SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

P&C

PEROTTI & CARRADE

Certified Public Accountants

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

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PEROTTI & CARRADE
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sanitary District Number 5 of Marin County

Opinions

We have audited the accompanying financial statements of the business-type activities of the Sanitary District Number 5 of Marin County as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Sanitary District Number 5 of Marin County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sanitary District Number 5 of Marin County, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Sanitary District Number 5 of Marin County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 Sanitary District Number 5 of Marin County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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 Sanitary District Number 5 of Marin County'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 Sanitary District Number 5 of Marin County'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 Schedule of CalPERS Pension Plan Contribution, Schedule of CalPERS Proportionate Share of Net Pension Liability, Schedule of OPEB Contributions, and Schedule of Net OPEB Liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanitary District Number 5 of Marin County's basic financial statements. The Schedule of operating and system maintenance and general and administrative expenses and the schedule of activity in cash reserved for infrastructure and other improvements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information is comprised of the statistical information on page 38 but does not include the basic financial statements and our Auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

January 31, 2024

Perotti & Carrade

This section of the Sanitary District Number 5 of Marin County's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2023. The financial statements are presented in a format to comply with the financial statement presentation requirements of the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- The net position of the District's business-type activities decreased by approximately $1,437,000 during the year ended June 30, 2023.
- Total operating revenues decreased by approximately $5,000 due to an increase in sewer service charges and maintenance agreements, offset by a decrease in connection and inspection fees. Nonoperating revenues (expenses) increased by approximately $261,000 attributed to an increase of approximately $281,000 in investment income.
- Total operating expenses for the year ended June 30, 2023 increased by approximately $5,676,000 compared to the year ended June 30, 2022. The increase in operating expenses was principally attributed to an increase in salaries and benefits of approximately $5,320,000 as a result of an increase in pension costs due to the amortization of investment and other assumptions required in estimate the pension cost.
- There were no increases in customer rates during the year ended June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements including related disclosures, and required supplementary information. The basic financial statements include a statement that presents both a short-term and long-term view of the District: Proprietary enterprise fund-type statements offer short and long-term financial information about the activities that the District operates like businesses, such as the District's wastewater collection and treatment system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plans. Figure A-1 (see following page) summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

FIGURE A-1 Major Financial Statement Features

	Basic Financial Statements
Scope	Activities the District operates similar to private businesses; the wastewater collection and treatment systems.
Required financial statements	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received.

Basic Financial Statements

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

Business-type activities – The District charges fees to help it cover the costs of certain services it provides. All of the District's operations are accounted for in this category. The District uses proprietary enterprise fund type accounting principles to account for all operations. Proprietary accounting provides both long-and short-term financial information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE A-1: Net Position of the District

	2023	2022	Increase (Decrease) Over 2022	Percent Increase (Decrease)	2021	Increase (Decrease) Over 2021
Cash, including board reserves	$ 16,651,446	$ 16,449,870	$ 201,576	1.23%	$ 15,080,074	$ 1,369,796
Capital assets	18,809,156	19,118,201	(309,045)	-1.62%	20,408,185	(1,289,984)
Other assets and deferred outflows of resources	2,551,475	4,002,814	(1,451,339)	-36.26%	778,363	3,224,451
Total assets and deferred outflows of resources	38,012,077	39,570,885	(1,558,808)	-3.94%	36,266,622	3,304,263
Current liabilities	1,300,127	1,182,534	117,593	9.94%	1,222,899	(40,365)
Net pension and OPEB liabilities and related deferred inflows of resources	1,471,569	1,087,078	384,491	35.37%	1,117,194	(30,116)
Bond payable, and note payable from direct borrowing, and related deferred inflows of resources	5,548,985	6,172,411	(623,426)	-10.10%	6,780,838	(608,427)
Total liabilities and deferred inflows of resources	8,320,681	8,442,023	(121,342)	-1.44%	9,120,931	(678,908)
Net position:						
Net investment in capital assets	12,744,156	12,458,201	285,955	2.30%	13,168,185	(709,984)
Unrestricted	16,947,240	18,670,661	(1,723,421)	-9.23%	13,977,506	4,693,155
Total net position	$ 29,691,396	$ 31,128,862	$ (1,437,466)	-4.62%	$ 27,145,691	$ 3,983,171

Net Position. The District's total net position decreased by $1,437,466 during the year ended June 30, 2023. This decrease is discussed in detail on the following page. The $1,558,808 decrease in total assets and deferred outflows of resources is attributed principally to the decrease in net pension assets and related deferred inflows and outflows of approximately $1,687,000. The $121,342 decrease in liabilities and deferred inflows of resources is attributed principally to the reduction in bond payable of $595,000 offset by an increase in net pension related liabilities of $507,489.

The District's total net position increased by $3,983,171 during the year ended June 30, 2022. This increase is discussed in detail on the following page. The $3,304,262 increase in total assets and deferred outflows of resources is attributed principally to the increase in net pension assets and related deferred outflows of approximately $1,117,000 and an increase in cash of approximately $1,370,000. The $678,908 decrease in liabilities and deferred inflows of resources is attributed principally to the reduction in bond payable of $580,000.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

TABLE A-2 Condensed Revenues, Expenses and Changes in Net Position

	2023	2022	Increase (Decrease) Over 2022	Percent Increase (Decrease)	2021	Increase (Decrease) Over 2021
Operating revenues	$ 5,515,663	$ 5,520,948	$ (5,285)	-0.10%	$ 5,300,933	$ 220,015
Nonoperating revenues	1,791,003	1,545,043	245,960	15.92%	1,381,865	163,178
Total revenues	7,306,666	7,065,991	240,675	3.41%	6,682,798	383,193
Operating expenses	8,603,457	2,927,482	5,675,975	193.89%	5,788,067	(2,860,585)
Nonoperating expenses	140,675	155,338	(14,663)	-9.44%	171,553	(16,215)
Total expenses	8,744,132	3,082,820	5,661,312	183.64%	5,959,620	(2,876,800)
Change in net assets	(1,437,466)	3,983,171	(5,420,637)	-136.09%	723,178	3,259,993
Capital contribution	-	-	-	0.00%	-	-
Net position - beginning of period	31,128,862	27,145,691	3,983,171	14.67%	26,422,513	723,178
Net position - end of period	$ 29,691,396	$ 31,128,862	$ (1,437,466)	-4.62%	$ 27,145,691	$ 3,983,171

Overall, during the year ended June 30, 2023, there was an increase of $240,675, or about 3.41 percent, in total revenues over the year ended June 30, 2022. This was principally due to an increase in investment income of approximately $281,000.

The District's total expenses for the year ended June 30, 2023 increased by $5,661,312, or about 183.64 percent, compared to total expenses for the year ended June 30, 2022. Salaries and benefits costs increased by approximately $5,320,000 principally due to the amortization of pension and OPEB costs.

Overall, during the year ended June 30, 2022, there was an increase of $383,193, or about 5.73 percent, in total revenues over the year ended June 30, 2021. This was principally due to an increase in connection and inspection fees of approximately $189,000 and an increase in property taxes income of approximately $185,000.

The District's total expenses for the year ended June 30, 2022 decreased by $2,876,800, or about 48.27 percent, compared to total expenses for the year ended June 30, 2021. Salaries and benefits costs decreased by approximately $3,005,000 principally due to the amortization of pension and OPEB costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

TABLE A-3 District Investment in Capital Assets, Net of Accumulated Depreciation

	June 30, 2023	June 30, 2022	Increase (Decrease) Over 2022	Percent Increase (Decrease)
Land	$ 49,295	$ 49,295	$ -	0.00%
Main and Paradise Cove plants	7,549,800	8,419,770	(869,970)	-10.33%
Sewer line and pump stations	10,901,119	10,270,830	630,289	6.14%
Plant equipment, vehicles, and other equipment	308,942	378,306	(69,364)	-18.34%
Total capital assets	$ 18,809,156	$ 19,118,201	$ (309,045)	-1.62%

Capital Assets

There was a net decrease in capital assets of $309,045 during the year ended June 30, 2023 due to the current year's depreciation of $1,662,307 and as the District added $1,353,262 of improvements during the year ended June 30, 2023, most of which was for improvements made to sewer lines.

Long-Term Debt

In fiscal year 2012, the District's Financing Authority issued $10,935,000 in revenue bonds to provide financing for the Main Plant Rehabilitation Project. In March 2020, the District was able to refinance the outstanding balance of the revenue bonds, $7,205,000, with a direct borrowing. The new loan had a principal balance of $7,900,000, a term of twelve years, and an interest rate of 2.48%. There were approximately $95,000 of debt refinancing costs.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

Several major changes in the district's financial capabilities and operations are anticipated in the future.

The District's income for the upcoming fiscal year will be increasing as a result of the Board of Directors approving a 5 year rate increase for sewer service fees. The District had gone 8 years without an increase in rates. Furthermore, commercial activity is back to pre-Covid 19 Pandemic levels which will bring the commercial income back to normal. On the expense side, the cost of goods and services has continued to increase in the past year as a result of heightened inflation.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES (continued)

The FY 23/24 budget for the Main Plant has an estimated $6,480,000 of capital work identified in the 10-yr CIP. The Paradise Cove Plant has an estimated $1,515,000 of capital work identified in the 10-yr CIP. The Collection system serving both treatment plants has an estimated $13,280,000 of capital work identified in the 10-yr CIP. The District still has debt service in the amount of $5.5 million (Loan) from the refinancing of the 2012 Main Plant Rehabilitation Project Bond.

The projects and estimates were determined during the year ended June 30, 2023, and do not include future upgrades that may be required by future National Pollutant Discharge Elimination System (NPDES) permits. The Paradise Cove treatment plant NPDES permit was last re-issued in 2021 without any significant changes. The Tiburon treatment plant permit was renewed at the end of calendar year 2023. The new permit calls out for 5 million dollars ($5M) for collection system improvements during the permit term (5years). The current 5 year projection from the Districts 10 year CIP estimates expenditures to satisfy this requirement at 7.6 million dollars ($7.6M).

The current rate of return for monies deposited in the Disrtrict Local Agency Investment Fund (LAIF) account is approaching 4% at the date of this report. The District is currently considering investing some of its cash deposits in LAIF into US Treasuries which also at the time of this report are generating interest returns above 5%.

In regard to work force staffing, the District, in line with its strategic goals and succession completed a staffing level evaluation in 2022 of its current operations to assess the effectiveness of the organizational structure and its ability to maintain its current level of service. The assessment focused on identifying resource gaps, inclusive of staffing, based on their treatment plants and collection systems as compared with industry's "best practice." Periodic objective assessments of the operation are critical as they ensure that the District is meeting its mission in an effective and efficient manner, and that the District can deliver sustainable levels of service in the face of evolving internal and external challenges. The District now has a total of 13 full-time employees which includes the District Manager. The District also completed and entered into a successor Memorandum of Understanding (MOU) with the represented employees. The length of contract is 4 years and the effect of the changes in the MOU were captured in the most recent 2022/2023 Rate Study.

Two other potential changes facing the District are Bio-Solids Management and Disposal and the State of California Advance Clean Fleet Rules.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES (continued)

Diminishing options to dispose of bio-solids, coupled with new regulations requiring diversion of organics from landfill will create a greater risk of significant cost increases for small Districts like ours, to dispose of Bio-Solids and require far more complex management programs. It is anticipated that costs could potentially double for Bio-Solids' management, if landfill disposal is eliminated as an option, as a result of SB1383 requirements.

As of June 30, 2020, Sanitary District No. 5 of Marin County has completed a Bio-Solids Management Plan providing the district with alternatives for Bio-Solid's disposal and re-use options.

The Advanced Clean Fleets (ACF) regulation is part of the California Air Resources Board's (CARB or Board) overall approach to accelerate a large-scale transition to zero-emission medium- and heavy-duty vehicles.

State and local government fleets, including city, county, special district, and State agency fleets, are required to ensure 50 percent of vehicle purchases are zero-emission beginning in 2024 and 100 percent of vehicle purchases are zero-emission by 2027. Small government fleets (those with 10 or fewer vehicles) and those in designated counties must start their ZEV purchases beginning in 2027.

The District is currently in the planning phase of identifying which medium and heavy duty trucks will be replaced or retired and at what date.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Manager, Sanitary District Number 5 of Marin County, 2001 Paradise Drive, Tiburon, California, 94920.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,725,527	$ 5,706,159
Accounts receivable	225,826	79,912
Prepaid expenses	128,068	73,201
Total current assets	4,079,421	5,859,272
Other Assets:		
Board restricted investments	12,925,919	10,743,711
Net pension asset	-	1,669,791
Capital assets, net of accumulated depreciation	18,809,156	19,118,201
Total other assets	31,735,075	31,531,703
Total Assets	35,814,496	37,390,975
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1,747,902	1,765,270
OPEB related	449,679	414,640
Total Deferred Outflows of Resources	2,197,581	2,179,910
LIABILITIES		
Current Liabilities:		
Accounts payable	345,397	232,280
Compensated absence liability	196,007	186,052
Accrued interest payable	37,603	41,292
Deferred permit revenue	111,120	127,910
Current portion of note payable from direct borrowing	610,000	595,000
Total current liabilities	1,300,127	1,182,534
Long-term liabilities:		
Net OPEB liability	261,102	496,691
Net pension liability	368,083	-
Note payable from direct borrowing	5,455,000	6,065,000
Total long-term liabilities	6,084,185	6,561,691
Total Liabilities	7,384,312	7,744,225
DEFERRED INFLOWS OF RESOURCES		
Pension related	502,519	363,113
Deferred amount on debt refunding	93,985	107,411
OPEB related	339,865	227,274
Total Deferred Inflows of Resources	936,369	697,798
NET POSITION		
Net investment in capital assets	12,744,156	12,458,201
Unrestricted	16,947,240	18,670,661
Net Position	$ 29,691,396	$ 31,128,862

See accompanying notes to the financial statements.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues:		
Sewer service charges	$ 4,979,348	$ 4,937,805
Connection and inspection fees	404,351	493,260
Maintenance agreements	118,569	78,033
Other	13,395	11,850
Total operating revenues	5,515,663	5,520,948
Operating Expenses:		
Salaries and benefits	4,649,312	(671,114)
Maintenance and repairs	708,744	569,346
Utilities	289,845	267,765
Supplies (chemicals)	284,610	242,838
Line cleaning and inspection	175,954	242,112
Contracted and professional services	190,599	151,328
Other operating costs	269,105	125,158
Telephone and internet	129,234	106,499
Liability and property insurance	69,442	93,603
Monitoring	79,248	74,483
Other administrative costs	95,057	74,358
Depreciation	1,662,307	1,651,106
Total operating expenses	8,603,457	2,927,482
Operating Income (Loss)	(3,087,794)	2,593,466
Non-Operating Revenues (Expenses):		
Property taxes	1,454,080	1,488,925
Investment income	336,923	56,118
Interest expense	(140,675)	(155,338)
Total net non-operating revenues (expenses)	1,650,328	1,389,705
Increase (Decrease) in Net Position	(1,437,466)	3,983,171
Net Position, Beginning of Year	31,128,862	27,145,691
Net Position, End of Year	$ 29,691,396	$ 31,128,862

See accompanying notes to the financial statements.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash receipts from:		
Sewer service charges	$ 4,833,434	$ 4,952,611
Connection and inspection fees	387,561	466,471
Other operating sources	131,964	89,883
Total cash receipts	5,352,959	5,508,965
Cash paid for:		
Salaries and benefits	(2,545,395)	(2,553,478)
Utilities	(282,998)	(271,286)
Contracted and professional services	(253,247)	(90,529)
Supplies (chemicals)	(279,635)	(236,079)
Line cleaning and inspection	(182,968)	(265,178)
Other expenses	(1,292,091)	(1,154,179)
Total cash paid	(4,836,334)	(4,570,729)
Net cash provided by operating activities	516,625	938,236
Cash Flows from Investing Activities:		
Interest income	336,923	56,118
Net cash provided by investing activities	336,923	56,118
Cash Flows from Capital and Related Financing Activities:		
Interest paid on bond debt	(157,790)	(172,361)
Payment on bond debt	(595,000)	(580,000)
Property additions	(1,353,262)	(361,122)
Net cash used for capital and related financing activities	(2,106,052)	(1,113,483)
Cash Flows from Non-Capital and Related Financing Activities:		
Property taxes collected	1,454,080	1,488,925
Net cash provided by non-capital and related financing activities	1,454,080	1,488,925
Net Increase in Cash and Cash Equivalents, and Board Restricted Investments	201,576	1,369,796
Cash and Cash Equivalents, and Board Restricted Investments, Beginning of Year	16,449,870	15,080,074
Cash and Cash Equivalents, and Board Restricted Investments, End of Year	$ 16,651,446	$ 16,449,870
Reconciliation of Cash and Cash Equivalents, and Board Restricted Investments to Amounts Reported on the Statement of Net Position:		
Cash and cash equivalents	$ 3,725,527	$ 5,706,159
Board restricted investments	12,925,919	10,743,711
	$ 16,651,446	$ 16,449,870

See accompanying notes to the financial statements.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

RECONCILIATIONS OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Income (Loss)	$ (3,087,794)	$ 2,593,466
Add or deduct items not requiring the use of cash:		
Depreciation	1,662,307	1,651,106
Changes in operating assets and liabilities:		
Accounts receivable	(145,914)	14,806
Prepaid expenses	(54,867)	5,048
Accounts payable	113,117	(92,187)
Compensated absence liability	9,955	67,207
Deferred permit revenue	(16,790)	(26,789)
Net pension liability	2,037,874	(1,629,065)
Deferred pension outflows and inflows of resources	156,774	(1,283,081)
Net OPEB liability	(235,589)	(167,416)
Deferred OPEB outflows and inflows of resources	77,552	(194,859)
Net Cash Provided by Operating Activities	$ 516,625	$ 938,236

See accompanying notes to the financial statements.

1. THE ORGANIZATION

Sanitary District Number 5 of Marin County (District) was created on March 17, 1947 as a special district under Provision of the Sanitary District Act of 1923 by a reorganization of previously created districts into a single sanitary district, and it is governed by five elected Directors. The District is an independent special district that provides sewage collection services to a portion of the Town of Tiburon and Belvedere, California. The District is a proprietary fund, also referred to as an enterprise fund, which is a fund established by governmental agencies to account for goods and services provided to the general public that are financed primarily through user charges.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The District has one blended component unit, the Tiburon/Belvedere Wastewater Financing Authority (Authority) which is governed by the District's Board of Directors. The District is responsible for all of the Authority's obligations. The transactions between the Authority and the District have been eliminated from the accompanying financial statements and the Authority's transactions are reported as part of the District's financial activities. Separate financial statements for the Authority are not available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation and Accounting - The activities of the District are accounted for in a single enterprise fund using the accrual basis of accounting. The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, these notes to the basic financial statements, and required supplementary information.

Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the households and commercial and public facilities in the district for sewer service. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting, continued - The District, as authorized by its Board of Directors, charges new users a fee to pay for capital improvements necessitated by their addition. Fees received have been treated as contributed capital and have been expended solely on infrastructure improvements.

Cash and Cash Equivalents, and Board Restricted Investments: Cash includes amounts in demand deposits.

Required disclosures relating to investments include the following components: interest rate risk and credit risk. The credit risk disclosure includes the following components: overall risk, custodial risk and concertation of risk. Investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The District participates in an investment pool managed by the State of California and regulated by California government code Section 16429 known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates. Investments in LAIF are highly liquid and available virtually on demand. Consequently, the investment has been treated as a cash equivalent in the accompanying statements of net position and statements of cash flows.

Receivables, Property Taxes and Sewer Service Revenues: Property taxes are levied as of July 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes. Accordingly, the District provides for no allowance for doubtful accounts.

Sewer service fees (used to supplement tax revenues) are set by the District based upon rates applied to the number of equivalent dwelling units (EDUs). For residential properties the rate is one EDU per living unit. Commercial properties are charged EDUs based on a calculation derived from water flow. The sewer service fees are incorporated into the property tax

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables, Property Taxes and Sewer Service Revenues, continued: billings, and such fees are due in two equal installments on December 10 and April 10 following the assessment date. The District recognizes these fees as revenues in the year earned, which is also the year in which the service is provided to properties within the District. Under the Teeter Plan arrangement discussed above, the County remits substantially all of the sewer fees to the District each year, and the County bears the burden of any uncollectible accounts. Therefore, the District does not provide for an allowance for uncollectible accounts or bad debts.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing wastewater system), are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. The portion of interest expense related to spent debt proceeds incurred during the construction phase of capital assets of business-type activities was included as part of the capitalized value of the assets constructed. Depreciation is computed using the straight-line method over the estimated lives of the assets as follows:

Treatment plants	5-40 years
Subsurface lines and pump stations	7-60 years
Equipment and vehicles	5-12 years

Compensated Absences: The District accrues a liability for vacation and other qualified paid time off earned but not yet taken. The District does not provide for payment of unused sick leave at termination dates.

Pensions: For purposes of measuring the net pension liability/asset, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Agency's California Public Employees Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows:

Deferred amount on debt refunding – Unamortized gains and losses from current or advance debt refunding result in deferred outflows of resources. This amount is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Pension and OPEB - The District recognizes deferred outflows and inflows of resources pursuant to GASB Statement Number 68 and 75. A deferred outflow of resources is defined as a consumption of net asset (net position) by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Net Position: The financial statements utilize a net position presentation. Net positions are categorized as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- Restricted Net Position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2023 and 2022, there is no restricted net position.
- Unrestricted Net Position - This component of net position consists of net position that is not included in the determination of net investment in capital assets or the restricted component of net position.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS AND BOARD RESTRICTED INVESTMENTS

Cash and cash equivalents and board restricted investments consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Available for operations:		
Demand deposits with banks	$ 1,257,120	$ 764,058
LAIF investment fund	2,468,407	4,942,101
Total current	3,725,527	5,706,159
Board restricted investments:		
LAIF investment fund	12,925,919	10,743,711
Total cash & investments (considered cash equivalents)	$ 16,651,446	$ 16,449,870

Board restricted reserves are specified for:

	2023	2022
Capital improvements	$ 9,725,066	$ 7,542,858
Working capital reserve	1,200,853	1,200,853
Pension plan reserve	1,000,000	1,000,000
Disaster	1,000,000	1,000,000
Total board restricted reserves	$ 12,925,919	$ 10,743,711

The District's investment policy is to maintain its operating funds in a local bank and invest idle funds and Board designated reserves with LAIF which is permitted by California law.

LAIF allows local agencies such as the District to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2023, was approximately $180 billion with an average life of 260 days. Of that amount, 99.99% was invested in non-derivative financial products and less than 0.01% in structured notes and asset-based securities.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is that they will be made in institutions in California and they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2023, $1,059,968 of the District's bank balances were exposed to custodial credit risk.

3. CASH AND CASH EQUIVALENTS AND BOARD RESTRICTED INVESTMENTS (continued)

Custodial Credit Risk – Investments: Custodial risk related to LAIF is mitigated by the oversight provided by independent Boards and extremely conservative nature of the investment policy.

Interest rate risk associated with LAIF investments is mitigated by the short-term nature of the large majority of their investments and the strict limitation on the type of investments made.

4. CAPITAL ASSETS

Changes in the District's property, equipment and improvements and accumulated depreciation for the years ended June 30, 2022 and 2023 is summarized as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital asset, not being depreciated - Land	$ 49,295	$ -	$ -	$ 49,295
Capital assets, being depreciated:				
Historical Cost:				
Main plant	27,106,753	186,443	-	27,293,196
Paradise Cove plant	2,026,995	37,817	-	2,064,812
Sewer line and pump stations	18,412,276	136,862	-	18,549,138
Plant equipment, vehicles and and other equipment	902,229	-	-	902,229
Total capital assets, being depreciated	48,448,253	361,122	-	48,809,375
Accumulated Depreciation:				
Main plant	19,101,761	1,109,983	-	20,211,744
Paradise Cove plant	666,726	59,768	-	726,494
Sewer line and pump stations	7,866,317	411,991	-	8,278,308
Plant equipment, vehicles and and other equipment	454,559	69,364	-	523,923
Total accumulated depreciation	28,089,363	1,651,106	-	29,740,469
Total capital assets, being depreciated, net	20,358,890	(1,289,984)	-	19,068,906
Capital assets - net	$ 20,408,185	$ (1,289,984)	$ -	$ 19,118,201

4. CAPITAL ASSETS (continued)

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital asset, not being depreciated - Land	$ 49,295	$ -	$ -	$ 49,295
Capital assets, being depreciated:				
Historical Cost:				
Main plant	27,293,196	308,804	(48,943)	27,553,057
Paradise Cove plant	2,064,812	-	(1,398)	2,063,414
Sewer line and pump stations	18,549,138	1,044,458	-	19,593,596
Plant equipment, vehicles and and other equipment	902,229	-	(15,587)	886,642
Total capital assets, being depreciated	48,809,375	1,353,262	(65,928)	50,096,709
Accumulated Depreciation:				
Main plant	20,211,744	1,116,800	(48,943)	21,279,601
Paradise Cove plant	726,494	61,974	(1,398)	787,070
Sewer line and pump stations	8,278,308	414,169	-	8,692,477
Plant equipment, vehicles and and other equipment	523,923	69,364	(15,587)	577,700
Total accumulated depreciation	29,740,469	1,662,307	(65,928)	31,336,848
Total capital assets, being depreciated, net	19,068,906	(309,045)	-	18,759,861
Capital assets - net	$ 19,118,201	$ (309,045)	$ -	$ 18,809,156

5. LONG-TERM OBLIGATIONS

The Tiburon/Belvedere Wastewater Financing Authority, a joint powers authority, is governed by the same board of directors as the District's board of directors. In February 2012, the Authority issued $10,935,000 of revenue bonds, at a premium of $1,076,031, to provide financing for the rehabilitation and renovation of the District's main treatment plant. During the year ended June 30, 2020, the bonds were refinanced with a direct borrowing. The principal balance outstanding on the bond payable was $7,205,000. The new direct borrowing loan was for $7,900,000, of which $95,171 covered loan fees. The remaining proceeds, $7,804,829, were placed in an escrow fund to be used to pay the interest and principal payments of the bonds maturing on or before October 2021. The new loan has a maturity date of October 1, 2031 and accrues interest at a rate of 2.48%. The difference between the cash paid to refund the debt, $7,804,829, and the outstanding balance of the bond payable and previous bond premium of $734,093, are recorded as a deferred inflow of resources – deferred amount on debt refunding and are being amortized over the life of the loan.

5. LONG-TERM OBLIGATIONS (continued)

The District has pledged all net revenues of its system to the obligations. This pledge constitutes a lien on the District's net revenues. The pledge and lien exclude any ad valorem property taxes, special assessments, or special taxes levied for the purpose of paying general obligation bonds, special assessments, or special tax obligations of the District. In addition, the District is obligated to generate system net revenues equal to at least 125 percent of all installment payments and principal and interest payments on any parity debt. The outstanding principal balance on the note payable from direct borrowing was $6,065,000 as of June 30, 2023.

The future debt service on the direct borrowing loan and interest is as follows:

Year ending June 30	Principal	Interest	Total
2024	$ 610,000	$ 142,848	$ 752,848
2025	625,000	127,534	752,534
2026	640,000	111,848	751,848
2027	655,000	95,790	750,790
2028	670,000	79,360	749,360
2029-2032	2,865,000	144,398	3,009,398
Total	$ 6,065,000	$ 701,778	$ 6,766,778

The District expects that the debt service on the bonds will be less than 35 percent of system net revenues as defined in the financing documents. Total principal and interest paid during the years ended June 30, 2023 and 2022 was $752,790 and $752,361, respectively. During the years ended June 30, 2023 and 2022 total zone system net revenues as defined were $4,244,572 and $1,157,431, respectively.

The $93,985 of the gain on the defeasance will be amortized at approximately $12,000 per year over the next seven years.

Amortization for the years ended June 30, 2023 and 2022 was $13,426 in each year.

6. CALPERS RETIREMENT PLAN AND RELATED LIABILITIES

Plan Description: Employees of the District are provided with pension benefits under one of two plans depending on the employee's hire date. The plans are part of a cost-sharing multiple-employer public employee pool of similar organizations administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating California public entities. Benefits provisions and all other requirements are established by State Statute and District Ordinances. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CalPERS. That report may be obtained from their website, calpers.gov.

6. CALPERS RETIREMENT PLAN AND RELATED LIABILITIES (continued)

Benefits Provided: CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. For employees hired before 2013, retirement benefits are determined as 2.7 percent of the employee's single highest year of compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 55. Employees hired after 2012, retirement benefits are determined as 2.0 percent of the employee's highest 3-year average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 60.

Contributions: Contribution requirements of active employees and the Districts are established and may be amended by the District. Employees hired before 2013 are required to contribute 8.0% of their annual pay. As a benefit to those employees, the District paid 75% of the employee required contributions during the years ended June 30, 2023 and 2022. The total amount paid by the District on behalf of employees totaled $18,972 and $29,109 for the years ended June 30, 2023 and 2022, respectively. Employees hired after 2012 are required to contribute 6.25% of their annual pay. The District did not pay any of the required employee contribution. The District's contractually required contribution rate for employees hired before 2012 was 14.03% and 14.02% of wages for the years ended June 30, 2023 and 2022, respectively. The District's contractually required contribution rate for employees hired after 2012 was 7.47% and 7.59% of wages for the years ended June 30, 2023 and 2022, respectively. The rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plans from the District were $161,656 and $136,648 for the years ended June 30, 2023 and 2022, respectively. The District's proportionate share of employer contributions allocated to its CalPERS account was $584,839 and $493,552 for the measurement years ended June 30, 2022 and 2021, respectively.

Pension Liabilities (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Amounts reflected are aggregate amounts for both plans as amounts related to post 2012 employees are minor in comparison to pre-2012 amounts):

At June 30, 2023, the District reported a liability of $368,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities 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 public entities, actuarially determined. At June 30, 2022 and 2021, the District's proportion was 0.00319 percent and -0.03087 percent, respectively.

6. CALPERS RETIREMENT PLAN AND RELATED LIABILITIES (continued)

For the years ended June 30, 2023 and 2022, the District recognized pension expense (income) of $2,402,849 and $(2,810,362), respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

As of June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,392	$ 4,951
Changes of assumptions	37,718	-
Net difference between projected and actual earnings on pension plan investments	67,423	-
Differences between actual contributions and proportionate share of contributions	-	497,568
Change in employer proportion	1,473,713	-
District contributions subsequent to the measurement date	161,656	-
Total	$ 1,747,902	$ 502,519

As of June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ (187,250)	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,457,640	-
Differences between actual contributions and proportionate share of contributions	-	363,113
Change in employer proportion	358,232	-
District contributions subsequent to the measurement date	136,648	-
Total	$ 1,765,270	$ 363,113

6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)

The $161,656 reported as 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 liabilities in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	$	381,641
2025		401,811
2026		259,037
2027		41,238
Total	$	1,083,727

Actuarial Assumptions: The total pension liabilities in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Salary increases	Varies by Entry Age and Service
Investment rate of return	6.90%
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchase Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale MP 2016.

6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. 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.

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

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (1)(2
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management study.

6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liabilities/Assets to Changes in the Discount Rate: The following presents the District's proportionate share of the net pensions liability/asset calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension (asset)	$1,955,234	$ 368,083	$ (937,749)

Pension Plans' Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial report.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan, California Employer's Retiree Benefit Trust (CERBT), a CalPERS program to assist agencies to advance fund OPEB. Retirees are eligible for the PEMHCA Minimum Benefit if they retire at Age 50+, have 5+ years of CalPERS service, and were enrolled in CalPERS plan upon retirement. For Retirees Age 55 with five years of continuous, full-time service leading up to retirement, if the employee was hired before September 1, 2000, the District contributes to the retiree's HRA 100% of premium up to the maximum Kaiser Basic/ Supplemental Rate for coverage of the retiree and eligible dependents, less the PEMHCA Minimum benefit. For Retirees Age 55 with five years of continuous, full-time service leading up to retirement who were hired between September 1, 2000 and July 1, 2017, the District contributes to the retiree's HRA 100% of premium up to the weighted-average of single-member plan premiums, plus 90% of the weighted-average of the additional premium for the four most commonly selected plans that cover dependents. Employees hired after July 1, 2017 are eligible for the PEMHCA minimum health benefit contribution. The District makes contributions based on an actuarially determined rate.

Contributions are invested. The District is responsible for paying monthly OPEB premiums. The District has the ability to request withdrawals from CERBT to cover current annual premiums.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Employees Covered: As of June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC plan.

Active employees	10
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving benefits	-
Total	16

Funding Policy: The contribution requirements of the Plan members and the District are established and may be amended by the District. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2023, the District's contributions were $63,193 in payments to the trust and $21,775 in current year premiums for retired employees. For the year ended June 30, 2022, the District's contributions were $380,191 in payments to the trust and $32,489 in current year premiums for retired employees.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 to determine the June 30, 2022 total OPEB liability, based on the following actuarial methods and assumptions.

Discount Rate	6.00%
Inflation	2.30%
Salary increases	2.80%. Additional merit-based increases based on CalPERS merit salary increase tables.
Investment rate of return	6.00%
Mortality Rate	Derived from CalPERS OPEB Assumptions model
Pre-Retirement Turnover	Derived from CalPERS OPEB Assumptions model
Healthcare Trend Rate	6.50% pre-medicare, 5.40% medicare - trending down to 3.73%

Discount Rate: The discount rate is the rate that is up to the expected long-term rate of return on the assets in the Trust set aside to pay benefits, if the plan sponsor makes regular contributions to the Trust such that the assets are not depleted at any point in the future. If the plans' actuary determines that contributions are not sufficient to keep the Trust funded, a blend of the long-term rate of return and the yield or index rate for 20 year, tax-exempt municipal bonds will be used for the periods when the Trust funds are not sufficient to cover benefit payments.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The long-term expected rate of return is determined using the long-term rates of return developed by the CalPERS Investment Office:

Asset Class	Target Allocation	Projected Real Rate of Return
Global equity	49.0%	4.50%
Fixed income	23.0%	1.40%
Real estate investment trusts (REITs)	20.0%	3.70%
Treasury inflation-protected securities (TIPS)	5.0%	0.50%
Commodities	3.0%	1.10%
Total	100%	

Sensitivity of the Net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB liability	$ 464,143	$ 261,102	$ 92,944

Sensitivity of the Net OPEB liability to changes in the health care cost trend rates: The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability	$ 67,622	$ 261,102	$ 502,932

OPEB Plan Fiduciary Net Position: CERBT issues a publicly available financial report that may be obtained from CalPERS, PO Box 1494, Sacramento, CA 95812.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Changes in the Net OPEB Liability: The changes in the net OPEB liability for the HC Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2021 (Valuation Date June 30, 2020)	$ 1,459,290	$ 795,183	$ 664,107
Changes recognized for the measurement period:			
Service cost	35,701	-	35,701
Interest	112,439	-	112,439
Differences between expected and actual experienc	2,258	-	2,258
Contributions - employer	-	99,524	(99,524)
Implicit rate subsidy	(24,086)	(24,086)	-
Net investment income	-	218,591	(218,591)
Benefits payments	(75,438)	(75,438)	-
Administrative expense	-	(301)	301
Net changes	50,874	218,290	(167,416)
Balance at June 30, 2022 (Valuation Date June 30, 2021)	1,510,164	1,013,473	496,691
Changes recognized for the measurement period:			
Service cost	36,683	-	36,683
Interest	116,294	-	116,294
Changes of benefit terms	(102,846)	-	(102,846)
Differences between expected and actual experienc	(284,609)	-	(284,609)
Changes in assumptions	292,960	-	292,960
Contributions - employer	-	446,919	(446,919)
Implicit rate subsidy	(28,508)	(28,508)	-
Net investment income	-	(152,570)	152,570
Benefits payments	(77,611)	(77,611)	-
Administrative expense	-	(278)	278
Net changes	(47,637)	187,952	(235,589)
Balance at June 30, 2023 (Valuation Date June 30, 2022)	$ 1,462,527	$ 1,201,425	$ 261,102

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources, continued: Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period is 7.5 years.

OPEB Expense (income) and Deferred Outflows/Inflows of Resources Related to OPEB: For the years ended June 30, 2023 and 2022, the District recognized OPEB expense (income) of -$94,844 and $17,916, respectively. As of June 30, 2023 and 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

As of June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,662	$ 311,872
Changes in assumptions	256,340	27,993
Net difference between projected and actual earnings on pension plan investments	106,709	-
District contributions subsequent to the measurement date	84,968	-
Total	$ 449,679	$ 339,865

As of June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,960	$ 76,510
Changes in assumptions	-	35,307
Net difference between projected and actual earnings on pension plan investments	-	115,457
District contributions subsequent to the measurement date	412,680	-
Total	$ 414,640	$ 227,274

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The $84,968 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

2024	$	2,134
2025		(58)
2026		(3,746)
2027		33,258
2028		(9,001)
Thereafter		2,259
Total	$	24,846

8. DEFERRED COMPENSATION PLAN

The District's employees may participate in a 457 Deferred Compensation Program (Program). The Program is available to all District employees and is entirely voluntary. The purpose of the Program is to provide deferred compensation for public employees that elect to participate in the Program. 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. The District makes no matching contributions to the Program.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. 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 market value of the Program assets held in trust by the District's deferred compensation program at June 30, 2023 amounted to $1,265,146.

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 presented in the accompanying financial statements.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries insurance. The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority for risk pooling, which provides insurance coverage and risk management services to its 58 member agencies through its' coverage programs.

The District participates in CSRMA's Pooled Liability and Workers' Compensation Programs, where each member agency is assessed a deposit based on their ratable exposures. At each program's year end, deposits are retrospectively reviewed for all years of participation, based on actual loss performance of the individual member agencies. If a member's losses exceed their deposit, the member is assessed, through a debit on their renewal invoice, to adjust for this situation. Conversely, if the member's losses are less than the collected deposit, a credit is shown on the member's renewal invoice.

Risk of loss is transferred from the District to CSRMA under the arrangement. CSRMA's Pooled Liability Program provides approximately $26 million in coverage to the members with a combination of reinsurance and excess insurance, with CSRMA retaining the first $500,000. The District maintains a $10,000 liability deductible. Excess workers compensation insurance is also obtained through the Authority covering the first $750,000 in losses to statutory limits, with Employer's Liability coverage to $1 million. The District also participates in CSRMA's property insurance program for its buildings and plant with approximately $26 million in insurable values.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2022 (most recent information available):

	June 30, 2022
Total Assets	$ 32,261,331
Total Liabilities	25,220,675
Total Equity	$ 7,040,656
Total Revenues	$ 17,745,882
Total Expenditures	$ 17,127,478

The District paid no material uninsured losses during the last three fiscal years. There have been no significant reductions in insurance coverage, and there have been no settlements exceeding insurance coverage in the last three years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There were no claims payable as of June 30, 2023.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

for the measurement periods ended June 30

CALPERS Employer Retirement Plan

Last 10 Fiscal Years*

Fiscal Year Ended	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.00319%	(0.03087%)	(0.00037%)	(0.00101%)	(0.00274%)	0.0059%	0.0078%	0.0260%	0.0440%
District's proportionate share of the net pension liability (asset)	368,083	(1,669,791)	(40,726)	(103,967)	(264,314)	583,347	676,578	1,786,666	2,757,064
District's covered-employee payroll	1,216,819	1,090,836	1,064,427	1,026,229	1,002,415	953,249	856,421	811,997	878,354
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.25%	(153.07%)	(3.83%)	(10.13%)	(26.37%)	61.20%	79.00%	220.03%	313.89%
Plan fiduciary net position as a percentage of the total pension liability	96.84%	115.35%	100.39%	101.09%	102.85%	94.23%	92.75%	80.16%	69.16%

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
for the measurement periods ended June 30

CALPERS Employer Retirement Plan
Last 10 Fiscal Years*

Fiscal Year Ended / ***Measurement period***	2023 / 2022	2022 / 2021	2021 / 2020	2020 / 2019	2019 / 2018	2018 / 2017	2017 / 2016	2016 / 2015	2015 / 2014
Actuarially determined contribution	136,648	128,470	116,931	109,596	106,300	98,415	165,113	190,004	217,873
Contributions in relation to actuarially determined contributions	136,648	224,838	248,708	109,596	847,033	352,863	1,794,175	1,516,679	217,873
Contribution Deficiency (excess)	-	(96,368)	(131,777)	-	(740,733)	(254,448)	(1,629,062)	(1,326,675)	-
Covered payroll	1,216,819	1,090,836	1,064,427	1,026,229	1,002,415	953,249	856,421	811,997	878,354
Contributions as a percentage of covered-employee payroll	11.23%	20.61%	23.37%	10.68%	84.50%	37.02%	209.50%	186.78%	24.80%

Notes to Schedule:

Valuation Date:	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	Level percentage of payroll
Salary increases	Varies by Entry Age and Service
Investment rate of return	6.90%
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchase Power Protection Allowance Floor on Purchasing Power applies

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

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SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

REQUIRED SUPPLEMENTAL SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

for the measurement periods ended June 30

Last 10 Fiscal Years*

Fiscal Year Ended	2023	2022	2021	2020	2019	2018
Measurement Period	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	$ 36,683	$ 35,701	$ 37,241	$ 37,269	$ 35,301	$ 39,129
Interest	116,294	112,439	115,941	113,333	116,967	87,909
Changes of benefit terms	(102,846)	-	-	-	-	-
Actual and expected experience difference	(284,609)	2,258	(103,657)	(226)	-	-
Change in assumptions	292,960	-	(24,122)	(2,175)	(36,351)	-
Changes in benefit terms	-	-	-	-	-	-
Benefits payments	(77,611)	(75,438)	(80,818)	(55,423)	(55,136)	(56,379)
Implicit Rate Subsidy Fulfilled	(28,508)	(24,086)	(34,014)	(29,093)	(27,041)	-
Net change in total OPEB liability	(47,637)	50,874	(89,429)	63,685	33,740	70,659
Total OPEB Liability - beginning	1,510,164	1,459,290	1,548,719	1,485,034	1,451,294	1,380,635
Total OPEB Liability - ending (a)	$ 1,462,527	$ 1,510,164	$ 1,459,290	$ 1,548,719	$ 1,485,034	$ 1,451,294
Plan Fiduciary Net Position						
Contributions - employer	$ 446,919	$ 75,438	$ 151,018	$ 123,423	$ 120,836	$ 93,476
Implicit Subsidy - employer	-	24,086	34,014	29,093	27,041	-
Implicit Rate Subsidy Fulfilled	(28,508)	(24,086)	(34,014)	(29,093)	(27,041)	-
Net investment income	(152,570)	218,591	25,195	36,822	38,672	43,423
Benefits payments	(77,611)	(75,438)	(80,818)	(55,423)	(55,136)	(56,379)
Administrative expense	(278)	(301)	(343)	(436)	(257)	(212)
Net change in plan fiduciary net position	187,952	218,290	95,052	104,386	104,115	80,308
Plan fiduciary net position - beginning	1,013,473	795,183	700,131	595,745	491,630	411,322
Plan fiduciary net position - ending (b)	$ 1,201,425	$ 1,013,473	$ 795,183	$ 700,131	$ 595,745	$ 491,630
Net OPEB Liability - ending (a) - (b)	$ 261,102	$ 496,691	$ 664,107	$ 848,588	$ 889,289	$ 959,664
Plan fiduciary net position as a percentage of the total OPEB liability	82.15%	67.11%	54.49%	45.21%	40.12%	33.88%
Covered-employee payroll - measurement period	1,148,796	962,819	916,620	888,075	849,372	909,928
Net OPEB liability as a percentage of covered-employee payroll	22.73%	51.59%	72.45%	95.55%	104.70%	105.47%

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
for the measurement periods ended June 30

Last 10 Fiscal Years*

Fiscal Year Ended ***Measurement Period***	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017
Actuarially Determined Contribution (ADC)	$ 108,489	$ 102,433	$ 112,895	$ 106,991	$ 108,953	$ 93,476
Contributions in relation to actuarially determined contributions	84,968	446,919	99,524	185,032	152,516	147,877
Contribution Deficiency (excess)	$ 23,521	$ (344,486)	$ 13,371	$ (78,041)	$ (43,563)	$ (54,401)
Covered payroll	1,240,682	1,148,796	962,819	916,620	888,075	849,372
Contributions as a percentage of covered-employee payroll	6.85%	38.90%	10.34%	20.19%	17.17%	17.41%

Notes to Schedule:

Actuarial methods and assumption used to set the actuarially determined contributions for the year ended June 30, 2021 were from the June 30, 2020 actuarial valuation.

Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method/Period	Closed period, level percent of payroll, 20 years
Asset Valuation Method	Market value
Inflation	2.50%
Salary Increases	2.75% per year
Investment rate of return	5.85%
Healthcare Trend Rate	6.50% trending down to 4.04%
Retirement Age	Derived from CalPERS OPEB Assumptions model
Mortality Rate	Derived from CalPERS OPEB Assumptions model

REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S OPEB INVESTMENT RETURNS
for the measurement periods ended June 30

Last 10 Fiscal Years*

Measurement Period	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return, net of investment expense	-13.80%	27.49%	3.43%	5.85%	7.38%	9.57%

The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses).

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY ZONE

FOR THE YEAR ENDED JUNE 30, 2023

	Paradise Cove	Tiburon	Tiburon/Paradise Cove Zones Combined	Belvedere	District Total
Operating Revenues:					
Sewer service charges	$ 49,557	$ 2,585,257	$ 2,634,814	$ 2,344,534	$ 4,979,348
Connection and inspection fees	27,143	213,972	241,115	163,236	404,351
Maintenance agreements	-	85,179	85,179	33,390	118,569
Other	200	8,495	8,695	4,700	13,395
Total operating revenues	76,900	2,892,903	2,969,803	2,545,860	5,515,663
Operating Expenses:					
Salaries and benefits	116,475	2,632,402	2,748,877	1,900,435	4,649,312
Maintenance and repairs	84,540	167,661	252,201	456,543	708,744
Line cleaning and inspection	9,043	34,893	43,936	132,018	175,954
Utilities	26,450	158,573	185,023	104,822	289,845
Contracted and professional services	9,271	108,344	117,615	72,984	190,599
Supplies (chemicals)	3,644	162,322	165,966	118,644	284,610
Telephone and internet	6,333	70,732	77,065	52,169	129,234
Other operating costs	15,257	138,841	154,098	115,007	269,105
Monitoring	10,347	41,033	51,380	27,868	79,248
Other administrative costs	2,664	58,698	61,362	33,695	95,057
Liability and property insurance	1,736	39,547	41,283	28,159	69,442
Depreciation	82,506	1,049,451	1,131,957	530,350	1,662,307
Total operating expenses	368,266	4,662,497	5,030,763	3,572,694	8,603,457
Operating Loss	(291,366)	(1,769,594)	(2,060,960)	(1,026,834)	(3,087,794)
Non-Operating Revenues (Expenses):					
Property taxes	61,001	1,393,079	1,454,080	-	1,454,080
Investment income	1	167,999	168,000	168,923	336,923
Interest expense	-	(129,570)	(129,570)	(11,105)	(140,675)
Total non-operating revenues (expenses)	61,002	1,431,508	1,492,510	157,818	1,650,328
Decrease in Net Position Before Capital Contributions	(230,364)	(338,086)	(568,450)	(869,016)	(1,437,466)
Contributed Capital	-	-	-	-	-
Change in Net Position	$ (230,364)	$ (338,086)	$ (568,450)	$ (869,016)	$ (1,437,466)