u>	<u>74.82%</u>	<u>93.92%</u>	<u>16.68%</u>
Covered-employee payroll	<u>\$ 1,409,108</u>	<u>\$ 1,387,443</u>	<u>\$ 1,338,389</u>	<u>\$ 1,333,613</u>
District's net OPEB liability as a percentage of covered-employee payroll	<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, 2019 – There were no changes in benefits
 Measurement Date June 30, 2020 – 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

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

SAUSALITO-MARIN CITY SANITARY DISTRICT

Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan For the Year Ended June 30, 2025

Fiscal Year Ended	Last Ten Fiscal Years*			
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022
Actuarially determined contribution	\$ 171,469	\$ 13,955	\$ 123,001	\$ 149,558
Contributions in relation to the actuarially determined contributions	<u>(171,469)</u>	<u>(13,955)</u>	<u>(23,827)</u>	<u>(123,882)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ 99,174	\$ 25,676
Covered payroll	<u>\$ 1,719,376</u>	<u>\$ 1,567,011</u>	<u>\$ 1,644,818</u>	<u>\$ 1,528,000</u>
Contributions as a percentage of covered payroll	9.97%	0.89%	1.45%	8.11%

Notes to Schedule:

Valuation Date	June 30, 2023	June 30, 2023	June 30, 2021	June 30, 2021
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial cost method	Entry age normal	Entry Age	Entry Age	Entry Age
Amortization method	Closed period, level percent of pay	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	4.46%	4.39%	4.45%	3.79%
Inflation	2.75%	2.75%	2.75%	2.75%
Payroll increases	3.00%	3.00%	3.00%	3.00%
Mortality	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)
Disability	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(4)	(4)	(4)	(4)
Percent Married	80%	80%	80%	80%
Healthcare trend rates	5.00%	5.00%	5.00%	5.00%

(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 eight years are shown.

SAUSALITO-MARIN CITY SANITARY DISTRICT

Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan For the Year Ended June 30, 2025

Fiscal Year Ended	Last Ten Fiscal Years*			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 178,821	\$ 140,878	\$ 90,675	\$ 250,037
Contributions in relation to the actuarially determined contributions	<u>(136,691)</u>	<u>(139,597)</u>	<u>(147,160)</u>	<u>(2,143,737)</u>
Contribution deficiency (excess)	<u>\$ 42,130</u>	<u>\$ 1,281</u>	<u>\$ (56,485)</u>	<u>\$ (1,893,700)</u>
Covered payroll	<u>\$ 1,447,843</u>	<u>\$ 1,409,108</u>	<u>\$ 1,387,443</u>	<u>\$ 1,338,389</u>
Contributions as a percentage of covered payroll	9.44%	9.91%	10.61%	160.17%

Notes to Schedule:

Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	4.21%	6.73%	6.73%	6.73%
Inflation	2.75%	2.75%	2.75%	3.00%
Payroll increases	3.00%	3.00%	3.00%	3.00%
Mortality	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)
Disability	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(4)	(4)	(4)	(4)
Percent Married	80%	80%	80%	80%
Healthcare trend rates	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 eight 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, 2025, 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 16, 2025.

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 16, 2025