

**ALMONTE SANITARY DISTRICT
MILL VALLEY, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Almonte Sanitary District
Mill Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Almonte Sanitary District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we 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 our 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, we consider internal control relevant to Almonte Sanitary 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 Almonte Sanitary District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Almonte Sanitary District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6), as listed in the table of contents, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
June 17, 2021

Almonte Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2020

The purpose of this section of the financial statements is to present management's discussion and analysis of the Almonte Sanitary District's (District's) financial performance during the fiscal year that ended on June 30, 2020. 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 \$164,024 in fiscal 2020 compared to an increase of \$193,576 in fiscal year 2019.
- On a net basis, total operating expenses in fiscal 2020 were about 5 percent higher than in fiscal 2019. Most of the 2020 cost increases were related to higher intergovernmental treatment cost.
- Fiscal 2020 total district revenues were about 1 percent higher compared to fiscal 2019, and were related to property tax and investment revenue increases.
- There was a net increase of \$355,241 in the District's capital assets in fiscal 2020 resulting mainly from improvement additions.
- The District's cash and investment holdings decreased by about \$186,820 at the end of fiscal 2020 as a result of negative cash inflows relating to capital asset additions. The District at the end of fiscal 2020 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

<u>Basic Financial Statement Features</u>	<u>Basic Financial Statements</u>
Scope	Activities the District operates similar to a private business; the wastewater collection and treatment systems.
Required Financial Statements	Statement of net position; statement of revenues, expenses, and changes in net position, and the statement of cash flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic measurement focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital and short term and long-term focus.
Type of Inflow and Outflow Information	All revenues and expenses during the year regardless of when the cash is received.

Almonte Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2020

Basic Financial Statements

The basic financial statements report information about the District using accounting methods like those used by private-sector companies. The statement of net position includes *all* the District's assets and liabilities. All 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 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 increase by \$164,024 in fiscal year 2020 (See Table A-1).

TABLE A-1				
NET POSITION OF THE DISTRICT				
(In Rounded Dollars)				
Business-Type Activities	FY 2019-2020	FY 2018-2019	Change	
			\$	%
Cash and investments	\$ 967,560	\$ 1,154,380	\$ (186,820)	-16%
Other assets	-	967	(967)	-100%
Capital assets, net	2,097,084	1,741,843	355,241	20%
Total assets	3,064,644	2,897,190	167,454	6%
Current liabilities	4,111	681	3,430	504%
Total liabilities	4,111	681	3,430	504%
Net Position:				
Net investment in capital assets	2,097,084	1,741,843	355,241	20%
Unrestricted	963,449	1,154,666	(191,217)	17%
Total net position	\$ 3,060,533	\$ 2,896,509	\$ 164,024	6%

The decrease in cash and investments was caused by the payment in fiscal 2020 of about \$394,509 in capital project costs from fiscal year 2019.

Almonte Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020

The primary reasons for the decrease in profitability was that in fiscal 2020 the operating costs increased more than the increase in total revenues. About 70% of the District's net position is represented by the District's net investment in its capital assets. The remaining 30% of net position is represented primarily by cash and investments.

Change in Net Position

The District's total revenue increased by about one percent in fiscal 2020 compared to fiscal 2019 revenues. While total revenues increased by about \$5,000, there were also about a \$34,000 increase in operating costs. About seventy-five percent of this increase in expenses was attributable to the pass through of treatment costs by SASM in fiscal 2020.

TABLE A-2				
DISTRICT'S REVENUES, EXPENSES, AND CHANGES IN NET POSITION				
(In Rounded Dollars)				
REVENUES	FY 2019-2020	FY 2018-2019	Change	
			\$	%
Program revenues:				
Charges for sewer service	\$ 654,724	\$ 662,719	\$ (7,995)	-1%
Other operating charges	8,607	7,800	807	10%
Property taxes	154,023	143,327	10,696	7%
Franchise fees	3,926	7,102	(3,176)	-45%
Investment income	23,292	19,001	4,291	23%
Total revenues	844,572	839,949	4,623	1%
EXPENSES				
Salaries and benefits	61,746	61,011	735	1%
Intergovernmental treatment cost	432,167	406,653	25,514	6%
Line inspections, cleaning, repairs	106,152	111,045	(4,893)	-4%
Insurance and claims	3,419	2,974	445	15%
Contracts and Professional services	23,603	13,338	10,265	77%
Other expenses	14,193	12,689	1,504	12%
Depreciation	39,268	38,663	605	2%
Total expenses	680,548	646,373	34,175	5%
Change in Net Position	164,024	193,576	(29,552)	-15%
Net Position, Beginning	2,896,509	2,702,933	\$ 193,576	7%
Net Position, Ending	\$ 3,060,533	\$ 2,896,509	\$ 164,024	6%

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 District paid for these costs by using about 97 percent of the direct charges collected from its customers.

On a cash flow basis, there was a \$187,000 net decrease in the District's cash and investment holdings at the end of fiscal 2020 compared to the end of fiscal 2019.

Almonte Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2020, the District's investment in capital assets increased by about \$355,000 net, compared to fiscal 2019. This represented about a net twenty percent increase in capital assets for the District. The increase was a result of completed construction in progress.

TABLE A-3				
DISTRICT INVESTMENT IN CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
(In Rounded Dollars)				
Business-Type Activities	FY 2019-2020	FY 2018-2019	Change	
			\$	%
Sewer lines, original	\$ 210,000	\$ 210,000	\$ -	0%
Contributed sewer lines	34,600	34,600	-	0%
Betterments and improvements	2,322,760	1,898,005	424,755	22%
Construction in progress	-	30,246	(30,246)	-100%
Less accumulated depreciation	(470,276)	(431,008)	(39,268)	9%
Total	\$ 2,097,084	\$ 1,741,843	\$ 355,241	20%

The major capital assets activity in fiscal 2020 included:

- Additions of about \$355,000 in connection with the District's line and lateral improvement projects.
- More information about capital assets can be found starting on page 12 (Note 1. D. 5) of the notes to the financial statements.

Long-Term Debt

There was no new long-term debt issued by the District in fiscal 2020. The District has no long-term debt outstanding.

ECONOMIC FACTORS AND NET 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 2020.

In the capital area, the District has determined that it needs significant capital projects and programs. These will in large part deal with 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, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 457,643
Total current assets	<u>457,643</u>

Noncurrent assets:

Capital improvement fund:

Designated cash and cash equivalents	<u>509,917</u>
Total designated cash and cash equivalents	<u>509,917</u>

Capital assets:

Capital assets being depreciated

Collection system:

Original sewer lines	210,000
Contributed lines	34,600
Improvements	2,322,760
Less accumulated depreciation	<u>(470,276)</u>

Total capital assets being depreciated	<u>2,097,084</u>
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Total assets	<u>3,064,644</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>4,111</u>
Total current liabilities	<u>4,111</u>

NET POSITION

Net investment in capital assets	2,097,084
Unrestricted	<u>963,449</u>
Total net position	<u>\$ 3,060,533</u>

The accompanying notes are an integral part of these financial statements.

Almonte Sanitary District
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2020

Operating revenues:	
Sewer service fees	\$ 654,724
Franchise fees	3,926
Other operating revenues	<u>8,607</u>
Total operating revenues	<u>667,257</u>
Operating expenses:	
Salaries and benefits	61,746
Intergovernmental treatment costs	432,167
Line cleaning, inspection and repairs	106,152
Liability and property insurance	3,419
Contract and professional services	23,603
Other operating	14,193
Depreciation	<u>39,268</u>
Total operating expenses	<u>680,548</u>
Operating income (loss)	<u>(13,291)</u>
Non-operating revenues (expenses):	
Property taxes	154,023
Investment income	<u>23,292</u>
Total non-operating revenues (expenses)	<u>177,315</u>
Change in net position	164,024
Net position, beginning of period	<u>2,896,509</u>
Net position, end of period	<u><u>\$ 3,060,533</u></u>

The accompanying notes are an integral part of these financial statements.

Almonte Sanitary District
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 654,724
Other operating receipts	12,533
Payments to suppliers for goods and services	(575,137)
Payments to employees for services and benefits	(61,746)
Net cash provided (used) by operating activities	<u>30,374</u>
Cash flows from non-capital financing activities:	
Property tax collections	<u>154,023</u>
Net cash provided (used) by non-capital financing activities	<u>154,023</u>
Cash flows from capital and related financing activities:	
Collection system improvements	<u>(394,509)</u>
Net cash provided (used) by capital and related financing activities	<u>(394,509)</u>
Cash flows from investing activities:	
Interest earned	<u>23,292</u>
Net cash provided by investing activities	<u>23,292</u>
Net increase (decrease) in cash and cash equivalents	<u>(186,820)</u>
Cash and cash equivalents - beginning of period	<u>1,154,380</u>
Cash and cash equivalents - end of period	<u>\$ 967,560</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (13,291)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	39,268
Changes in certain assets and liabilities:	
Increase (decrease) in accrued liabilities	-
(Increase) decrease in prepayments	967
Increase (decrease) in accounts payable	<u>3,430</u>
Net cash provided (used) by operating activities	<u>\$ 30,374</u>
Noncash capital financing activities:	
None	
Cash and cash equivalents	\$ 457,643
Designated cash and cash equivalents	<u>509,917</u>
Total cash	<u>\$ 967,560</u>

The accompanying notes are an integral part of these financial statements.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 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, 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.

D. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are 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.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position (continued)

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 based on 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 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.

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.

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 (if any such funds are held), 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.

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 more than 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.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, and Net Position (concluded)

Property, plant, and equipment of the District is 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

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 (PERS) 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, like a deductible, of \$25,000.

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

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.

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 represented all other assets net of related liabilities available for use by the District.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - DETAILED NOTES

A. Cash Equivalents and Investments

Cash equivalents and investments at June 30, 2020, consisted of the following:

Cash deposits	\$ 20,709
Marin County Treasurer's Investment Pool:	
District operating account	436,934
District capital improvement account	<u>509,917</u>
Total cash equivalents and investments	<u>\$ 967,560</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 other than a payroll clearing account. The District had no custodial credit risk as to deposits because the \$21,892 commercial account balance was fully insured by the FDIC.

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 the District's 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 unrated.

Fair Value Measurements - Investments

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 the 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. The County Pool's holdings were an uncategorized input and not defined as a Level 1-3 input.

B. Receivables

There were no receivables at year 2020.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - DETAILED NOTES (concluded)

C. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance at 07/01/19	Additions	Deletions	Balance at 6/30/20
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 30,246	\$ -	\$ (30,246)	\$ -
Total capital assets, not being depreciated	<u>30,246</u>	<u>-</u>	<u>(30,246)</u>	<u>-</u>
Capital assets, being depreciated:				
Sewer lines, original	210,000	-	-	210,000
Contributed lines	34,600	-	-	34,600
Improvements	<u>1,898,005</u>	<u>424,755</u>	-	<u>2,322,760</u>
Total capital assets, being depreciated	<u>2,142,605</u>	<u>424,755</u>	<u>-</u>	<u>2,567,300</u>
Less accumulated depreciation for:				
Original lines, extensions, and replacements	(210,000)	-	-	(210,000)
Contributed lines and improvements	<u>(221,008)</u>	<u>(39,268)</u>	-	<u>(260,276)</u>
Total accumulated depreciation	<u>(431,008)</u>	<u>(39,268)</u>	<u>-</u>	<u>(470,276)</u>
Total capital assets being depr. - net	<u>1,711,597</u>	<u>385,487</u>	<u>-</u>	<u>2,097,084</u>
Business-type activities capital assets - net	<u>\$ 1,741,843</u>	<u>\$ 385,487</u>	<u>\$ (30,246)</u>	<u>\$ 2,097,084</u>

Depreciation expense for the year ended June 30, 2020 was \$39,268.

NOTE 3 - OTHER INFORMATION

A. Jointly Governed Organizations

The 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.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - OTHER INFORMATION (continued)

A. Jointly Governed Organizations (concluded)

In August of 2016, the District entered into a financing agreement with the SASM wherein the District agreed to maintain its net 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 debt 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 assessments 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 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 District's to the Authority under the arrangement to the extent that the insurance coverage pertains to the District's membership in SASM. Subject insurance coverage 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 \$750,000 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 million in claims by purchasing commercial insurance coverages. The Authority provided \$28,660,786 in 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 District had no uninsured losses in fiscal 2019 or 2020.

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. The District had no significant uninsured claim liabilities at June 30, 2020.

Almonte Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - OTHER INFORMATION (concluded)

C. Contingencies and Commitments

Contingency – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency, and issued shelter-in-place orders in response to the outbreak. Since most District staff are considered “essential”, the immediate impact to the District’s operations includes new restrictions on employees’ work location and planning heightened sanitation awareness requirements on office staff. It is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

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.

NOTE 4 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.