SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

PEROTTI & CARRADE

Certified Public Accountants

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

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PEROTTI & CARRADE
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Sanitary District Number 5 of Marin County as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sanitary District Number 5 of Marin County as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the required supplementary information included on pages 34-37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sanitary District Number 5 of Marin County's basic financial statements. The additional information on page 38 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

December 21, 2020 Perotti & Carrade

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2020 AND 2019

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, 2020. 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 increased by approximately $1,398,000 during the year ended June 30, 2020.
- Total operating revenues decreased by approximately $280,000 due to a decrease in connection and inspection fees. Nonoperating revenues decreased by approximately $21,000 attributed to a decrease of approximately $24,000 in interest income.
- Total operating expenses for the year ended June 30, 2020 increased by approximately $743,000 compared to the year ended June 30, 2019. The inccrease in operating expenses was principally attributed to increases in salaries and benefits of approximately $397,000, and an increase in maintenance and repairs and of approximately $227,000.
- There were no increases in customer rates during the year ended June 30, 2020.
- During the year ended June 30, 2020 the District refinanced its previously issued bonds with a direct borrowing. The District incurred costs of $95,171 related to the refinancing. The interest expense incurred was reduced by approximately $211,000.

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 one kind of statement that present 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

	2020	2019	Increase (Decrease) Over 2019	Percent Increase (Decrease)	2018	Increase (Decrease) Over 2018
Cash, including board reserves	$ 15,953,792	$ 15,078,854	$ 874,938	5.80%	$ 13,115,362	$ 1,963,492
Capital assets	19,228,004	19,149,116	78,888	0.41%	19,743,735	(594,619)
Other assets and deferred outflows of resources	1,130,863	1,387,269	(256,406)	-18.48%	1,603,274	(216,005)
Total assets and deferred outflows of resources	36,312,659	35,615,239	697,420	1.96%	34,462,371	1,152,868
Current liabilities	1,330,851	1,197,939	132,912	11.10%	1,492,914	(294,975)
Net pension and OPEB liabilities and related deferred inflows of resources	1,185,031	1,453,323	(268,292)	-18.46%	1,829,561	(376,238)
Bond payable, and note payable from direct borrowing, and related deferred inflows of resources	7,374,264	7,939,093	(564,829)	-7.11%	8,483,840	(544,747)
Total liabilities and deferred inflows of resources	9,890,146	10,590,355	(700,209)	-6.61%	11,806,315	(1,215,960)
Net position:						
Net investment in capital assets	11,328,004	10,665,275	662,729	6.21%	10,732,456	(67,181)
Unrestricted	15,094,509	14,359,609	734,900	5.12%	11,923,600	2,436,009
Total net position	$ 26,422,513	$ 25,024,884	$ 1,397,629	5.58%	$ 22,656,056	$ 2,368,828

Net Position. The District's total net position increased by $1,397,629 during the year ended June 30, 2020. This increase is discussed in detail on the following page. The $700,209 decrease in liabilities and deferred inflows of resources is attributed principally to the reduction in bond payable of $449,577.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

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

	2020	2019	Increase (Decrease) Over 2019	Percent Increase (Decrease)	2018	Increase (Decrease) Over 2018
Operating revenues	$ 5,374,515	$ 5,654,446	$ (279,931)	-4.95%	$ 5,727,360	$ (72,914)
Nonoperating revenues	1,499,193	1,520,579	(21,386)	-1.41%	1,269,778	250,801
Total revenues	6,873,708	7,175,025	(301,317)	-4.20%	6,997,138	177,887
Operating expenses	5,278,679	4,534,797	743,882	16.40%	4,729,724	(194,927)
Nonoperating expenses	210,764	271,400	(60,636)	-22.34%	302,612	(31,212)
Total expenses	5,489,443	4,806,197	683,246	14.22%	5,032,336	(226,139)
Change in net assets	1,384,265	2,368,828	(984,563)	-41.56%	1,964,802	404,026
Capital contribution	13,364	-	13,364	100.00%	-	-
Net position - beginning of period	25,024,884	22,656,056	2,368,828	10.46%	20,691,254	1,964,802
Net position - end of period	$ 26,422,513	$ 25,024,884	$ 1,397,629	5.58%	$ 22,656,056	$ 2,368,828

Overall, during the year ended June 30, 2020, there was a decrease of $301,317, or about 4.20 percent, in total revenues from last fiscal year. This was principally due to a decrease of connection and inspection fees and interest income of approximately $292,000. Revenue from connection and inspection fees and property tax fluctuate yearly.

The District's total expenses for the year ended June 30, 2020 increased by $683,246, or about 14.22 percent, compared to total expenses for the year ended June 30, 2019. Salaries and benefits costs increased by $396,765 principally due to the amortization of pension and OPEB costs and the increase in staffing. There was also an increase in maintenance and repairs of approximately $227,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	June 30, 2020	June 30, 2019	Increase (Decrease) Over 2019	Percent Increase (Decrease)
Land	$ 49,295	$ 49,295	$ -	0.00%
Main and Paradise Cove plants	10,421,237	11,656,168	(1,234,931)	-10.59%
Sewer line and pump stations	8,563,449	7,259,523	1,303,926	17.96%
Plant equipment, vehicles, and other equipment	194,023	184,130	9,893	5.37%
Total capital assets	$ 19,228,004	$ 19,149,116	$ 78,888	0.41%

Capital Assets

There was a net increase in capital assets of $78,888 during the year ended June 30, 2020 mainly due to current year's depreciation of $1,568,300 and as the District added $1,840,479 of improvements during the year ended June 30, 2020. This included approximately $1,600,000 toward sewer lines improvements.

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. Because of the financial condition of the District, the bonds were sold at a $1,076,031 premium that effectively reduced the overall interest rate on the District's bonds. Principal and interest payments began in fiscal year 2013.

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 has 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 largest item of concern that will impact District income for the upcoming year and the following year would be the closing of several restaurants in the District's service area. Several restaurants have closed down, either permanently, or temporarily for remodels. These closures effect the District's anticipated annual income. Also, beginning in March 2020, the world was impacted by Covid-19 which shuttered businesses and hindered construction as a result. We still don't know what the final financial impact will be to the District as result of Covid-19 government mandated closures, but we currently estimate a loss of commercial income for fiscal year 2021-2022 to be above $100K.

During Fiscal Year 2019-2020, the District determined there is an urgent need for significant capital improvements. These needs primarily deal with the aging infrastructure of the District's wastewater collection system. Future large capital improvement projects impacting District operations include the Cove Road Force Main Rehabilitation Project and several other force main replacement projects. These projects are major rehabilitations of central pump stations in both Tiburon and Belvedere District service areas. Capital improvement work will continue on the collection system, according to the 10-year CIP Program. Inflow and Infiltration (I&I) remains one of the District's highest items of concern, as reducing I&I requires a comprehensive plan and adequate funding to achieve results. I&I effects the District's National Pollutant Discharge Elimination System permit, which has compliance objectives, regulated by the California Regional Water Quality Control Board.

Currently the District is in the process of replacing the control panels at pump station sites, as the existing ones become obsolete, as well as for standardization purposes. The same is true for the emergency generators serving the pump stations. During the year ended June 30, 2019, the District updated its 10-year Capital Improvement Program (CIP). The CIP process included comprehensively evaluating and assessing the capital work completed in recent years and identifying future improvements, which could be required in the sanitary sewer collection system as well as both of the District's treatment plants. The CIP includes projected costs for proposed improvements (at present-day market value) and an anticipated schedule for completion. The District owns and maintains a total of 24 pump stations and two treatment plants which are critical to the operation of the District. The impact of the District's update to the CIP pertaining to the operations of the District will be evaluated annually, now that the District has identified sixteen million dollars of anticipated projects through 2028.

As of 2019, the Tiburon Collection system has an estimated $4,950,000 of capital work identified in the 10-yr CIP. The Belvedere Collections system has an estimated $5,675,000 of capital work identified in the 10-yr CIP. The Main Plant has an estimated $2,580,000 of capital work identified in the 10-yr CIP. The Paradise Cove Plant has an estimated $865,000 of capital work identified in the 10-yr CIP. As of June 30, 2019, the District has replaced all five (5)

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

emergency generators in the Tiburon Zone, as well as nine (9) control panels. In the Belvedere Zone, 1 of the 3 emergency generators have been replaced, and a total of ten (10) out of thirteen (13) control panels have been replaced; the remaining generators and control panels are scheduled for replacement over the next three years (or less).

The projects and estimates were determined during the year ended June 30, 2019, and do not include future upgrades that may be required by future National Pollutant Discharge Elimination System (NPDES) permits, specifically those involving the Nutrient Order. The District is currently participating in the second Nutrient Order issued by the Regional Water Quality Control Board (RWQCB). Order No. R2-2019-0017 requires both treatment plants to sample and provide data results to the Regional Board through June 30, 2024, for its nutrient discharge into the bay. The current collected data is used to study the effect treatment plant dischargers have on the bay. It is anticipated the results of this second permit will lead to a third permit, in which it will require additional funding from the dischargers to further collect and study the issue of nutrients in the SF Bay and the continued effects dischargers have on it. For more information regarding nutrient orders please visit:
https://www.waterboards.ca.gov/sanfranciscobay//water_issues/programs/planningtmdls/amendments/estuarynne.html

One other potential change facing the District is that of Bio-Solids Management and Disposal. 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, as well as requiring 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-Solids disposal and re-use options.

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, 2020 AND 2019

		2020		2019
ASSETS				
Current Assets:				
Cash and cash equivalents	$	6,387,952	$	6,258,148
Accounts receivable		194,627		181,382
Prepaid expenses		67,154		77,581
Total current assets		6,649,733		6,517,111
Other Assets:				
Board restricted investments		9,565,840		8,820,706
Net pension asset		103,967		264,314
Capital assets, net of accumulated depreciation		19,228,004		19,149,116
Total other assets		28,897,811		28,234,136
Total Assets		35,547,544		34,751,247
DEFERRED OUTFLOWS OF RESOURCES				
Pension related		579,586		740,352
OPEB related		185,529		123,640
Total Deferred Outflows of Resources		765,115		863,992
LIABILITIES				
Current Liabilities:				
Accounts payable		330,391		345,353
Compensated absence liability		133,203		135,675
Accrued interest payable		50,341		83,837
Deferred permit revenue		156,916		88,326
Current portion of note payable from direct borrowing		660,000		-
Current portion of bond payable		-		544,748
Total current liabilities		1,330,851		1,197,939
Long-term liabilities:				
Net OPEB liability		848,588		889,289
Note payable from direct borrowing		7,240,000		-
Bond payable		-		7,939,093
Total long-term liabilities		8,088,588		8,828,382
Total Liabilities		9,419,439		10,026,321
DEFERRED INFLOWS OF RESOURCES				
Pension related		307,706		520,401
Deferred amount on debt refunding		134,264		-
OPEB related		28,737		43,633
Total Deferred Inflows of Resources		470,707		564,034
NET POSITION				
Net investment in capital assets		11,328,004		10,665,275
Unrestricted		15,094,509		14,359,609
Net Position	$	26,422,513	$	25,024,884

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, 2020 AND 2019

	2020	2019
Operating Revenues:		
Sewer service charges	$ 5,036,528	$ 5,023,909
Connection and inspection fees	254,658	522,344
Maintenance agreements	65,505	85,203
Other	17,824	22,990
Total operating revenues	5,374,515	5,654,446
Operating Expenses:		
Salaries and benefits	2,123,459	1,726,694
Utilities	237,587	228,729
Line cleaning and inspection	239,609	213,353
Supplies (chemicals)	186,674	189,255
Contracted and professional services	199,407	166,841
Telephone and internet	103,131	110,707
Maintenance and repairs	316,436	89,122
Other operating costs	106,412	84,551
Monitoring	81,328	69,107
Other administrative costs	71,740	60,290
Liability and property insurance	44,596	40,594
Depreciation	1,568,300	1,555,554
Total operating expenses	5,278,679	4,534,797
Operating Income	95,836	1,119,649
Non-Operating Revenues (Expenses):		
Property taxes	1,218,544	1,215,923
Investment income	280,649	304,656
Loss on disposal of capital assets	(56,162)	(1,189)
Interest expense	(59,431)	(270,211)
Refinancing costs	(95,171)	-
Total net non-operating revenues (expenses)	1,288,429	1,249,179
Increase in Net Position Before Capital Contributions	1,384,265	2,368,828
Contributed Capital	13,364	-
Net Position, Beginning of Year	25,024,884	22,656,056
Net Position, End of Year	$ 26,422,513	$ 25,024,884

See accompanying notes to the financial statements.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash receipts from:		
Sewer service charges	$ 5,023,283	$ 4,829,342
Connection and inspection fees	323,248	496,574
Other operating sources	83,329	108,193
Total cash receipts	5,429,860	5,434,109
Cash paid for:		
Salaries and benefits	(2,116,558)	(1,806,016)
Utilities	(241,670)	(228,369)
Contracted and professional services	(202,741)	(152,668)
Supplies (chemicals)	(175,309)	(196,607)
Line cleaning and inspection	(218,122)	(134,863)
Other expenses	(772,054)	(518,668)
Total cash paid	(3,726,454)	(3,037,191)
Net cash provided by operating activities	1,703,406	2,396,918
Cash Flows from Investing Activities:		
Interest income	280,649	304,656
Net cash provided by investing activities	280,649	304,656
Cash Flows from Capital and Related Financing Activities:		
Interest paid on bond debt	(167,676)	(339,950)
Payment on bond debt	(470,000)	(460,000)
Property additions	(1,703,349)	(1,154,055)
Contributed capital	13,364	-
Net cash used for capital and related financing activities	(2,327,661)	(1,954,005)
Cash Flows from Non-Capital and Related Financing Activities:		
Property taxes collected	1,218,544	1,215,923
Net cash provided by non-capital and related financing activities	1,218,544	1,215,923
Net Increase in Cash and Cash Equivalents, and Board Restricted Investments	874,938	1,963,492
Cash and Cash Equivalents, and Board Restricted Investments, Beginning of Year	15,078,854	13,115,362
Cash and Cash Equivalents, and Board Restricted Investments, End of Year	$ 15,953,792	$ 15,078,854
Reconciliation of Cash and Cash Equivalents, and Board Restricted Investments to Amounts Reported on the Statement of Net Position:		
Cash and cash equivalents	$ 6,387,952	$ 6,258,148
Board restricted investments	9,565,840	8,820,706
	$ 15,953,792	$ 15,078,854

See accompanying notes to the financial statements.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

RECONCILIATIONS OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Income	$ 95,836	$ 1,119,649
Add or deduct items not requiring the use of cash:		
Depreciation	1,568,300	1,555,554
Changes in assets and liabilities:		
Increase in accounts receivable	(13,245)	(100,063)
Decrease (increase) in prepaid expenses	10,427	(7,501)
Decrease in accounts payable	(14,962)	(73,220)
Decrease in compensated absence liability	(2,472)	(19,062)
Increase (decrease) in deferred permit revenue	68,590	(25,770)
Net pension liability	160,347	(847,661)
Change in deferred pension outflows and inflows of resources	(51,929)	839,359
Net OPEB liability	(40,701)	(70,375)
Change in deferred OPEB outflows and inflows of resources	(76,785)	26,008
Net Cash Provided by Operating Activities	$ 1,703,406	$ 2,396,918

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)

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 billings, and such fees are due in two equal installments on December 10 and April 10

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables, Property Taxes and Sewer Service Revenues, continued: 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 assets 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, 2020 and 2019, there is no restricted net position.
- Unrestricted Net Position - This component of net position consists of net position that are 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, 2020 and 2019:

	2020	2019
Available for operations:		
Demand deposits with banks	$ 578,493	$ 459,872
LAIF investment fund	5,809,459	5,798,276
Total current	6,387,952	6,258,148
Board restricted investments:		
LAIF investment fund	9,565,840	8,820,706
Total cash & investments (considered cash equivalents)	$ 15,953,792	$ 15,078,854

Board restricted reserves are specified for:

	2020	2019
Capital improvements	$ 6,901,482	$ 6,693,203
Working capital reserve	949,653	699,353
Pension plan reserve	714,705	428,150
Disaster	1,000,000	1,000,000
Total board restricted reserves	$ 9,565,840	$ 8,820,706

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, 2020, was approximately $103.3 billion with an average life of 191 days. Of that amount, 99.41% was invested in non-derivative financial products and 0.59% 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, 2020, $333,311 of the District's bank balances was 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, 2019 and 2020 is summarized as follows:

	Balance June 30, 2018	Additions	Transfers/ Deletions	Balance June 30, 2019
Capital asset, not being depreciated - Land	$ 49,295	$ -	$ -	$ 49,295
Capital assets, being depreciated:				
Historical Cost:				
Main plant	27,030,847	79,142	-	27,109,989
Paradise Cove plant	1,986,589	294	-	1,986,883
Sewer line and pump stations	13,659,819	882,688	(10,195)	14,532,312
Plant equipment, vehicles and and other equipment	560,939	-	(6,105)	554,834
Total capital assets, being depreciated	43,238,194	962,124	(16,300)	44,184,018
Accumulated Depreciation:				
Main plant	15,727,555	1,155,090	-	16,882,645
Paradise Cove plant	503,882	54,177	-	558,059
Sewer line and pump stations	6,973,127	308,668	(9,006)	7,272,789
Plant equipment, vehicles and and other equipment	339,190	37,619	(6,105)	370,704
Total accumulated depreciation	23,543,754	1,555,554	(15,111)	25,084,197
Total capital assets, being depreciated, net	19,694,440	(593,430)	(1,189)	19,099,821
Capital assets - net	$ 19,743,735	$ (593,430)	$ (1,189)	$ 19,149,116

4. CAPITAL ASSETS (continued)

	Balance June 30, 2019	Additions	Transfers/ Deletions	Balance June 30, 2020
Capital asset, not being depreciated - Land	$ 49,295	$ -	$ -	$ 49,295
Capital assets, being depreciated:				
Historical Cost:				
Main plant	27,109,989	19,588	(120,005)	27,009,572
Paradise Cove plant	1,986,883	-	(5,936)	1,980,947
Sewer line and pump stations	14,532,312	1,631,514	(109,707)	16,054,119
Plant equipment, vehicles and and other equipment	554,834	52,248	(28,213)	578,869
Total capital assets, being depreciated	44,184,018	1,703,350	(263,861)	45,623,507
Accumulated Depreciation:				
Main plant	16,882,645	1,145,847	(68,953)	17,959,539
Paradise Cove plant	558,059	54,182	(2,498)	609,743
Sewer line and pump stations	7,272,789	327,588	(109,707)	7,490,670
Plant equipment, vehicles and and other equipment	370,704	40,683	(26,541)	384,846
Total accumulated depreciation	25,084,197	1,568,300	(207,699)	26,444,798
Total capital assets, being depreciated, net	19,099,821	135,050	(56,162)	19,178,709
Capital assets - net	$ 19,149,116	$ 135,050	$ (56,162)	$ 19,228,004

The District has signed one construction contract for approximately $1,972,000 which has not commenced as of June 30, 2020.

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. The District entered into an installment agreement with the Authority to make installment payments in amounts sufficient to provide for the payment of all future bond principal and interest when due. The Authority's receivable and payable by the District have been eliminated from the accompanying financial statements as the Authority is deemed a component unit of the District, and revenue bonds are reported as a long-term obligation of the District.

5. LONG-TERM OBLIGATIONS (continued)

The bonds bear interest at rates from 0.25 percent to 5.0 percent, mature each October 1st through 2031, and interest is payable each October 1st and April 1st commencing October 1, 2012. The original bond offering consisted of $5,205,000 in serial bonds maturing in various amounts through 2022 and $5,730,000 in term bonds maturing October 1, 2031. The serial bonds maturing on or before October 1, 2021 are not subject to optional redemption prior to their stated maturity.

Bonds maturing on or after October 1, 2022 are subject to redemption at the option of the Authority from any available source of funds without premium. The term bonds are subject to mandatory sinking fund redemption in various amounts commencing October 1, 2023.

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.

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 $7,900,000 as of June 30, 2020. The outstanding principal balance on the bond payable was $7,675,000 as of June 30, 2019.

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

year ending June 30	Principal	Interest	Total
2021	$ 660,000	$ 191,042	$ 851,042
2022	580,000	172,360	752,360
2023	595,000	157,790	752,790
2024	610,000	142,848	752,848
2025	625,000	127,534	752,534
2026-2030	3,360,000	394,692	3,754,692
2031-2032	1,470,000	36,704	1,506,704
Total	$ 7,900,000	$ 1,222,970	$ 9,122,970

5. LONG-TERM OBLIGATIONS (continued)

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, 2020 and 2019 was $637,676 and $799,950, respectively. During the years ended June 30, 2020 and 2019 total zone system net revenues as defined were $1,779,697 and $2,639,039, respectively.

The $134,264 of the gain on the defeasance will be amortized at approximately $12,000 per year over the next eleven years.

Amortization for the years ended June 30, 2020 and 2019 was $74,748 and $67,438, respectively.

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.

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, 2020 and 2019. The total amount paid by the District on behalf of employees totaled $37,089 and $50,401 for the years ended June 30, 2020 and 2019, 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 13.182% and 12.21% of wages for the years ended June 30, 2020 and 2019, respectively. The District’s contractually required contribution rate for employees hired after 2012 was 6.985% and 6.84% of wages for the years ended June 30, 2020 and 2019,

6. CALPERS RETIREMENT PLAN AND RELATED LIABILITIES (continued)

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 $248,708 and $109,652 for the years ended June 30, 2020 and 2019, respectively. The District's proportionate share of employer contributions allocated to its CalPERS account was $400,155 and $363,939 for the measurement years ended June 30, 2019 and 2018, 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, 2020, the District reported an asset of $103,967 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset 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, 2019 and 2018, the District's proportion was -0.001 percent and -0.003 percent, respectively.

For the years ended June 30, 2020 and 2019, the District recognized pension expense of $116,289 and $101,994, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

As of June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ (7,221)	$ (559)
Changes of assumptions	(4,958)	(1,757)
Net difference between projected and actual earnings on pension plan investments	1,818	-
Differences between actual contributions and proportionate share of contributions	228,834	215,751
Change in employer proportion	112,405	94,271
District contributions subsequent to the measurement date	248,708	-
Total	$ 579,586	$ 307,706

6. CALPERS RETIREMENT PLAN AND RELATED LIABILITIES (continued)

As of June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 6,690
Changes of assumptions	-	22,748
Net difference between projected and actual earnings on pension plan investments	-	1,307
Changes in proportion and differences between District contributions and proportionate share of contributions	630,700	-
District contributions subsequent to the measurement date	109,652	489,656
Total	$ 740,352	$ 520,401

The $109,652 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	$ 3,440
2022	50,015
2023	(29,915)
2024	(368)
Total	$ 23,172

Actuarial Assumptions: The total pension liabilities in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15%
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% 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 90% of scale MP 2016.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 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 took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. 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.

6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)

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 (b)	Real Return Years 11+ (c)
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) In the Systems's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

Sensitivity of the 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability (asset)	$ 1,180,958	$ (103,967)	$ (1,164,590)

In December 2016 CalPERS' Board of Administration decided to lower the discount rate and investment rate of return assumptions that are used in the calculation of the net pension liability. The rates will decrease to 7.00% by the fiscal year ending June 30, 2020. The impact on the District's financial statements will be an increase in the District's proportionate share of the net pension liability.

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 are entitled to minimum 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.

Employees Covered: As of June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC plan.

Active employees	9
Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to, but not yet receiving benefits	0
Total	20

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, 2020, the District's contributions were $70,200 in payments to the trust and $95,745 in current year premiums for retired employees. For the year ended June 30, 2019, the District's contributions were $68,000 in payments to the trust and $54,509 in current year premiums for retired employees.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions.

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

Discount Rate	7.59%
Inflation	2.50%
Salary increases	2.75%. Additional merit-based increases based on CalPERS merit salary increase tables.
Investment rate of return	7.59%
Mortality Rate	Derived from CalPERS OPEB Assumptions model
Pre-Retirement Turnover	Derived from CalPERS OPEB Assumptions model
Healthcare Trend Rate	6.50% trending down to 3.84%

Discount Rate: The long-term expected rate of return on investments is the expected long-term rate of return on District assets using investment Strategy 1 within the California Employers' Retiree Benefit Trust (CERBT) as of the Measurement Date, June 30, 2019, and were provided by each account's asset managers. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

The long-term expected rate of return is determined using the long-term rates of return developed by the CalPERS Investment Office in their report dated May 14, 2018:

Asset Class	Target Allocation	Compound Expected Return	Volatility	Arithmetic Expected Return
Global equity	59.0%	6.80%	17.00%	8.14%
Fixed income	25.0%	3.10%	7.83%	3.40%
Treasury inflation-protected securities (TIPS)	5.0%	2.25%	5.46%	2.40%
Commodities	3.0%	3.50%	21.50%	5.71%
Real estate investment trusts (REITs)	8.0%	5.50%	17.28%	6.90%
Total	100%			

Expected Compound Return (1-10 years)	5.85%
Expected Compound Return (11-60 years)	8.07%
Expected Volatility	11.83%
Expected Time-Weighted Return Net of Fees (1-60 years)	7.59%

Uses an expected long-term inflation rate of 2.00%

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

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 (6.59 percent) or 1-percentage-point higher (8.59 percent) than the current rate:

	1% Decrease (6.59%)	Discount Rate (7.59%)	1% Increase (8.59%)
Net OPEB liability	$ 1,031,040	$ 848,588	$ 685,311

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 a health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to 2.84%	Trend Rate 3.84%	1% Increase (to 4.84%)
Net OPEB liability	$ 671,143	$ 848,588	$ 1,052,561

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, 2018 (Valuation Date June 30, 2017)	$ 1,451,294	$ 491,630	$ 959,664
Changes recognized for the measurement period:			
Service cost	35,301	-	35,301
Interest	116,967	-	116,967
Changes in assumptions	(36,351)	-	(36,351)
Contributions - employer	-	120,836	(120,836)
Implicit rate subsidy	(27,041)	-	(27,041)
Net investment income	-	38,672	(38,672)
Benefits payments	(55,136)	(55,136)	-
Administrative expense	-	(257)	257
Net changes	33,740	104,115	(70,375)
Balance at June 30, 2019 (Valuation Date June 30, 2018)	1,485,034	595,745	889,289
Changes recognized for the measurement period:			
Service cost	37,269	-	37,269
Interest	113,333	-	113,333
Differences between expected and actual experience	(226)	-	(226)
Changes in assumptions	(2,175)	-	(2,175)
Contributions - employer	-	152,516	(152,516)
Implicit rate subsidy	(29,093)	(29,093)	-
Net investment income	-	36,822	(36,822)
Benefits payments	(55,423)	(55,423)	-
Administrative expense	-	(436)	436
Net changes	63,685	104,386	(40,701)
Balance at June 30, 2020 (Valuation Date June 30, 2019)	$ 1,548,719	$ 700,131	$ 848,588

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)

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 and Deferred Outflow/Inflows of Resources Related to OPEB: For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of $48,459 and $76,786, respectively. As of June 30, 2020 and 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

As of June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 195
Changes in assumptions	-	28,542
Net difference between projected and actual earnings on pension plan investments	497	-
District contributions subsequent to the measurement date	185,032	-
Total	$ 185,529	$ 28,737

As of June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 31,504
Net difference between projected and actual earnings on pension plan investments	-	12,129
District contributions subsequent to the measurement date	123,640	-
Total	$ 123,640	$ 43,633

The $185,032 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020.

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

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

2021	$	(6,846)
2022		(6,845)
2023		(3,504)
2024		(2,980)
2025		(5,168)
Thereafter		(2,897)
Total	$	(28,240)

8. DEFERRED COMPENSATION PLAN

The District's employees may participate in one 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. Market value of the Program assets held in trust by the District's deferred compensation program at June 30, 2020 amounted to $845,321.

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.

9. RISK MANAGEMENT (continued)

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, 2019 (most recent information available):

		June 30, 2019
Total Assets	$	26,991,334
Total Liabilities		20,588,497
Total Equity	$	6,402,837
Total Revenues	$	12,068,611
Total Expenditures	$	14,577,244

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. Liabilities include an amount for claims that have been incurred but not reported. There were no claims payable as of June 30, 2020.

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*

Measurement period	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	(0.00101%)	(0.00274%)	0.0059%	0.0078%	0.0260%	0.0440%
District's proportionate share of the net pension liability (asset)	(103,967)	(264,314)	583,347	676,578	1,786,666	2,757,064
District's covered-employee payroll	996,872	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	(10.43%)	(26.37%)	61.20%	79.00%	220.03%	313.89%
Plan fiduciary net position as a percentage of the total pension liability	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*

Measurement period	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	109,596	106,300	98,415	165,113	190,004	217,873
Contributions in relation to actuarially determined contributions	242,015	847,033	352,863	1,794,175	1,516,679	217,873
Contribution Deficiency (excess)	(132,419)	(740,733)	(254,448)	(1,629,062)	(1,326,675)	-
Covered payroll	996,872	1,002,415	953,249	856,421	811,997	878,354
Contributions as a percentage of covered-employee payroll	24.28%	84.50%	37.02%	209.50%	186.78%	24.80%

Notes to Schedule:

Valuation Date:	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Level percentage of payroll
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15%
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchase Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* 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 CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

for the measurement periods ended June 30

Last 10 Fiscal Years*

Measurement Period	2019	2018	2017
Total OPEB liability			
Service cost	$ 37,269	$ 35,301	$ 39,129
Interest	113,333	116,967	87,909
Actual and expected experience difference	(226)	-	-
Change in assumptions	(2,175)	(36,351)	-
Changes in benefit terms	-	-	-
Benefits payments	(55,423)	(55,136)	(56,379)
Implicit Rate Subsidy Fulfilled	(29,093)	(27,041)	-
Net change in total OPEB liability	63,685	33,740	70,659
Total OPEB Liability - beginning	1,485,034	1,451,294	1,380,635
Total OPEB Liability - ending (a)	$ 1,548,719	$ 1,485,034	$ 1,451,294
Plan Fiduciary Net Position			
Contributions - employer	$ 123,423	$ 120,836	$ 93,476
Implicit Subsidy - employer	29,093	27,041	-
Implicit Rate Subsidy Fulfilled	(29,093)	(27,041)	-
Net investment income	36,822	38,672	43,423
Benefits payments	(55,423)	(55,136)	(56,379)
Administrative expense	(436)	(257)	(212)
Net change in plan fiduciary net position	104,386	104,115	80,308
Plan fiduciary net position - beginning	595,745	491,630	411,322
Plan fiduciary net position - ending (b)	$ 700,131	$ 595,745	$ 491,630
Net OPEB Liability - ending (a) - (b)	$ 848,588	$ 889,289	$ 959,664
Plan fiduciary net position as a percentage of the total OPEB liability	45.21%	40.12%	33.88%
Covered-employee payroll	888,075	849,372	909,928
Net OPEB liability as a percentage of covered-employee payroll	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*

Measurement Period	2019	2018	2017
Actuarially Determined Contribution (ADC)	$ 106,991	$ 108,953	$ 93,476
Contributions in relation to actuarially determined contributions	165,945	147,877	93,476
Contribution Deficiency (excess)	$ (58,954)	$ (38,924)	$ -
Covered payroll	888,075	849,372	909,928
Contributions as a percentage of covered-employee payroll	18.69%	17.41%	10.27%

Notes to Schedule:
Actuarial methods and assumption used to set the actuarially determined contributions for the year ended June 30, 2019 were from the July 1, 2018 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	7.59%
Healthcare Trend Rate	6.50% trending down to 3.84%
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	2019	2018	2017
Annual Money-Weighted Rate of Return, net of investment expense	5.68%	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, 2020

	Paradise Cove	Tiburon	Tiburon/Paradise Cove Zones Combined	Belvedere	District Total
Operating Revenues:					
Sewer service charges	$ 99,481	$ 2,623,867	$ 2,723,348	$ 2,313,180	$ 5,036,528
Connection and inspection fees	400	129,270	129,670	124,988	254,658
Maintenance agreements	-	29,698	29,698	35,807	65,505
Other	1,950	9,174	11,124	6,700	17,824
Total operating revenues	101,831	2,792,009	2,893,840	2,480,675	5,374,515
Operating Expenses:					
Salaries and benefits	47,858	1,299,777	1,347,635	775,824	2,123,459
Maintenance and repairs	80,310	157,716	238,026	78,410	316,436
Line cleaning and inspection	19,762	82,799	102,561	137,048	239,609
Utilities	17,551	135,879	153,430	84,157	237,587
Contracted and professional services	1,100	80,313	81,413	117,994	199,407
Supplies (chemicals)	4,511	115,346	119,857	66,817	186,674
Telephone and internet	7,788	61,625	69,413	33,718	103,131
Other operating costs	7,131	62,830	69,961	36,451	106,412
Monitoring	14,983	41,897	56,880	24,448	81,328
Other administrative costs	1,730	45,926	47,656	24,084	71,740
Liability and property insurance	1,027	27,508	28,535	16,061	44,596
Depreciation	74,714	1,097,257	1,171,971	396,329	1,568,300
Total operating expenses	278,465	3,208,873	3,487,338	1,791,341	5,278,679
Operating Income (Loss)	(176,634)	(416,864)	(593,498)	689,334	95,836
Non-Operating Revenues (Expenses):					
Property taxes	46,306	1,172,238	1,218,544	-	1,218,544
Investment income	(21)	130,237	130,216	150,433	280,649
Loss on disposal	(3,438)	(33,295)	(36,733)	(19,429)	(56,162)
Interest expense	-	(38,846)	(38,846)	(20,585)	(59,431)
Refinancing costs	-	(60,100)	(60,100)	(35,071)	(95,171)
Total non-operating revenues (expenses)	42,847	1,170,234	1,213,081	75,348	1,288,429
Increase (Decrease) in Net Position Before Capital Contributions	(133,787)	753,370	619,583	764,682	1,384,265
Contributed Capital	13,364	-	13,364	-	13,364
Change in Net Position	$ (120,423)	$ 753,370	$ 632,947	$ 764,682	$ 1,397,629