

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**



## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

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## **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, 2025 and 2024, 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, 2025 and 2024, 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.

### **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/Asset, 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.

January 6, 2026

*Perotti & Canade*

# **SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025 AND 2024**

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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, 2025. 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 \$2,255,000 during the year ended June 30, 2025.
- Total operating revenues increased by approximately \$933,000 due to an increase in sewer service charges and connection and inspection fees, offset by a decrease in maintenance agreements. Nonoperating revenues (expenses) increased by approximately \$215,000 attributed to an increase of approximately \$120,000 in investment income and \$79,000 in property taxes.
- Total operating expenses for the year ended June 30, 2025 decreased by approximately \$760,000 compared to the year ended June 30, 2024. The decrease in operating expenses was principally attributed to a decrease in salaries and benefits of approximately \$391,000 as a result of a decrease in pension costs due to the amortization of investment and other assumptions required in the estimate of pension cost and a decrease of approximately \$249,000 in maintenance and repairs due to decrease in such work.
- There was an increase in customer rates during the year ended June 30, 2025.

### **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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025 AND 2024**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**FIGURE A-1 Major Financial Statement Features**

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025 AND 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**TABLE A-1: Net Position of the District**

	2025	2024	Increase (Decrease) Over 2024	Percent Increase (Decrease)	2023	Increase (Decrease) Over 2023
Cash, including board reserves	\$ 18,293,077	\$ 16,509,835	\$ 1,783,242	10.80%	\$ 16,651,446	\$ (141,611)
Capital assets	19,257,163	18,393,030	864,133	4.70%	18,809,156	(416,126)
Other assets and deferred outflows of resources	2,374,823	3,092,493	(717,670)	-23.21%	2,551,475	541,018
<b>Total assets and deferred outflows of resources</b>	<b>39,925,063</b>	<b>37,995,358</b>	<b>1,929,705</b>	<b>5.08%</b>	<b>38,012,077</b>	<b>(16,719)</b>
Current liabilities	2,133,201	1,361,562	771,639	56.67%	1,300,127	61,435
Net pension and OPEB liabilities and related deferred inflows of resources	1,242,087	1,685,567	(443,480)	-26.31%	1,471,569	213,998
Bond payable, and note payable from direct borrowing, and related deferred inflows of resources	4,257,133	4,910,559	(653,426)	-13.31%	5,548,985	(638,426)
<b>Total liabilities and deferred inflows of resources</b>	<b>7,632,421</b>	<b>7,957,688</b>	<b>(325,267)</b>	<b>-4.09%</b>	<b>8,320,681</b>	<b>(362,993)</b>
Net position:						
Net investment in capital assets	14,427,163	12,938,030	1,489,133	11.51%	12,744,156	193,874
Unrestricted	17,865,479	17,099,640	765,839	4.48%	16,947,240	152,400
<b>Total net position</b>	<b>\$ 32,292,642</b>	<b>\$ 30,037,670</b>	<b>\$ 2,254,972</b>	<b>7.51%</b>	<b>\$ 29,691,396</b>	<b>\$ 346,274</b>

**Net Position.** The District's total net position increased by \$2,254,972 during the year ended June 30, 2025. This increase is discussed in detail on the following page. The \$1,929,705 increase in total assets and deferred outflows of resources is attributed principally to the increase in cash and capital assets offset by the decrease in net pension and OPEB deferred outflows of approximately \$618,000. The \$325,267 decrease in liabilities and deferred inflows of resources is attributed principally to the reduction in bond payable of \$653,426 and the decrease in net pension and OPEB liabilities and related deferred inflows of \$443,480, offset by an increase in current liabilities of \$771,639.

The District's total net position increased by \$346,274 during the year ended June 30, 2024. The \$16,719 decrease in total assets and deferred outflows of resources is attributed principally to the decrease in cash and capital assets offset by the increase in net pension and OPEB deferred outflows of approximately \$482,000. The \$362,993 decrease in liabilities and deferred inflows of resources is attributed principally to the reduction in bond payable of \$610,000 offset by an increase in net pension and OPEB liabilities and related deferred inflows of \$213,998.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025 AND 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

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

	<u>2025</u>	<u>2024</u>	Increase (Decrease) Over 2024	Percent Increase (Decrease)	<u>2023</u>	Increase (Decrease) Over 2023
Operating revenues	\$ 6,862,159	\$ 5,928,678	\$ 933,481	15.75%	\$ 5,515,663	\$ 413,015
Nonoperating revenues	<u>2,285,800</u>	<u>2,086,009</u>	<u>199,791</u>	9.58%	<u>1,791,003</u>	<u>295,006</u>
Total revenues	9,147,959	8,014,687	1,133,272	14.14%	7,306,666	708,021
Operating expenses	6,782,754	7,542,773	(760,019)	-10.08%	8,603,457	(1,060,684)
Nonoperating expenses	<u>110,233</u>	<u>125,640</u>	<u>(15,407)</u>	-12.26%	<u>140,675</u>	<u>(15,035)</u>
Total expenses	6,892,987	7,668,413	(775,426)	-10.11%	8,744,132	(1,075,719)
Change in net assets	2,254,972	346,274	1,908,698	551.21%	(1,437,466)	1,783,740
Capital contribution	-	-	-	0.00%	-	-
Net position - beginning of period	<u>30,037,670</u>	<u>29,691,396</u>	<u>346,274</u>	1.17%	<u>31,128,862</u>	<u>(1,437,466)</u>
Net position - end of period	\$ <u>32,292,642</u>	\$ <u>30,037,670</u>	\$ <u>2,254,972</u>	7.51%	\$ <u>29,691,396</u>	\$ <u>346,274</u>

Overall, during the year ended June 30, 2025, there was an increase of \$1,133,272, or about 14.14 percent, in total revenues over the year ended June 30, 2024. This was principally due to an increase in sewer service charges of approximately \$785,000.

The District's total expenses for the year ended June 30, 2025 decreased by \$775,426, or about 10.11 percent, compared to total expenses for the year ended June 30, 2024. Salaries and benefits costs decreased by approximately \$423,000 principally due to the amortization of pension and OPEB costs.

Overall, during the year ended June 30, 2024, there was an increase of \$708,021, or about 9.69 percent, in total revenues over the year ended June 30, 2023. This was principally due to an increase in sewer service charges of approximately \$565,000.

The District's total expenses for the year ended June 30, 2024 decreased by \$1,075,719, or about 12.3 percent, compared to total expenses for the year ended June 30, 2023. Salaries and benefits costs decreased by approximately \$1,238,000 principally due to the amortization of pension and OPEB costs.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025 AND 2024**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease) Over 2024</u>	<u>Percent Increase (Decrease)</u>
Land	\$ 49,295	\$ 49,295	\$ -	0.00%
Main and Paradise Cove plants	8,069,816	7,269,650	800,166	11.01%
Sewer line and pump stations	10,672,710	10,744,998	(72,288)	-0.67%
Plant equipment, vehicles, and other equipment	<u>465,342</u>	<u>329,087</u>	<u>136,255</u>	<u>41.40%</u>
Total capital assets	<u>\$ 19,257,163</u>	<u>\$ 18,393,030</u>	<u>\$ 864,133</u>	<u>4.70%</u>

**Capital Assets**

There was a net increase in capital assets of \$864,133 during the year ended June 30, 2025 due to the addition of \$2,347,377 of improvements, including \$1,258,558 of construction in process, offset by current year’s depreciation of \$1,483,244. Most of the additions were related to plant upgrades and the digester rehabilitation project.

**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 (25-26) will be increasing as a result of the Board of Directors approving a 5 year (year 3 out of 5) rate increase for sewer service fees. The District had gone 8 years without an increase in rates (2014-2022). Furthermore, commercial activity has returned to pre-Covid 19 Pandemic levels which has resulted in commercial income going back to normal levels. On the expense side, the cost of goods and services has continued to increase in the past year as a result of heightened inflation.

The FY 24/25 budget for the Main Plant has an estimated \$8,035,000 of capital work identified in the 10-yr CIP. The Paradise Cove Plant has an estimated \$1,175,000 of capital work identified

# SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024

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

in the 10-yr CIP. The Collection system serving both treatment plants has an estimated \$16,355,000 of capital work identified in the 10-yr CIP. The District still has debt service in the amount of \$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, 2025, 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 and is up for renewal in 2026. 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 (5 years). The current 5 year projection from the District's 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 District Local Agency Investment Fund ("LAIF") account is trending downwards at a current rate of 4.1% at the date of this report. The current rate of return for monies deposited in the District's California Cooperative Liquid Assets Securities System ("CLASS") account is currently at 4.15% at the date of this report.

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 continues to have a total of 12 full-time employees which includes the District Manager. Where feasible the District contracts out work to keep costs down. Work that would normally be performed in house with full time employees, which the District contracts out to reduce costs include: engineering, accounting, payroll services, and legal.

Three potential changes/challenges facing the District are Bio-Solids Management and Disposal, the State of California Advance Clean Fleet Rules and requirements of the 3rd Nutrient Watershed NPDES Permit that mandates nutrient reductions in 10 years which will require expensive Treatment Plant Upgrades to meet those effluent limits.

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

# SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024

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

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") 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 most recently replaced a medium duty gas vehicle with an electric truck and plans to replace another in FY26/27.

The San Francisco Regional Water Quality Control Board voted to approve a Nutrient Watershed Permit for 40 Bay Area wastewater facilities that requires steep reductions for nutrient levels in treated wastewater discharged to the San Francisco Bay over the next ten years. Nutrients, such as nitrogen and phosphorus, are products from human waste, detergents and other community water uses. These nutrients travel with other sewage to Bay Area wastewater agencies. Along with impacts related to climate change, the San Francisco Bay has been studied to determine if nutrient reduction will prevent future mortality of fish. Specifically, the Regional Board's new permit requires dischargers to reduce dry season total inorganic nitrogen loads to San Francisco Bay by 40 percent regionwide compared to 2022 loads. Facility upgrades required to meet the Regional Board's new nutrient load reduction requirements will represent the most significant simultaneous investment of public money in wastewater treatment infrastructure across the Bay Area region since the inception of the Clean Water Act in the 1970s. The necessary upgrades are estimated to cost Bay Area residents and businesses more than \$11 billion dollars. This could translate to a yearly cost increase of several hundred dollars per Bay Area household. As of yet, there are no federal or state funds set aside to defray these costs for Bay Area residents and businesses. "The Regional Board's action today will trigger 40(SD5 is included in this figure) facilities to construct billions of dollars in infrastructure upgrades within 10 years," said Lorien Fono, Executive Director of the Bay Area Clean Water Agencies. Fono further states it will cost Bay Area wastewater ratepayers substantially to meet this narrow window of compliance, "While the public wastewater agencies who discharge to the San Francisco Bay are deeply committed to protecting the San Francisco Bay, we believe for a price tag this large for Bay Area residents, the best approach is for the Regional Board to extend the compliance schedule to allow agencies to build multi-benefit recycled water projects that add to the region's water supply while simultaneously reducing nutrient loads."

# SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024

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

The District in conjunction with Carollo Engineers completed a study in FY24/25 that evaluated current discharge parameters of the Main Plant and identified upgrade options for the District to safely and reliably achieve compliance with the proposed 10 year limits. The key findings were four treatment alternatives that were evaluated for meeting the "Final" TIN limits in the Third Watershed Permit. Each of the four alternatives will meet the limits, however, the performance and reliability varies. The alternatives and total project capital cost including project costs (engineering and construction management) in 2025 dollars are summarized below.

- Alternative 1 – LE/MLE Retrofit (Dry-Weather Only) – \$ 1.9 million for construction and a project cost of \$2.5 million.
- Alternative 2 – LE/MLE Retrofit with Densification – \$4.9 million for construction and a project cost of \$6.3 million.
- Alternative 3 – MLE Retrofit with MBR – \$29.7 million for construction and a project cost of \$38.6 million.
- Alternative 4 – Sidestream Deammonification – \$4.3 million for construction and a project cost of \$5.6 million.

For more detailed information on the requirements to remove nutrients, "The Nutrient Evaluation Report" with recommendations can be found on our website at [www.sani5.org](http://www.sani5.org).

### **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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,187,312	\$ 4,511,965
Accounts receivable	295,324	312,092
Prepaid expenses	135,496	100,447
Total current assets	<u>6,618,132</u>	<u>4,924,504</u>
<b>Other Assets</b>		
Net pension asset	390,724	-
Board restricted investments	12,105,765	11,997,870
Capital assets, net of accumulated depreciation	19,257,163	18,393,030
Total other assets	<u>31,753,652</u>	<u>30,390,900</u>
<b>Total Assets</b>	<u>38,371,784</u>	<u>35,315,404</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related	982,849	2,271,887
OPEB related	570,430	408,067
<b>Total Deferred Outflows of Resources</b>	<u>1,553,279</u>	<u>2,679,954</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	982,520	297,606
Compensated absence liability	250,281	228,551
Accrued interest payable	29,946	33,821
Deferred permit revenue	230,454	176,584
Current portion of note payable from direct borrowing	640,000	625,000
Total current liabilities	<u>2,133,201</u>	<u>1,361,562</u>
<b>Long-term liabilities</b>		
Net OPEB liability	318,958	252,420
Net pension liability	-	647,428
Note payable from direct borrowing	4,190,000	4,830,000
Total long-term liabilities	<u>4,508,958</u>	<u>5,729,848</u>
<b>Total Liabilities</b>	<u>6,642,159</u>	<u>7,091,410</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related	575,787	503,674
Deferred amount on debt refunding	67,133	80,559
OPEB related	347,342	282,045
<b>Total Deferred Inflows of Resources</b>	<u>990,262</u>	<u>866,278</u>
<b>NET POSITION</b>		
Net investment in capital assets	14,427,163	12,938,030
Unrestricted	<u>17,865,479</u>	<u>17,099,640</u>
<b>Net Position</b>	<u>\$ 32,292,642</u>	<u>\$ 30,037,670</u>

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, 2025 AND 2024**

	2025	2024
<b>Operating Revenues</b>		
Sewer service charges	\$ 6,329,776	\$ 5,544,379
Connection and inspection fees	441,441	288,976
Maintenance agreements	51,417	77,674
Other	39,525	17,649
	6,862,159	5,928,678
<b>Operating Expenses</b>		
Salaries and benefits	3,019,738	3,410,886
Maintenance and repairs	439,797	688,654
Utilities	389,037	354,352
Line cleaning and inspection	355,088	260,467
Supplies (chemicals)	265,747	304,663
Contracted and professional services	186,968	314,667
Other operating costs	157,915	237,977
Liability and property insurance	156,518	113,772
Telephone and internet	130,102	130,275
Other administrative costs	107,853	138,595
Monitoring	90,747	79,483
Depreciation	1,483,244	1,508,982
	6,782,754	7,542,773
<b>Operating Income (Loss)</b>	79,405	(1,614,095)
<b>Non-Operating Revenues (Expenses)</b>		
Property taxes	1,564,027	1,484,528
Investment income	721,773	601,481
Interest expense	(110,233)	(125,640)
	2,175,567	1,960,369
<b>Increase in Net Position</b>	2,254,972	346,274
<b>Net Position, Beginning of Year</b>	30,037,670	29,691,396
<b>Net Position, End of Year</b>	\$ 32,292,642	\$ 30,037,670

See accompanying notes to the financial statements.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Cash receipts from:		
Sewer service charges	\$ 6,346,544	\$ 5,458,113
Connection and inspection fees	495,311	354,440
Other operating sources	90,942	95,323
Total cash receipts	6,932,797	5,907,876
Cash paid for:		
Salaries and benefits	(2,732,833)	(3,683,956)
Utilities	(376,218)	(354,814)
Contracted and professional services	(122,957)	(294,806)
Supplies (chemicals)	(243,672)	(320,034)
Line cleaning and inspection	(258,590)	(265,467)
Maintenance and repairs	(423,540)	(732,302)
Other expenses	(177,634)	(638,413)
Total cash paid	(4,335,444)	(6,289,792)
Net cash provided by (used in) operating activities	2,597,353	(381,916)
<b>Cash Flows from Investing Activities</b>		
Interest income	721,773	601,481
Net cash provided by investing activities	721,773	601,481
<b>Cash Flows from Capital and Related Financing Activities</b>		
Interest paid on bond debt	(127,534)	(142,848)
Payment on bond debt	(625,000)	(610,000)
Property additions	(2,347,377)	(1,092,856)
Net cash used in capital and related financing activities	(3,099,911)	(1,845,704)
<b>Cash Flows from Non-Capital and Related Financing Activities</b>		
Property taxes collected	1,564,027	1,484,528
Net cash provided by non-capital and related financing activities	1,564,027	1,484,528
<b>Net Increase (Decrease) in Cash and Cash Equivalents, and Board Restricted Investments</b>	1,783,242	(141,611)
<b>Cash and Cash Equivalents, and Board Restricted Investments, Beginning of Year</b>	16,509,835	16,651,446
<b>Cash and Cash Equivalents, and Board Restricted Investments, End of Year</b>	\$ 18,293,077	\$ 16,509,835
<b>Reconciliation of Cash and Cash Equivalents, and Board Restricted Investments to Amounts Reported on the Statement of Net Position:</b>		
Cash and cash equivalents	\$ 6,187,312	\$ 4,511,965
Board restricted investments	12,105,765	11,997,870
	\$ 18,293,077	\$ 16,509,835

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, 2025 AND 2024**

	2025	2024
<b>Operating Income (Loss)</b>	\$ 79,405	\$ (1,614,095)
Add or deduct items not requiring the use of cash:		
Depreciation	1,483,244	1,508,982
Changes in operating assets and liabilities:		
Accounts receivable	16,768	(86,266)
Prepaid expenses	(35,049)	27,621
Net pension asset	(390,724)	-
Accounts payable	684,914	(47,791)
Compensated absence liability	21,730	32,544
Deferred permit revenue	53,870	65,464
Net pension liability	(647,428)	279,345
Deferred pension outflows and inflows of resources	1,361,151	(522,830)
Net OPEB liability	66,538	(8,682)
Deferred OPEB outflows and inflows of resources	(97,066)	(16,208)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 2,597,353</b>	<b>\$ (381,916)</b>

See accompanying notes to the financial statements.

# SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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### 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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**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 and fluctuations 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.

The District also participates in California CLASS, an investment pool managed by a board of trustees comprised of eligible participants of the program, authorized under California government code Section 6509.7. The fund has invested a portion of the pooled funds in commercial paper, government securities, certificates of deposit, and other low risk investments with the intention of preserving the invested principal. The investments are subject to market risk and fluctuations in interest rates. Investments in California CLASS 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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Receivables, Property Taxes and Sewer Service Revenues (continued):** 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 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 doubtful accounts.

**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. The change in compensated absences during the years ended June 30, 2025 and 2024 was considered de minimis.

**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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Pensions (continued):** 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.

**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, 2025 and 2024, 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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates (continued):** 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:

	2025	2024
Available for operations:		
Demand deposits with banks	\$ 553,795	\$ 394,647
LAIF investment fund	5,633,517	4,117,318
Total current	6,187,312	4,511,965
Board restricted investments:		
LAIF investment fund	10,925,919	11,997,870
California CLASS investment fund	1,179,846	-
Total board restricted	12,105,765	11,997,870
Total cash & investments (considered cash equivalents)	\$ 18,293,077	\$ 16,509,835

Board restricted reserves are specified for as of June 30:

	2025	2024
Capital improvements	\$ 9,725,066	\$ 9,725,066
Working capital reserve	1,200,853	1,200,853
Pension plan reserve	144,884	71,951
Disaster	1,034,962	1,000,000
Total board restricted reserves	\$ 12,105,765	\$ 11,997,870

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 and California CLASS 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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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

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, 2025, was approximately \$178 billion with an average life of 248 days. Of that amount, 55% was invested in government securities, 25% was agency discount notes, 9% was certificates of deposit, and the remaining 11% was a variety of bonds and other low risk investments.

California CLASS is also a Pooled Money Investment Account overseen by a board of trustees comprised of eligible participants of the program. The board has contracted Public Trust Advisors, LLC to provide professional portfolio management. The California CLASS Prime Fund holds a AAA credit rating by S&P Global Ratings. The total amount invested by all public agencies in California CLASS Prime Fund as of March 31, 2025, the most recent annual report available, was approximately \$1.8 billion. Of that amount, 37% was commercial paper, 27% was certificates of deposit, 14% was government securities, and the remaining 22% was a variety of other low risk investments.

**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, 2025, \$344,707 of the District's bank balances were exposed to custodial credit risk.

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

Interest rate risk associated with LAIF and California CLASS 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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**4. CAPITAL ASSETS**

Changes in the District's property, equipment and improvements and accumulated depreciation for the years ended June 30, 2024 and 2025 is summarized as follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital asset, not being depreciated:				
Land	\$ 49,295	\$ -	\$ -	\$ 49,295
Capital assets, being depreciated:				
<u>Historical Cost:</u>				
Main plant	27,553,057	649,330	-	28,202,387
Paradise Cove plant	2,063,414	91,359	-	2,154,773
Sewer line and pump stations	19,593,596	270,556	-	19,864,152
Plant equipment, vehicles and and other equipment	<u>886,642</u>	<u>81,611</u>	<u>-</u>	<u>968,253</u>
Total capital assets, being depreciated	<u>50,096,709</u>	<u>1,092,856</u>	<u>-</u>	<u>51,189,565</u>
<u>Accumulated Depreciation:</u>				
Main plant	21,279,601	955,058	-	22,234,659
Paradise Cove plant	787,070	65,781	-	852,851
Sewer line and pump stations	8,692,477	426,677	-	9,119,154
Plant equipment, vehicles and and other equipment	<u>577,700</u>	<u>61,466</u>	<u>-</u>	<u>639,166</u>
Total accumulated depreciation	<u>31,336,848</u>	<u>1,508,982</u>	<u>-</u>	<u>32,845,830</u>
Total capital assets, being depreciated, net	<u>18,759,861</u>	<u>(416,126)</u>	<u>-</u>	<u>18,343,735</u>
Capital assets - net	<u>\$ 18,809,156</u>	<u>\$ (416,126)</u>	<u>\$ -</u>	<u>\$ 18,393,030</u>

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**4. CAPITAL ASSETS (continued)**

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Capital asset, not being depreciated:				
Land	\$ 49,295	\$ -	\$ -	\$ 49,295
Construction in process	-	1,258,558	-	1,258,558
Total capital assets, not being depreciated	<u>49,295</u>	<u>1,258,558</u>	<u>-</u>	<u>1,307,853</u>
Capital assets, being depreciated:				
<u>Historical Cost:</u>				
Main plant	28,202,387	440,517	-	28,642,904
Paradise Cove plant	2,154,773	192,637	-	2,347,410
Sewer line and pump stations	19,864,152	241,485	-	20,105,637
Plant equipment, vehicles and and other equipment	968,253	214,180	-	1,182,433
Total capital assets, being depreciated	<u>51,189,565</u>	<u>1,088,819</u>	<u>-</u>	<u>52,278,384</u>
<u>Accumulated Depreciation:</u>				
Main plant	22,234,659	912,295	-	23,146,954
Paradise Cove plant	852,851	72,078	-	924,929
Sewer line and pump stations	9,119,154	420,946	-	9,540,100
Plant equipment, vehicles and and other equipment	639,166	77,925	-	717,091
Total accumulated depreciation	<u>32,845,830</u>	<u>1,483,244</u>	<u>-</u>	<u>34,329,074</u>
Total capital assets, being depreciated, net	<u>18,343,735</u>	<u>(394,425)</u>	<u>-</u>	<u>17,949,310</u>
Capital assets - net	<u>\$ 18,393,030</u>	<u>\$ 864,133</u>	<u>\$ -</u>	<u>\$ 19,257,163</u>

**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 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 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 and the outstanding balance of the bond payable and previous net bond premium is 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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**5. LONG-TERM OBLIGATIONS (continued)**

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 \$4,830,000 as of June 30, 2025.

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 640,000	\$ 111,848	\$ 751,848
2027	655,000	95,790	750,790
2028	670,000	79,360	749,360
2029	690,000	62,496	752,496
2030	705,000	45,198	750,198
2031-2032	1,470,000	36,704	1,506,704
Total	<u>\$ 4,830,000</u>	<u>\$ 431,396</u>	<u>\$ 5,261,396</u>

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, 2025 and 2024 was \$752,534 and \$752,848, respectively. During the years ended June 30, 2025 and 2024 total net revenues as defined were \$3,848,449 and \$1,980,896, respectively.

The \$67,133 of the gain on the defeasance will be amortized at approximately \$13,000 per year over the next five years.

Amortization for the years ended June 30, 2025 and 2024 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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**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 District 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, 2025 and 2024. The total amount paid by the District on behalf of employees totaled \$11,384 and \$16,301 for the years ended June 30, 2025 and 2024, 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 16.02% and 15.95% of wages for the years ended June 30, 2025 and 2024, respectively. The District's contractually required contribution rate for employees hired after 2012 was 7.87% and 7.68% of wages for the years ended June 30, 2025 and 2024, 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 \$190,277 and \$1,110,246 for the years ended June 30, 2025 and 2024, respectively. The District's proportionate share of employer contributions allocated to its CalPERS account was \$515,063 and \$489,786 for the measurement years ended June 30, 2024 and 2023, respectively.

**Pension Liabilities, 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, 2025, the District reported an asset of \$390,724 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2023. 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, 2024 and 2023, the District's proportion was (0.00322) percent and 0.00519 percent, respectively.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**6. CALPERS RETIREMENT PLAN AND RELATED LIABILITIES (continued)**

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$482,561 and \$849,922, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
As of June 30, 2025		
Difference between expected and actual experience	\$ (33,782)	\$ 1,318
Changes of assumptions	(10,042)	-
Net difference between projected and actual earnings on pension plan investments	-	(22,493)
Differences between actual contributions and proportionate share of contributions	438,556	(240,223)
Change in employer proportion	397,840	(314,389)
Pension contributions made subsequent to the measurement date	190,277	-
Total	<u>\$ 982,849</u>	<u>\$ (575,787)</u>
As of June 30, 2024		
Difference between expected and actual experience	\$ 33,074	\$ (5,131)
Changes of assumptions	39,088	-
Net difference between projected and actual earnings on pension plan investments	104,824	-
Differences between actual contributions and proportionate share of contributions	-	(498,543)
Change in employer proportion	984,655	-
Pension contributions made subsequent to the measurement date	1,110,246	-
Total	<u>\$ 2,271,887</u>	<u>\$ (503,674)</u>

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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**6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)**

The \$190,277 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, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$	218,343
2027		(44,238)
2028		34,972
2029		7,708
Total	\$	<u>216,785</u>

**Actuarial Assumptions:** The total pension liabilities in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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.

**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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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**6. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES (continued)**

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.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (1)(2)</u>
Global equity - cap-weighted	30.00%	4.54%
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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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**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 liability (asset)	\$ 1,377,425	\$ (390,724)	\$ (1,846,170)

**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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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

Employees Covered: As of June 30, 2024 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC plan.

Active employees	11
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to, but not yet receiving benefits	<u>-</u>
Total	<u>18</u>

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, 2025, the District's contributions were \$73,083 in payments to the trust and \$13,470 in current year premiums for retired employees. For the year ended June 30, 2024, the District's contributions were \$63,123 in payments to the trust and \$15,418 in current year premiums for retired employees.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 to determine the June 30, 2025 total OPEB liability, based on the following actuarial methods and assumptions.

Discount Rate	6.36%
Inflation	2.30%
Salary increases	2.80%. Additional merit-based increases based on CalPERS merit salary increase tables.
Investment rate of return	6.36%
Mortality Rate	Derived from CalPERS OPEB Assumptions model
Pre-Retirement Turnover	Derived from CalPERS OPEB Assumptions model
Healthcare Trend Rate	6.80% pre-medicare, 4.90% medicare - trending down to 4.04% over 51 years

**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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**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:

<u>Asset Class</u>	<u>Allocation</u>			<u>1-20 Year Projected Compound Return</u>
	<u>Strategy I</u>	<u>Strategy II</u>	<u>Strategy III</u>	
Global equity	49%	34%	23%	6.9%
Fixed income	23%	41%	51%	4.1%
Real estate investment trusts (REITs)	20%	17%	14%	6.3%
Treasury inflation-protected securities (TIPS)	5%	5%	9%	3.9%
Commodities	3%	3%	3%	4.6%
Total	100%	100%	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:

	<u>1% Decrease (5.36%)</u>	<u>Discount Rate (6.36%)</u>	<u>1% Increase (7.36%)</u>
Net OPEB liability	\$ 535,800	\$ 318,958	\$ 137,198

**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:

	<u>1% Decrease (5.8%)</u>	<u>Trend Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
Net OPEB liability	\$ 114,503	\$ 318,958	\$ 569,871

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**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, 2023 (Measurement Date June 30, 2022)	\$ 1,462,527	\$ 1,201,425	\$ 261,102
Changes recognized for the measurement period:			
Service cost	35,531	-	35,531
Interest	87,335	-	87,335
Differences between expected and actual experience	25,949	-	25,949
Contributions - employer	-	84,968	(84,968)
Implicit rate subsidy	(6,427)	(6,427)	-
Net investment income	-	72,960	(72,960)
Benefits payments	(78,541)	(78,541)	-
Administrative expense	-	(348)	348
Net changes	63,847	72,612	(8,765)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	1,526,374	1,274,037	252,337
Changes recognized for the measurement period:			
Service cost	36,526	-	36,526
Interest	91,433	-	91,433
Differences between expected and actual experience	292,829	-	292,829
Changes in assumptions	(140,922)	-	(140,922)
Contributions - employer	-	78,012	(78,012)
Implicit rate subsidy	(7,994)	(7,994)	-
Net investment income	-	135,648	(135,648)
Benefits payments	(70,018)	(70,018)	-
Administrative expense	-	(415)	415
Net changes	201,854	135,233	66,621
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 1,728,228	\$ 1,409,270	\$ 318,958

**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.

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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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

**OPEB Expense (income) and Deferred Outflows/Inflows of Resources Related to OPEB:**  
For the years ended June 30, 2025 and 2024, the District recognized OPEB expense of \$56,025 and \$38,233, respectively. As of June 30, 2025 and 2024, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
As of June 30, 2025		
Difference between expected and actual experience	\$ 275,471	\$ (213,378)
Changes in assumptions	183,100	(133,964)
Net difference between projected and actual earnings on OPEB plan investments	6,277	-
District contributions subsequent to the measurement date	105,582	-
Total	<u>\$ 570,430</u>	<u>\$ (347,342)</u>
As of June 30, 2024		
Difference between expected and actual experience	\$ 23,898	\$ (262,625)
Changes in assumptions	219,720	(19,420)
Net difference between projected and actual earnings on OPEB plan investments	83,228	-
District contributions subsequent to the measurement date	81,221	-
Total	<u>\$ 408,067</u>	<u>\$ (282,045)</u>

The \$105,582 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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**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:

2026	\$	4,831
2027		41,835
2028		(161)
2029		9,972
2030		23,934
Thereafter		37,095
Total	\$	<u>117,506</u>

**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, 2025 amounted to \$2,549,459.

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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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**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, 2024 (most recent information available):

	<u>June 30, 2024</u>
Total Assets	\$ 39,433,497
Total Liabilities	<u>27,415,066</u>
Total Equity	<u>\$ 12,018,431</u>
Total Revenues	<u>\$ 23,123,871</u>
Total Expenditures	<u>\$ 22,895,588</u>

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, 2025.

**10. COMMITMENTS**

The District has a variety of agreements with private parties relating to the installation, improvement or modification of sewer facilities, and treatment systems within its service area.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**10. COMMITMENTS (continued)**

The financing of such construction contracts is being provided primarily from the District's replacement reserves. As of June 30, 2025, the District estimated it will cost approximately \$3,961,000 to complete the projects currently in construction in process.

**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

<i>Fiscal Year Ended</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<i>Measurement period</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	(0.00322%)	0.00519%	0.00319%	(0.03087%)	(0.00037%)	(0.00101%)	(0.00274%)	0.00588%	0.00782%	0.02603%
District's proportionate share of the net pension liability (asset)	\$ (390,724)	\$ 647,428	\$ 368,083	\$ (1,669,791)	\$ (40,726)	\$ (103,967)	\$ (264,314)	\$ 583,347	\$ 676,578	\$ 1,786,666
District's covered-employee payroll - measurement period	\$ 1,594,571	\$ 1,445,651	\$ 1,216,819	\$ 1,090,836	\$ 1,064,427	\$ 1,026,229	\$ 1,002,415	\$ 953,249	\$ 856,421	\$ 811,997
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(24.50%)	44.78%	30.25%	(153.07%)	(3.83%)	(10.13%)	(26.37%)	61.20%	79.00%	220.03%
Plan fiduciary net position as a percentage of the total pension liability	102.98%	94.79%	96.84%	115.35%	100.39%	101.09%	102.85%	94.23%	92.75%	80.16%

**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

<i>Fiscal Year Ended</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<i>Measurement period</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 190,277	\$ 182,197	\$ 161,656	\$ 136,648	\$ 128,470	\$ 116,931	\$ 109,596	\$ 106,300	\$ 98,415	\$ 165,113
Contributions in relation to actuarially determined contributions	190,277	1,110,246	161,656	136,648	224,838	248,708	109,596	847,033	352,863	1,794,175
Contribution Deficiency (excess)	\$ -	\$ (928,049)	\$ -	\$ -	\$ (96,368)	\$ (131,777)	\$ -	\$ (740,733)	\$ (254,448)	\$ (1,629,062)
Covered payroll	\$ 1,625,637	\$ 1,594,571	\$ 1,445,651	\$ 1,216,819	\$ 1,090,836	\$ 1,064,427	\$ 1,026,229	\$ 1,002,415	\$ 953,249	\$ 856,421
Contributions as a percentage of covered-employee payroll	11.70%	69.63%	11.18%	11.23%	20.61%	23.37%	10.68%	84.50%	37.02%	209.50%

**Notes to Schedule:**

Valuation Date:	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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

**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\*

<i>Fiscal Year Ended</i> <i>Measurement Period</i>	2025 <u>2024</u>	2024 <u>2023</u>	2023 <u>2022</u>	2022 <u>2021</u>	2021 <u>2020</u>	2020 <u>2019</u>	2019 <u>2018</u>	2018 <u>2017</u>
Total OPEB liability								
Service cost	\$ 36,526	\$ 35,531	\$ 36,683	\$ 35,701	\$ 37,241	\$ 37,269	\$ 35,301	\$ 39,129
Interest	91,433	87,335	116,294	112,439	115,941	113,333	116,967	87,909
Changes of benefit terms	-	-	(102,846)	-	-	-	-	-
Actual and expected experience difference	292,829	25,949	(284,609)	2,258	(103,657)	(226)	-	-
Change in assumptions	(140,922)	-	292,960	-	(24,122)	(2,175)	(36,351)	-
Benefits payments	(70,018)	(78,541)	(77,611)	(75,438)	(80,818)	(55,423)	(55,136)	(43,473)
Implicit Rate Subsidy Fulfilled	(7,994)	(6,427)	(28,508)	(24,086)	(34,014)	(29,093)	(27,041)	(12,906)
Net change in total OPEB liability	201,854	63,847	(47,637)	50,874	(89,429)	63,685	33,740	70,659
Total OPEB Liability - beginning	1,526,374	1,462,527	1,510,164	1,459,290	1,548,719	1,485,034	1,451,294	1,380,635
Total OPEB Liability - ending (a)	\$ <u>1,728,228</u>	\$ <u>1,526,374</u>	\$ <u>1,462,527</u>	\$ <u>1,510,164</u>	\$ <u>1,459,290</u>	\$ <u>1,548,719</u>	\$ <u>1,485,034</u>	\$ <u>1,451,294</u>
Plan Fiduciary Net Position								
Contributions - employer	\$ 135,648	\$ 78,541	\$ 418,411	\$ 75,438	\$ 151,018	\$ 123,423	\$ 120,836	\$ 80,570
Implicit Subsidy - employer	70,018	6,347	28,508	24,086	34,014	29,093	27,041	12,906
Implicit Rate Subsidy Fulfilled	7,994	(6,347)	(28,508)	(24,086)	(34,014)	(29,093)	(27,041)	(12,906)
Net investment income	(70,018)	72,960	(152,570)	218,591	25,195	36,822	38,672	43,423
Benefits payments	(7,994)	(78,541)	(77,611)	(75,438)	(80,818)	(55,423)	(55,136)	(43,473)
Administrative expense	(415)	(348)	(278)	(301)	(343)	(436)	(257)	(212)
Net change in plan fiduciary net position	135,233	72,612	187,952	218,290	95,052	104,386	104,115	80,308
Plan fiduciary net position - beginning	1,274,037	1,201,425	1,013,473	795,183	700,131	595,745	491,630	411,322
Plan fiduciary net position - ending (b)	\$ <u>1,409,270</u>	\$ <u>1,274,037</u>	\$ <u>1,201,425</u>	\$ <u>1,013,473</u>	\$ <u>795,183</u>	\$ <u>700,131</u>	\$ <u>595,745</u>	\$ <u>491,630</u>
Net OPEB Liability - ending (a) - (b)	\$ <u>318,958</u>	\$ <u>252,337</u>	\$ <u>261,102</u>	\$ <u>496,691</u>	\$ <u>664,107</u>	\$ <u>848,588</u>	\$ <u>889,289</u>	\$ <u>959,664</u>
Plan fiduciary net position as a percentage of the total OPEB liability	81.54%	83.47%	82.15%	67.11%	54.49%	45.21%	40.12%	33.88%
Covered-employee payroll - measurement period	1,539,143	1,240,682	1,148,796	962,819	916,620	888,075	849,372	909,928
Net OPEB liability as a percentage of covered-employee payroll	20.72%	20.34%	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\*

<i>Fiscal Year Ended</i> <i>Measurement Period</i>	2025 2024	2024 2023	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017
Actuarially Determined Contribution (ADC)	\$ 64,833	\$ 62,959	\$ 54,915	\$ 102,433	\$ 100,260	\$ 112,895	\$ 106,991	\$ 108,953
Contributions in relation to actuarially determined contributions	105,582	78,012	84,968	446,919	99,524	185,032	152,516	147,877
Contribution Deficiency (excess)	\$ <u>(40,749)</u>	\$ <u>(15,053)</u>	\$ <u>(30,053)</u>	\$ <u>(344,486)</u>	\$ <u>736</u>	\$ <u>(72,137)</u>	\$ <u>(45,525)</u>	\$ <u>(38,924)</u>
Covered payroll	\$ 1,582,239	\$ 1,539,143	\$ 1,240,682	\$ 1,148,796	\$ 962,819	\$ 916,620	\$ 888,075	\$ 849,372
Contributions as a percentage of covered-employee payroll	6.67%	5.07%	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.

Valuation Date:	June 30, 2024
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	2.30%
Salary Increases	2.80%
Investment rate of return	6.36%
Healthcare Trend Rate	6.80%, 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\*

<i>Measurement Period</i>	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return, net of investment expense	10.65%	6.07%	-12.89%	27.49%	3.43%	7.66%	7.38%	10.10%

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.