

Almonte Sanitary District
Financial Statements
June 30, 2021

ALMONTE SANITARY DISTRICT
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June 30, 2021

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TEK Terry E Krieg CPA
Certified Public Accountant

Independent Auditor's Report

Board of Directors
Almonte Sanitary District
Mill Valley, California

Report on the Financial Statements

I have audited the accompanying financial statements of the Almonte Sanitary District, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Almonte Sanitary 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with audited standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit 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 District'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 control. Accordingly, I 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,

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Almonte Sanitary District as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

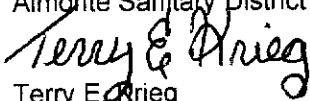
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report, dated July 25, 2022 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Almonte Sanitary District's internal control over financial reporting and compliance.



Terry E. Krieg
Certified Public Accountant
Santa Rosa, California
July 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Almonte Sanitary District's annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the district's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the district's business-type activities increased by about \$154,738 in fiscal 2021 which amount was about 11 percent less than the fiscal 2020 change.
- On a net basis, total operating expenses in fiscal 2021 were about two percent higher than in fiscal 2020. Most of the 2021 cost increases were related to higher treatment costs and increases in depreciation expense.
- Fiscal 2021 total district revenues were about \$5,000 less than total fiscal 2020 revenues. The increases in property tax revenues helped offset the \$16,800 decrease in investment income. Investment income dropped of by about 72% as the rates of return on the County Pool declined steadily since 2019.
- There was a net decrease in the district's capital assets in fiscal 2021 resulting mainly from depreciation additions exceeding 2021 additions to construction in progress,
- The district's cash and investment holdings increased by about \$180,100 at the end of fiscal 2021 as a result of positive cash inflows. The district at the end of fiscal 2021 had no long-term debt financing arrangements outstanding.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* (this section), and the *basic financial statements including related disclosures*. 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 districts 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. Figure A-1 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.

FIGURE A-1

Basic Financial Statement Features

Scope

Required Financial Statements

Accounting Basis and Measurement Focus

Type of Asset and Liability Information

Type of Inflow and Outflow Information

Basic Financial Statements

Activities the District operates similar to a to a private business; the wastewater collection and treatment systems

Statement of net position; statement of revenues, expenses, and changes in net position, and the statement of cash flows

Accrual accounting and economic measurement focus

All assets and liabilities, both financial and capital and short term and long-term focus

All revenues and expenses during the year regardless of when the cash is received

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 districts *net position* and how it has changed. Net position – the difference between the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the district's financial health, or *position*.

- Over time, increases or decreases in the districts 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

Net Position. The district's' *combined* net position increased by about \$154,700 in fiscal year 2021 (See Table A-1.)

TABLE A-1 NET POSITION OF THE DISTRICT (Rounded to Nearest Hundred)

	Business-Type Activities		Percentage Change
	2021	2020 (As restated)	2020-2021
Cash and investments	\$ 1,147,700	\$ 967,600	19%
Other assets	9,300	13,800	-33
Capital assets, net	2,081,400	2,120,900	-2
Total assets	3,238,400	3,102,300	-4
Long-term debt	-	-	
Other liabilities	9,300	27,900	-66%
Total liabilities	9,300	27,900	-66%
Net position:			
Net investment in capital assets	2,081,400	2,120,900	-2
Unrestricted	1,147,700	953,500	20
Total net position	\$ 3,229,100	\$ 3,074,400	5%

The increase in cash and investments was caused by a deferral in capital projects spending in fiscal 2021. The decrease in other assets of 33 percent was from the collection of receivables. The 66 percent decrease in other liabilities was from the retentions payable at the end of 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in net position.

The district's total revenues decreased by about 1/10th of one percent in fiscal 2021 compared to fiscal 2020 revenues.

While total revenues decreased by about \$5,000, there were also about a \$13,400 increase in total operating costs which is why the change in net position was about the \$18,400 less than the FY 2020 change.

TABLE A-2 District's Revenues, Expenses and Changes in Net Position (Rounded Nearest Hundred))

	Years Ended June 30		Total
	2021	2020	Percentage Change 2020-2021
Revenues			
Program revenues:			
Charges for sewer service	\$ 662,700	\$ 661,900	.1%
Other operating charges	9,800	8,600	14
Property taxes	161,300	154,000	5
Franchise fees	8,400	5,900	42
Investment income	6,500	23,300	-72
Total revenues	848,700	853,700	-1%
Expenses			
Salaries and benefits	62,000	61,700	.5
Intergovernmental treatment costs	461,300	432,200	7
Line inspections, cleaning, repairs	88,000	106,200	-17
Insurance and claims	2,500	3,400	-26
Contracts and professional services	17,800	23,600	-25
Other expenses	14,800	14,200	4
Depreciation	47,600	39,300	21
Total expenses	694,000	680,600	2
Change in net position	154,700	173,100	-11
Net position, beginning, as restated	3,074,400	2,901,300	
Net position, ending	\$ 3,229,100	\$ 3,074,400	5%

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-2 presents the cost of each of the district's largest functions from an expense perspective – operating expenses and depreciation on capital assets.

- ✓ The joint treatment costs increased in fiscal 2021 by \$29,100, about \$18,200 less was spent on online repairs and cleaning, and about a net \$6,100 less was spent on contracts and professional services which was offset by an \$8,300 increase in depreciation.

The district paid for these costs by using the direct charges collected from its customers and other revenues,

On a cash flow basis, there was about a \$180,100 net increase in the district's cash and investment holdings at the end of fiscal 2021 compared to the end of fiscal 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2021, the district's investment in capital assets decreased by about \$39,500 net compared to fiscal 2020. This represented about a net two percent decrease in capital assets for the district. The decrease was the result of 2021 depreciation charges being greater than the additions to 2021 in construction in progress additions.

TABLE A-3 District Investment in Capital Assets, Net of Accumulated Depreciation (Rounded Nearest Hundred)

	Business-Type Activities		Total Percentage
	2021	2020	Change
			2020-2021
Sewer lines, original	\$ 210,000	\$ 210,000	
Contributed sewer lines	34,600	34,600	
Betterments and improvements	2,346,600	2,346,600	
Construction in progress	8,100	-	100
Less accumulated Depreciation	(517,900)	(470,300)	10
Total	\$ 2,081,400	\$ 2,120,900	-2 %

ALMONTE SANITARY DISTRICT
Statement of Net Position
June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 634,261
Accounts receivable	2,175
Prepayments	<u>1,568</u>
Total current assets	<u>638,004</u>

Noncurrent assets:

Capital improvement fund:

Designated cash and cash equivalents	<u>513,428</u>
Total designated cash and cash equivalents	<u>513,428</u>

Long-term receivables:

Delinquent accounts	<u>5,600</u>
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Capital assets:

Capital asset not being depreciated:

Construction in progress	8,115
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Capital assets being depreciated:

Collection system:

Original sewer lines	210,000
Contributed lines	34,600
Improvements	2,346,564
Less accumulated depreciation	<u>(517,910)</u>

Total capital assets being depreciated	<u>2,073,254</u>
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Total capital assets	<u>2,081,369</u>
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Total noncurrent assets	<u>2,600,397</u>
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Total assets	<u><u>\$ 3,238,401</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 8,285
Accred liabilities	<u>1,001</u>

Total current liabilities	<u>9,286</u>
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NET POSITION

Net investment in capital assets	2,081,369
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Unrestricted	<u>1,147,746</u>
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Total net position	<u><u>\$ 3,229,115</u></u>
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The accompanying notes are an integral part of the financial statements

ALMONTE SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Year Ended June 30, 2021

OPERATING REVENUES	
Sewer service fees	\$ 662,719
Franchise fees	8,417
Other operating revenues	<u>9,800</u>
Total operating revenues	<u>680,936</u>
OPERATING EXPENSES	
Salaries and benefits	62,011
Intergovernmental treatment costs	461,303
Line cleaning, inspection and repairs	87,957
Liability, property insurance, and claims	2,508
Contract and professional services	17,759
Other operating	14,832
Depreciation	<u>47,634</u>
Total operating expenses	<u>694,004</u>
Operating income	<u>(13,068)</u>
NON-OPERATING REVENUES(EXPENSES)	
Property taxes	161,253
Investment income	<u>6,553</u>
Net non-operating revenues (expenses)	<u>167,806</u>
Change in net position	154,738
Total net position, beginning, as restated	<u>3,074,377</u>
Total net position, ending	<u><u>\$ 3,229,115</u></u>

The accompanying notes are an integral part of the financial statements

ALMONTE SANITARY DISTRICT
Statement of Cash Flows
For The Fiscal Year Ending June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 668,308
Other operating receipts	18,697
Payments to suppliers for goods and services	(586,432)
Payments to employees for services and benefits	<u>(61,010)</u>
Net cash provided by operating activities	<u>39,563</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property tax collections	<u>161,253</u>
Net cash provided by noncapital financing activities	<u>161,253</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital asset improvements	<u>(27,240)</u>
Net cash used for capital and related financing activities	<u>(27,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest receipts	<u>6,553</u>
Net cash provided by investing activities	<u>6,553</u>
Net decrease in cash and cash equivalents	180,129
Balances-beginning of the year	<u>967,560</u>
Balances-end of the year	<u><u>\$ 1,147,689</u></u>
Reconciliation of operating income to net cash used for operating activities:	
Operating income	\$ (13,068)
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation expense	47,634
Change in assets and liabilities:	
Decrease (increase) in receivables	6,069
Increase (decrease) in accrued liabilities	1,001
(Increase) decrease in prepayments	(1,568)
Increase (decrease) in accounts payable	<u>(505)</u>
Net cash provided by operating activities	<u><u>\$ 39,563</u></u>
Noncash capital financing activities:	
None	
Cash and cash equivalents	\$ 634,261
Designated cash and cash equivalents	<u>513,428</u>
Total cash and cash equivalents	<u><u>\$ 1,147,689</u></u>

The accompanying notes are an integral part of the financial statements

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Almonte Sanitary District was organized in 1949 as a special district under Provisions of the Sanitary District Act of 1923, and it is governed by five elected Directors. The District's service area includes an area between Mill Valley and the unincorporated area known as Tamalpais Valley in the County of Marin, California. The District provides sewerage collection and disposal services and contract administration for the collection of municipal solid waste and recycling services. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units. The District does not own or operate its own wastewater treatment plant. As a member of the Sewerage Agency of Southern Marin (A joint powers agency), the District is charged an annual fee for the treatment of its wastewater.

B. Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes, service fees, revenue from maintenance agreements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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, and these notes to the basic financial statements.

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 customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District's investment policy has been to invest all cash in the Marin County Treasurer's Investment Pool. Investments are reported at fair value. The County Pool is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the County Pool are the same as the fair value of the County Pool shares/deposits.

2. Receivables, Property Taxes and Sewer Service Revenues

Property taxes are levied as of March 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 nonvacant properties and adjusted flows applicable to commercial properties. 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 an arrangement with the County known as the Teeter Plan, the County advances 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.

3. Inventories and Prepaid Items

All inventories are valued at cost based upon physical determinations made at the end of each year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

4. Designated Cash Equivalents and Investments

Cash equivalents and investments restricted for use in only capital projects are reported as noncurrent assets. The District follows the practice of reporting in this category the funds, which by Resolution of the Board of Directors, can only be used for the purpose of financing the design, construction, replacement and improvement of related District facilities.

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position

5. 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
Subsurface lines	50
Equipment and vehicles	5-15
Facilities and structures	15

6. Compensated Absences, Sick Leave, Other Post-Employment Benefits and Claims

The District's policy is to provide employees with no vacation or sick pay benefits. Accordingly, the District reports no liability for compensated absences\unpaid vacation or sick leave in these financial statements.

The District does not provide any other post employment retirement benefits (OPEB) such as retiree medical benefits, and accordingly the District reports no liability for such OPEB plans in these financial statements.

The District does not participate in the Public Employees Retirement System and provides employees with no pension benefits, accordingly, the District reports no information about pension plans or contributions in these financial statements.

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability, through its membership with the Sewerage Agency of Southern Marin (SASM). The District pays a prorated share of the premiums charged to SASM for coverage under a master policy. The risk of loss is transferred from the District to the SASM's insurance provider in exchange for the District's payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance. The District has a self-insured retention limit, similar to a deductible, of \$25,000.

The District purchases workers compensation insurance through a policy with the Special District Risk Management Authority (SDRMA).

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position

7. Long-term Obligations

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The District has no outstanding long-term debt obligations.

8. Net Position

In the financial statements, fund net position is reported in two categories as follows:

- Net investment in capital assets - This category of net position reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation, and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Unrestricted - Unrestricted net position represents all other assets net of related liabilities available for use by the District.

2. Detailed Notes

A. Cash Equivalents and Investments

Cash equivalents and Investments consisted of the following at June 30:

Cash deposits	\$	22,183
Marin County Treasurer's Investment Pool:		
District operating account		612,077
District capital improvement account		513,428
 Total cash equivalents and investments	 \$	 <u>1,147,688</u>

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 all be deposited with the County of Marin Treasurer's Investment Fund. The District maintains no separate bank checking, savings, money market or time deposit accounts except for a payroll clearing account. The District has no custodial credit risk as to deposits because the \$23,057 bank balance is fully insured by the F.D.I.C.

Custodial Credit Risk - Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the Marin County Treasurer's Investment Pool are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

Credit Risk- Investments. State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the County of Marin's Treasurer's Investment Pool policy to comply with those requirements. The Marin County Treasurer's Investment Pool is rated AAF1/S1 by Fitch Ratings.

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

2. Detailed Notes (Continued)

A. Cash Equivalents and Investments Continued)

Fair Value Measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The District has no separately held investments and its funds are held primarily by the Marin County Investment Pool which Pool values its investments monthly using real-time pricing viewed as Level 1 inputs.

B. Receivables:

Receivables at year end consisted of \$2,175 in franchise fees and \$5,600 in delinquent sewer service fees from prior years net of \$13,200 in estimated uncollectible amounts.

C. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 8,115	\$	\$ 8,115
Total capital assets, not being depreciated		8,115		8,115
Capital assets, being depreciated:				
Original sewer lines	210,000			210,000
Contributed lines	34,600			34,600
Improvements	2,346,564			2,346,564
Total capital assets, being depreciated	2,591,164			2,591,164
Less accumulated depreciation for:				
Original lines, extensions and replacements	(210,000)			(210,000)
Contributed lines and improvements	(260,276)	(47,634)		(307,910)
Total accumulated depreciation	(470,276)	(47,634)		(517,910)
Total capital assets, being depreciated, net	2,120,888	(47,634)		2,073,254
Business-type activities capital assets, net	<u>\$ 2,120,888</u>	<u>\$ (39,519)</u>	<u>\$</u>	<u>\$ 2,081,369</u>

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

3. Other Information

A. Jointly Governed Organizations

The Almonte Sanitary District is a member of the Sewerage Agency of Southern Marin (SASM). The SASM was formed in 1979 as a joint powers agency with six members: The City of Mill Valley, the Richardson Bay, Almonte, Alto and Homestead Sanitary Districts and the Tamalpais Community Services District. The SASM is a stand-alone governmental entity and it is not financially accountable for any other governmental entity and it has no component units. SASM's primary function is the maintenance and operation of its owned wastewater treatment plant and related lines and facilities. Member agencies pay annual assessments to SASM, based upon the concept of their respective number of equivalent dwelling units (EDUs), in exchange for the treatment and disposal of wastewater collected through their respective collection systems and conveyed to SASM's treatment plant and facilities. Member agency assessments are expected to increase in future years as SASM undertakes plant modernization and improvement projects.

In August of 2016, the District entered into a financing agreement with the SASM wherein the District agreed to maintain its net revenue system revenues at a level equal to at least 120 percent of its obligation to SASM to support the SASM bonds. The SASM issued \$38,000,000 in revenue bonds to provide financing for improvements to its wastewater treatment plant and refund other obligations. The District's annual financial obligations under the JPA Agreement and the Financing Agreement are passed through to the District each year in the form of a billing for an annual assessment payable in two equal semi-annual installments. These annual installments are reported by the District as intergovernmental treatment costs in the statement of revenues, expenses and changes in net position.

Under the Joint Powers Agreement, all excess administration, operations and maintenance funds, from any source, are the property of SASM and not its members. If excess monies are available, the SASM may, but is not required to, reduce member assessments for the subsequent year. There are no provisions for sharing among the members the net earnings of SASM. Accordingly, the Almonte Sanitary District is deemed to have no equity interest in SASM.

B. Risk Management

The District obtains general liability, property, and automobile insurance through its membership in the SASM. Each member agency is assessed a premium based on ratable exposure. The SASM purchases insurance coverage from the California Sanitation Risk Management Authority (CSRMA) for SASM and the member Districts.

The risk of loss is transferred from the Districts to the Authority under the arrangement to the extent that the insurance coverage pertains to the District membership in SASM. Subject insurance does not extend to claims arising from the sole acts of the District independent of its SASM membership. The Authority provides coverage for the first \$500,000 in general liability and auto claims with the District being responsible for the first \$25,000 and a \$25,000 sewer backup deductible limit. The Authority provides coverage for the next \$15.5 million in claims by purchasing commercial insurance coverage and additional \$10 million reinsurance policies for a total coverage limit of \$25.5 million. The Authority provides insurance coverage for the buildings and plant of all SASM members. Flood insurance is also provided with a \$2 million coverage limit which limit is shared with other member agencies and has a \$500,000 deductible in zones A and V and a \$100,000 deductible in other zones. The Almonte Sanitary District obtains workers compensation insurance coverage through a policy purchased from the Special District Risk Management Authority (SDRMA) The District paid no material uninsured losses during the last three fiscal years.

ALMONTE SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2021

3. Other Information

B. Risk Management (Continued)

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 (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There has been no significant changes in coverages over the last three fiscal years. The District paid no significant claims during fiscal 2019, and had no significant uninsured claim liabilities at June 30, 2021 and 2020

C. Contingencies and Commitments

Litigation. In the opinion of the District's general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements.

D. Prior Period Adjustment

The beginning of year net position has been restated for unaccrued fiscal 2020 fees and for residential sanitary sewer service fees on four parcels where the parcels were omitted from annual assessments from 2013 through 2020 as follows:

Net position, June 30, 2020 as originally reported	\$ 3,060,533
FY 2020 uncollected special district sewer service fees	5,589
FY 2020 franchise fees	1,855
FY 2013 to 2020 residential sewer service fees	<u>6,400</u>
Net position, June 30, 2020 as restated	<u>\$3,074,377</u>

E. Subsequent Event

The district in August 2021 awarded a \$475,048 construction contract for work on district lines.

**ALMONTE SANITARY DISTRICT
REPORT TO THOSE CHARGED WITH GOVERNANCE
JUNE 30, 2021**

TEK Terry E Krieg CPA
Certified Public Accountant

July 25, 2022

Honorable President and Members of
Board of Directors
Almonte Sanitary District
Mill Valley, California

I have audited the basic financial statements of the business-type activities of the Almonte Sanitary District for the year ended June 30, 2021, and have issued my report thereon dated July 25, 2022. Professional standards require that I provide you with the following information related to my audit.

1. My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As part of my audit, I considered the internal control of the Almonte Sanitary District. Such considerations were solely for the purpose of determining my audit procedures and not to provide assurance concerning such internal control. My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

2. Other Information in Documents Containing Audited Financial Statements and Electronic Dissemination of Audited Financial Statements

My responsibility for other information in documents containing the Almonte Sanitary District financial statements and my auditor's report, such as an official statement for a bond or debt offering, does not extend beyond the financial information identified in the report. I do not have an obligation to perform any procedures to corroborate other information contained in such other documents. To my knowledge, the Almonte Sanitary District's audited financial statements were not incorporated into other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, I am not required to read the information in any such sites or to consider the consistency of other information in the electronic site with the original documents.

3. Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to the District Manager in the audit engagement letter and discussed with the District Manager. My understanding is that the District Manager has the responsibility for coordinating the audit process with my firm and for communicating to you significant audit matters.

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4. Significant Audit Findings

A. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Almonte Sanitary District are described in Note one to the financial statements.

B. Changes in Accounting Policies

No new accounting policies were adopted and the application of existing policies was not significantly changed in the 2021 fiscal year.

C. Significant and Unusual Transactions

There were no significant and unusual transactions reported in fiscal 2021 in the District's statement of net position or changes in net position other than there was a \$154,738 positive increase in the District's overall net position after a prior period adjustment increase of \$13,844 for revenues that pertained to fiscal 2020 and prior years. Of the \$6,400 ultimately billed for omitted 2013-2020 sewer service fees, \$5,600 remains to be collected at the end of fiscal 2021.

D. Transactions Having a Lack of Authoritative Guidance

No significant dollar value transactions came to my attention where there was a lack of authoritative guidance regarding the application of accounting principles to the transactions.

E. Accounting Estimates

Accounting estimates are an integral part of financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements was management's estimate of depreciation expense which estimates were based upon subsidiary schedules of capital assets and depreciation calculations using the straight-line method of depreciation. I evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relationship to the financial statements taken as a whole.

F. Sensitive Financial Statement Disclosures

The disclosures in the financial statements are to be neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were, in my judgment, the disclosures about cash and investment holdings with the County of Marin.

5. Difficulties Encountered in Performing the Audit

I experienced no significant difficulties in dealing with management in performing and completing my audit.

6. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

There were two proposed audit reclassification entries for financial reporting purposes only, one adjustment entry to record the prepayment of insurance and another to record an immaterial amount of additional depreciation. There also were adjustments to record the retention payable and accounts payable applicable to the prior fiscal year (\$23,804) that were booked as 2021 activity instead of the 2020 fiscal year. Adjustments were also made to record the \$6,400 in omitted sewer service fees for prior years.

7. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of the audit.

8. Management Representations

I have requested certain representations from management that are included in the management representation letter.

9. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To my knowledge, there were no such consultations with other accountants.

10. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the District's auditors or prior to commencement of the financial statement audit. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention as the District's independent auditor.

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

Sincerely yours,


Terry E. Khieg

**ALMONTE SANITARY DISTRICT
APPROPRIATIONS LIMIT
JUNE 30, 2021**

TEK Terry E Krieg CPA
Certified Public Accountant

Board of Directors
Almonte Sanitary District
Mill Valley, California

Independent Accountants' Report on Agreed-Upon Procedures
Applied to Appropriations Limit Worksheets

I have performed the procedures enumerated below, to the accompanying Appropriations Limit worksheet of the Almonte Sanitary District for the year then ended June 30, 2021 (as presented in the League of California Cities publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) solely to assist the Almonte Sanitary District in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The Almonte Sanitary District's management is responsible for the calculation of the Appropriations Limit.

The Almonte Sanitary District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting Section 1.5 of Article XIII B of the California Constitution for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. I obtained the completed appropriation limit worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. I also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Directors.

Finding: No exceptions were noted as a result of my procedures.

2. For the accompanying Appropriations Limit worksheet, I added last year's limit and total adjustments, and compared the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of my procedures.

3. I compared the current year information presented in the accompanying Appropriations Limit worksheet to the other worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of my procedures.

4. I compared prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the Board of Directors for the prior year.

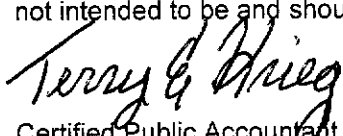
Finding: No exceptions were noted as a result of my procedures.

No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication *entitled Article XIII B Appropriations Limitation Uniform Guidelines*.

I was engaged by the Almonte Sanitary District to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, the objective which would be the expression of an opinion or conclusion, respectively, on the Appropriations Limit Calculation for the year ended June 30, 2021.. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the Almonte Sanitary District and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

This report is intended solely for the information and use of the Almonte Sanitary District and is not intended to be and should not be used by anyone other than this specified parties.


Certified Public Accountant
Santa Rosa, California
July 25, 2022

Article XIIIB Appropriation Limit Calculation

Prior Year Limit		\$ 82,800
Multiply by:		
Change in per capita income	1.0373	
Change in population	0.9941	<u>1.03117993</u>
Total Appropriation Limit Fiscal Year 2020-2021		<u>\$ 85,382</u>

ALMONTE SANITATION DISTRICT

Report on Internal Control over Financial Reporting,
Compliance and Other Matters
June 30, 2021

TEK Terry E Krieg CPA
Certified Public Accountant

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

President and Members
Of the Board of Directors
Almonte Sanitation District
Mill Valley, California

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Almonte Sanitation District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Almonte Sanitation District's basic financial statements, and have issued my report thereon dated July 25, 2022.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Almonte Sanitation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Almonte Sanitation District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Almonte Sanitation District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

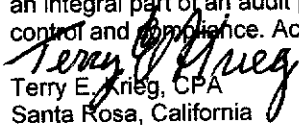
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Almonte Sanitation District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of Report

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


Terry E. Krieg, CPA
Santa Rosa, California
July 25, 2022

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**ALMONTE SANITARY DISTRICT
MANAGEMENT LETTER
JUNE 30,2021**

TEK Terry E Krieg CPA

Certified Public Accountant

Board of Directors
Almonte Sanitary District
Mill Valley, California

I have audited the basic financial statements of the Almonte Sanitary District as of and for the fiscal year ended June 30, 2021 and have issued my report thereon dated July 25, 2022. In planning and performing my audit, of the basic financial statements of the District, I considered internal control in order to determine my auditing procedures for the purpose of expressing my opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. I have not considered internal control since the date of my report.

During my audit I noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate levels of management, are intended to improve internal control or result in other operating efficiencies and are summarized in this letter.

Two "Informational Only" sections follow the observation and recommendations section. The first section summarizes New Statements on Auditing Standards issued by the Auditing Standards Board that will significantly change the wording, content and format of independent audit reports and impact auditing requirements, procedures and reporting in future years. The second Informational Only section summarizes new and recently issued Statements of the Governmental Accounting Standards Board (GASB) that have recently been enacted or will be effective in future years. Summaries of the GASB statements are included to assist management in evaluating the applicability to the district of emerging and new financial accounting principles.

1. OBERVATIONS AND RECOMMENDATIONS

A. Accounting for Prepaid Insurance and Accrued Payroll

The general ledger year end accounting records were well maintained in a complete and professional manner. The district followed a method of expensing all payments for general insurance coverages to the current year when in fact the policy covered the period from December 31 to December 31. Payroll taxes payable were also recorded as accounts payable.

In the future, I recommend that prepayments for insurance be coded directly to a prepayment asset account and that accrued payroll be credited directly to an accrued payroll payable account.

2. INFORMATIONAL ONLY – NEW STATEMENTS ON AUDITING STANDARDS (SAS)

Statement on Auditing Standards (SAS) Number 134 – Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements – Effective June 30, 2022

Major and significant changes to the wording, format, and content of the independent auditor's report. Provides for the discussion in the audit report of "Key Audit Matters" when engaged to report on Key Audit Matters. Amends and revises guidance about auditor responsibilities, audit procedures, engagement letters, and auditee responsibilities.

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SAS135 -Omnibus Statement on Auditing Matters (Effective June 30, 2022)

- Requires evaluation of significant unusual transactions and enhances guidance pertaining to related party transactions
- Changes what is to be communicated to those charged with governance including unusual transactions and other matters
- Provides for additional testing of related party transactions

SAS 136 – Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA

SAS Number 137 – Reporting on and audit procedures related to Other Information in Annual Reports including the Statistical Section of Comprehensive Annual Reports (CAFRs) and other information included in CAFRs. Clarifies auditor procedures related to other information included in annual reports and changes the required wording in the auditors' reports when other information is presented.

SAS 138 – Amendments to the Description of the Concept of Materiality

Changes the materiality concept to of misstatements and omissions, 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 of the financial statements"

SAS 139 – Amends AUC Sections 800, 805 and 810 to Incorporate Auditor Reporting Changes from SAS 134 (the first new standard listed above). Changes guidance for financial statements prepared on the (1) cash basis, (2) Tax basis, (3) regulatory basis, (4) contractual basis and (5) other basis of accounting.

SAS 140 – Amendments to AUC Sections 725,730,930,935 and 940 to Incorporate Auditor Reporting Changes from SAS Numbers 134 and 137. Clarifies wording and reporting on Supplementary Information, Required Supplementary Information (RSI), Going Concern Matters and on Compliance.

2. INFORMATIONAL ONLY – NEW STATEMENTS ON AUDITING STANDARDS (SAS)

SAS 141 – Amendment to Effective Dates of SAS 134-140

Delays the effective dates of SAS 134-140 from December 31, 2020, to December 31, 2021 (which for the district means these SAS are all effective for the June 30, 2022, fiscal year). Early amendment is allowed; However, the Auditing Standards Board recommends that all of these SASs be implemented concurrently. The delay in the effective dates was made to provide firms with more time to implement the new standards in light of the effect of the coronavirus pandemic.

My firm has elected to delay implementation until after December 31,2021. Implementation of these new standards will most likely result in increased audit fees in fiscal 2022 and thereafter.

SAS 142 – Audit Evidence (Effective June 30, 2023)

Provides additional guidance on auditor evaluations of the sufficiency and appropriateness of audit evidence provided by audit clients whether in written, electronic, or any form and the need to collaborate audit evidence with other audit procedures and the potential need to perform additional testing of audit evidence.

SAS 143 – Auditing Accounting Estimates and Related Disclosures (Effective June 30, 2024)
Requires control risk and inherent risk to be assessed separately for accounting estimates. expands audit procedures used to evaluate estimates used in financial statements

3. INFORMATIONAL ONLY - NEW AND RECENT REPORTING STANDARDS OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

GASB Statement 83 - Certain Asset Retirement Obligations (Effective June 30, 2019)

Requires the recognition of a liability for a liability associated with the permanent removal from service of a tangible capital asset, disposal of a significant replaced part, and any environmental remediation associated with the asset retirement. Both an external obligating event (such as a court judgment) and an internal obligating event (such as abandonment of CIP costs).

GASB 84 – Fiduciary Activities (Delayed effective date June 30, 2021)

The standard establishes four types of fiduciary funds being (1) pension and employee benefit trusts, (2) investment trust funds, private purpose funds and (4) custodial funds. The custodial fiduciary fund essentially replaces what was previously reported as “agency” funds.

GASB 85 – Omnibus 2017 (Effective June 30, 2018)

Amends sections of several GASB statements including GASB 68 and 75. Requires that employer paid member OPEB contributions be considered as employee contributions, that RSI payroll measures in OPEB plans be the covered payroll,

GASB 86 – Certain Debt Extinguishment Issues (Effective June 30, 2018)

Provides guidance for the in-substance defeasance of debt using existing resources.

GASB 87 – Leases (Delayed effective date June 30, 2022)

Requires that operating leases with a term greater than 12 months which are not a purchase arrangement be recognized as a lease liability in financial statements. The lessee would recognize a “right to use” asset on its balance sheet and amortize the cost over the term of the lease. In governmental funds, lease payments would be recognized as debt service principal and interest expenditures.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (Effective June 30, 2019)

Redefines what is considered to be debt and requires separate disclosures about “direct borrowings” and “direct placements” of debt, assets pledged as collateral, and other debt related information.

GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period (Delayed effective Date June 30, 2022)

Eliminates the requirement to capitalize as an asset the interest incurred during the period in which the asset is in construction in progress. All interest on borrowings is to be reported as an expense or expenditure.

GASB 90 – Majority Equity Interest (Delayed effective date June 30, 2021)

Provides guidance on accounting for a majority equity interest where the primary purpose is to obtain income or profit and requires the use of the equity method of accounting. When a government holds a majority equity interest in a legally separate organization, the government should report the other entity as a component unit because it is financially accountable for that separate entity.

3, INFORMATIONAL ONLY - NEW AND RECENT REPORTING STANDARDS OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

GASB 91 – Conduit Debt Obligations (Delayed effective date June 30, 2023)

Conduit debt obligations should be recognized as a liability under certain circumstances. Conduit debt being where a government issues debt for a third party, there is a debt holder or debt trustee and a third party that is responsible for all debt payments.

GASB 92 – Omnibus 2020 (Delayed effective date June 30, 2022)

Spells out certain amendments to GASB statements on Leases, pension and OPEB in order to achieve consistency among the statements.

GASB 93 – Replacement of Interbank Offered Rates (Delayed effective date June 30, 2022)

Provides for the cessation of the London Interbank Offered Rate (LIBOR) used to set variable payments made or received under certain agreements with governments. Pertains to interest rate settings on derivative instruments and interest rate swaps. A derivative being a contract between two or more parties with the price of the derivative is based upon fluctuations in the underlying assets; a device used to speculate on price change on the underlying assets.

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements (delayed effective date June 30, 2023)

Provides reporting guidance for Public-Private Partnerships (PPP, 3P or P3) arrangements between two or more public and private sectors that typically are of a long-term nature and involve funding arrangements whereby a private entity finances, constructs or manages a public interest project in return for a promised stream of payments from the government or indirectly from the users of the project. Historically, the arrangement may have represented an “off-balance sheet” financial arrangement.

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

Postpones for one year the effective dates of certain GASB Statements that first became effective June 30, 2019, including GASB Statements Numbers 83,84,88,89,90 through 93. The effective date of GASB Statement 87 on Leases is postponed for 18 months. Earlier application is permitted to the extent specified in each statement as originally issued.

GASB 96 – Subscription Bases Information Technology Arrangements (effective June 30, 2023)

Requires that a “right to use subscription asset” and a corresponding “subscription liability” be reported in financial statements for contracts with a term of more than 12 months and where the government has the right to use a vendor’s information technology (IT) software alone or in combination with the underlying IT assets. The contract must be noncancelable. Cloud storage and computing can qualify as a subscription asset

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (Effective June 30, 2022). If a section 457 deferred compensation plan is a component unit of a government, then it would be considered to be a fiduciary fund of the government and would be accounted for as a fiduciary fund reporting both a statement of net position and changes in net position.

**3.. INFORMATIONAL ONLY - NEW AND RECENT REPORTING STANDARDS OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)**


GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (Effective June 30, 2022)

If a section 457 deferred compensation plan is a component unit of a government, then it would be considered to be a fiduciary fund of the government and would be accounted for as a fiduciary fund reporting both a statement of net position and changes in net position.

GASB 97 introduces the principle that if a legally separate organization does not have a governing board, but the primary government performs duties that a governing board would typically perform, then the absence of a governing board causes the primary government to be treated as if it appointed the voting majority, and hence would be deemed accountable for the legally separate organization.

My audit procedures are designed primarily to enable me to form opinions on the financial statements, and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. My aim, however, is to use my knowledge of the district gained during the audit to make comments and suggestions that I hope will be useful to you. I would be available to discuss these comments and recommendations with you either by cell phone, email, or zoom conferencing if so desired.

This report is intended solely for the information of the Board of Directors, Management, and others within the district, and is not intended to be and should not be used by anyone other than these specified parties.


Terry E. Krieg, CPA
Santa Rosa, California
July 25, 2022