

Almonte Sanitary District  
Financial Statements  
June 30, 2023

**ALMONTE SANITARY DISTRICT**  
**Table of Contents**  
**June 30, 2023**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12

Board of Directors  
Almonte Sanitary District  
Mill Valley, California

**Independent Auditor's Report**

**Report on the Audit of the Financial Statements**

**Opinion**

I have audited the financial statements of the Almonte Sanitary District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Almonte Sanitary District's basic financial statements as listed the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Almonte Sanitary District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the Almonte Sanitary District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

## **Auditor's Responsibility for the Audit of Financial Statements**

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform auditing 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 Almonte Sanitary District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Almonte Sanitary District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* 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 Government 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 supplemental 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 representations 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 March 21, 2024 on my consideration of Almonte Sanitary 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 solely 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 the effectiveness of Almonte Sanitary District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Almonte Sanitary District's internal control over financial reporting and compliance.



Terry E. Krieg, CPA  
Santa Rosa, California  
March 21, 2024

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2023. 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 \$104,300 in fiscal 2023 which amount was about 17 percent less than the fiscal 2022 change in net position.
- On a net basis, total operating expenses in fiscal 2023 were about eight percent higher than in fiscal 2022. Most of the 2023 cost increases were related to higher line cleaning and inspection costs and increased depreciation on lines placed in service from the fiscal 2022 project.
- Fiscal 2023 total district revenues were about \$38,9000 more than total fiscal 2022 revenues. The main revenue increase in fiscal 2023 was from a turnaround in the fair value of the district's funds held in the Marin County investment Pool.
- The district's cash and investment holdings increased by about \$135,400 at the end of fiscal 2023 as a result of net positive cash flows because of no significant capital improvement costs in fiscal 2023. The district at the end of fiscal 2023 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 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. 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**

<b>Basic Financial Statement Features</b>	<b>Basic Financial Statements</b>
<b>Scope</b>	Activities the District operates similar to a private business; the wastewater collection and treatment systems
<b>Required Financial Statements</b>	Statement of net position; statement of revenues, expenses, and changes in net position, and the statement of cash flows
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic measurement focus
<b>Type of Asset and Liability Information</b>	All assets and liabilities, both financial and capital and short term and long-term focus
<b>Type of Inflow and Outflow Information</b>	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 district's *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 district's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

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

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

**Net Position.** The district's' *combined* net position increased by about \$104,300 in fiscal year 2023 (See Table A-1.

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

	Business-Type Activities		Percentage Change
	2023	2022	2022-2023
Cash and investments	\$ 989,900	\$ 854,500	16%
Other assets	10,800	9,400	15
Capital assets, net	2,493,800	2,512,100	-1
<b>Total assets</b>	<b>3,494,600</b>	<b>3,376,000</b>	<b>4</b>
Long-term debt	-	-	
Other liabilities	34,800	20,500	70
<b>Total liabilities</b>	<b>34,800</b>	<b>20,500</b>	<b>70</b>
Net position:			
Net investment in capital assets	2,493,800	2,512,100	-1
Unrestricted	966,000	843,400	15
<b>Total net position</b>	<b>\$3,459,800</b>	<b>\$ 3,355,500</b>	<b>3%</b>

The increase in cash and investments was caused by lower capital projects spending in fiscal 2023. Liabilities increased 70 percent compared to fiscal 2022 because of a vendor payable for line cleaning and inspection services billed at year end.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in net position.**

The district's total revenues were relatively stable in fiscal 2023 except for the significant increase in investment income as the fair value of the district's share of the County Pool improved significantly in fiscal 2023.

While total revenues increased by about \$38,900, there was also about a \$60,500 increase in the district's total expenses.

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

	Years Ended June 30		Total
	2023	2022	Percentage Change 2022-2023
<b>Revenues</b>			
Program revenues:			
Charges for sewer service	\$ 662,700	\$ 662,700	
Other operating charges	7,200	8,100	-17%
Property taxes	185,300	180,100	3
Franchise fees	9,100	8,800	5
Investment income	27,400	(6,900)	497
<b>Total revenues</b>	<b>891,700</b>	<b>852,800</b>	<b>5</b>
<b>Expenses</b>			
Salaries and benefits	68,900	64,400	7
Intergovernmental-treatment costs	506,900	499,000	2
Line inspections, cleaning	115,200	82,000	40
Insurance and claims	6,900	4,900	40
Professional services	16,700	14,000	19
Other expenses	15,400	14,800	4
Depreciation	57,400	47,800	20
<b>Total expenses</b>	<b>787,400</b>	<b>726,900</b>	<b>8</b>
<b>Change in net position</b>	<b>104,300</b>	<b>125,900</b>	<b>-17</b>
Net position, beginning,	3,355,500	3,229,600	4
<b>Net position, ending</b>	<b>\$ 3,459,800</b>	<b>\$3,355,500</b>	<b>3%</b>

The most significant change in expenses in fiscal 2023 was a \$33,200 increase in line inspection and cleaning expenses, and in depreciation from additional lines placed in service. Other expenses increased from normal activity and cost increases.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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.

- ✓ Overall, total operating expenses increased about 8 percent compared to fiscal 2023 with most of the increase having to do with the maintenance of sewer lines and depreciation on those lines.

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 \$135,400 net increase in the district's cash and investment holdings at the end of fiscal 2023 compared to the end of fiscal 2022.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2023, the district's investment in capital assets decreased by about a net \$18,300 compared to a \$430,000 increase in fiscal 2022. This represented about a net one percent decrease in capital assets for the district. The net decrease was the result of 2023 depreciation charges being more than the additions to 2023 in betterments and improvements.

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

	Business-Type Activities		Total Percentage Change
	2023	2022	2022-2023
Sewer lines, original	\$ 210,000	\$ 210,000	
Contributed sewer lines	34,600	34,600	
Lines and improvements	2,832,700	2,832,700	
Construction in progress	39,100		100%
Less accumulated Depreciation	(622,600)	(565,200)	10
<b>Total</b>	<b>\$ 2,493,800</b>	<b>\$ 2,512,100</b>	<b>-1 %</b>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **The major capital assets activity in fiscal 2023 included:**

- Adding about \$39,100 to the district's construction in progress as part of preparation for next year's improvement program.
- More information about capital assets can be found starting on page 16 of the notes to the financial statements.

### **Long-Term Debt**

There was no new long-term debt issued by the district in fiscal 2023. The district has no Long-term debt outstanding.

### **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 State has also been promoting the philosophy that special districts reduce their reliance on property taxes and revert to a user-based revenue philosophy. This change is consistent with legislative findings at the time of adoption of Proposition 13 in 1979. No rate increase has been approved for fiscal 2023.

In the capital area, the district has determined that it needs significant capital projects and programs. These will in large part deal with the aging infrastructure of the district which is now reaching the end of its useful life due to improvement needs in the district collection system. The district will be undertaking a comprehensive evaluation of the collection system that may result in increased needs for financial commitment to this area of operations.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our 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 General Manager, Almonte Sanitary District, at 450 Sycamore Drive, Mill Valley, California, 94941.

**ALMONTE SANITARY DISTRICT**  
**Statement of Net Position**  
**June 30, 2023**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 547,736
Accounts receivable	2,322
Prepayments	<u>3,710</u>
Total current assets	<u>553,768</u>
Noncurrent assets:	
Capital improvement fund:	
Designated cash and cash equivalents	<u>442,165</u>
Total designated cash and cash equivalents	<u>442,165</u>
Long-term receivables:	
Delinquent accounts	<u>4,800</u>
Capital assets:	
Capital assets not being depreciated:	
Construction in progress	39,133
Capital assets being depreciated:	
Collection system:	
Original sewer lines	210,000
Contributed lines	34,600
Improvements	2,832,685
Less accumulated depreciation	<u>(622,587)</u>
Total capital assets being depreciated	<u>2,454,698</u>
Total capital assets	<u>2,493,831</u>
Total noncurrent assets	<u>2,940,796</u>
Total assets	<u><u>\$ 3,494,564</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 14,647
Unearned revenue	<u>20,143</u>
Total current liabilities	<u>34,790</u>

**NET POSITION**

Net investment in capital assets	2,493,831
Unrestricted	<u>965,943</u>
Total net position	<u><u>\$ 3,459,774</u></u>

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, 2023**

<b>OPERATING REVENUES</b>	
Sewer service fees	\$ 662,719
Franchise fees	9,084
Other operating revenues	<u>7,200</u>
Total operating revenues	<u>679,003</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	68,863
Intergovernmental treatment costs	506,920
Line cleaning, inspection and repairs	115,231
Liability, property insurance, and claims	6,913
Contract and professional services	16,787
Other operating	15,361
Depreciation	<u>57,354</u>
Total operating expenses	<u>787,429</u>
Operating loss	<u>(108,426)</u>
<b>NON-OPERATING REVENUES</b>	
Property taxes	185,334
Investment income	<u>27,375</u>
Total non-operating revenues	<u>212,709</u>
Change in net position	104,283
Total net position, beginning, as restated	<u>3,355,491</u>
Total net position, ending	<u><u>\$ 3,459,774</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, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 678,909
Payments to suppliers for goods and services	(648,225)
Payments to employees for services and benefits	<u>(68,863)</u>
Net cash used for operating activities	<u>(38,179)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property tax collections	<u>185,334</u>
Net cash provided by noncapital financing activities	<u>185,334</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for capital asset improvements	<u>(39,133)</u>
Net cash used for capital and related financing activities	<u>(39,133)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest receipts	<u>27,375</u>
Net cash provided by investing activities	<u>27,375</u>
Net increase in cash and cash equivalents	135,397
Balances-beginning of the year	<u>854,504</u>
Balances-end of the year	<u><u>\$ 989,901</u></u>
<b>Reconciliation of operating income to net cash used for operating activities:</b>	
Operating loss	\$ (108,426)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	57,354
Change in assets and liabilities:	
Decrease (increase) in receivables	(92)
(Increase) decrease in prepayments	(1,298)
Increase (decrease) in accounts payable	<u>14,283</u>
Net cash used for operating activities	<u><u>\$ (38,179)</u></u>
<b>Cash and cash equivalents:</b>	
Cash and cash equivalents	\$ 547,736
Designated cash and cash equivalents	<u>442,165</u>
Total cash and cash equivalents	<u><u>\$ 989,901</u></u>

The accompanying notes are an integral part of the financial statements

**ALMONTE SANITARY DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2023**

**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, 2023**

**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 is 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, 2023**

**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 prorate 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, 2023**

**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 on June 30:

Cash and investments	Average Maturities	Amounts
Cash deposits	N/A	\$ 20,618
Marin County Treasurer's Investment Pool:		
District operating account	196 days	449,409
District capital improvement account	196 days	519,874
<b>Total cash equivalents and investments</b>		<b>\$ 989,901</b>

*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 \$15,799 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 AAAF1/S1 by Fitch Ratings.

*Interest Rate Risk-* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**ALMONTE SANITARY DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2023**

**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 \$2,322 in franchise fees and \$4,800 in delinquent sewer service fees from the prior year's net of estimated uncollectible amounts.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 39,133	\$	\$ 39,133
Total capital assets, not being depreciated		39,133		39,133
Capital assets, being depreciated:				
Original sewer lines	210,000			210,000
Contributed lines	34,600			34,600
Improvements	2,832,685			2,832,685
Total capital assets, being depreciated	3,077,285			3,077,285
Less accumulated depreciation for:				
Original lines, extensions, and replacements	(210,000)			(210,000)
Contributed lines and improvements	(355,233)	(57,354)		(412,587)
Total accumulated depreciation	(565,233)	(57,354)		(622,587)
Total capital assets, being depreciated, net	2,512,052	(57,354)		2,454,698
Business-type activities capital assets, net	<u>\$ 2,512,052</u>	<u>\$ (18,221)</u>	<u>\$</u>	<u>\$ 2,493,831</u>

**ALMONTE SANITARY DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2023**

**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 power's agency with six members: The City of Mill Valley, the Richardson Bay, Almonte, Alto and Homestead Sanitary Districts and the Tamaipais 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, 2023**

**3. Other Information**

**B. Risk Management (Continued)**

The liability of the district is 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 evaluated 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 have been no significant changes in coverage over the last three fiscal years. The district paid no significant claims uninsured claim liabilities on June 30, 2023, 2022 and 2021

**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.

# ***ALMONTE SANITATION DISTRICT***

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

June 30, 2023

**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, 2023, 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 March 21, 2024.

**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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the following section titled Finding.

**Finding**

I was unable to review as part of the annual audit the annual calculation of the district's appropriations limit as required by section 1.5 of Article XIII B of the California Constitution. The review was not performed because the district had not adopted an appropriations limit for the fiscal 2023 fiscal year. The appropriations limit is used to determine whether or not the proceeds of taxes received by the district exceed the amount which may be appropriated by the district. Amounts in excess may be required to be returned by revision of tax rates or fee schedules or the district may find it necessary to obtain a voter override of its appropriations limit.

## Recommendations

I recommend that the district calculate its annual appropriations limit for fiscal 2023 or obtain a legal opinion stating that the district is except from the State of California's appropriation limit requirements.


## Views of Responsible Officials

The Almonte Sanitary District plans to calculate its annual Appropriations Limit for fiscal 2023 at the April 2024 Board meeting. The Board members will review and approve.

Government Auditing Standards require the auditor to perform limited procedures on the Almonte Sanitary District's response to the noncompliance finding identified in the "Finding" paragraph above. The Almonte Sanitary District's response was not subjected to the other auditing proceeds applied in the audit of the basic financial statements and, accordingly I express no opinion on the response in the above preceding section titled "views of responsible officials".

## 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  
March 21, 2024

**ALMONTE SANITARY DISTRICT  
REPORT TO THOSE CHARGED WITH GOVERNANCE  
JUNE 30, 2023**



March 21, 2024

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, 2023, and have issued my report thereon dated March 21, 2024. 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.

#### **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 2023 fiscal year.

##### *C. Significant and Unusual Transactions*

There were no significant and unusual transactions reported in fiscal 2023 in the District's statement of net position or changes in net position other than there was a \$104,300 net positive increase in the District's overall net position. There still remains \$4,800 in billed sewer charges that are past due because of prior years' billing errors. The district collected none of the past due amounts during fiscal 2023.

The district continues to report a liability (in case of a potential payment or refund) of \$20,143 that was received from the State of California for the purpose of subsidizing the costs of new waste collection containers necessitated by changes in recycling laws .

##### *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 five proposed audit reclassification entries for financial reporting purposes for the purpose of adjusting balances of prepaid insurance, reclassifying the opening net position balance, increasing the county pools for the fair value increase of the district's share of the pool, and the entry to reclassify the recycle grant from fiscal 2022 to an unearned liability account.

#### **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**

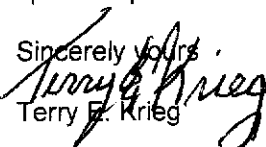
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the District's financial statements or a determination of 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 F. Krieg

**ALMONTE SANITARY DISTRICT  
MANAGEMENT LETTER  
JUNE 30,2023**

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, 2023, and have issued my report thereon dated March 21, 2024. 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.

#### **1. OBERVATION AND RECOMMENDATION**

##### **A. Liability for Recycling Grant**


The general ledger year end accounting records were well maintained in a complete and professional manner except that a State grant of \$20,143 for container purchases had been recorded as revenue in the prior year, instead of a liability, when the district had not satisfied the terms of the grant. This grant is a reimbursable type of grant meaning that the district is entitled to the grant when and if the underlying containers had been purchased and placed in service. To date, the district has not received evidence supporting the purchase of the specified containers.

##### **Recommendation**

I recommend that the district make a determination as to whether or not the \$20,143 in grant funds needs to be refunded to the State of California or if the district can obtain evidence that the specified recycling containers were purchased and placed in service, and that grant funds can be therefore used to subsize the costs of Mill Valley Refuse Service.

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  
March 21, 2024