

Sanitary District Number 5 of Marin County

Tiburon, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2013

Sanitary District Number 5 of Marin County

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Basic Financial Statements	6
Required Supplementary Information:	
Other Post Employment Benefits (OPEB)	20
Supplementary Information:	
Combining Schedule of Revenues, Expenses, and Changes in Net Position by Zone	21
Continuing Annual Disclosure	22

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Sanitary District Number 5 of Marin County
Tiburon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Sanitary District Number 5 of Marin County (the District), Tiburon, California as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 other post employment benefit funding progress on page 28 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.

Omitted Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of revenues, expenses and changes in net position by zone and continuing annual disclosure are presented for additional analysis and are not a required part of the basic financial statements. The combining schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing annual disclosure has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Matters -Prior Year Financial Statements

The 2012 financial statements of the District prior to restatement were audited by a predecessor auditor whose report dated July 22, 2013 expressed an unmodified opinion.

As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 4 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the District other than with respects to the adjustments, and accordingly we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.



SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Statement of Net Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,626,675	\$ 2,316,391
Receivables from other governments	76,773	17,439
Interest receivable	7,608	15,364
Prepayments	34,191	24,834
Total current assets	4,745,247	2,374,028
Noncurrent assets:		
Cash and cash equivalents:		
Designated capital accounts	5,731,881	4,981,237
Bond proceeds accounts	1,679,415	10,282,900
Total designated cash	7,411,296	15,264,137
Capital assets:		
Capital assets not being depreciated :		
Land	49,295	49,295
Construction in progress	8,891,148	1,791,074
Total capital assets not being depreciated	8,940,443	1,840,369
Capital assets being depreciated:		
Mechanical, electrical and main plant	16,075,262	15,050,991
Paradise Cove plant	1,906,604	1,906,604
Pipelines including subsurface and other	7,639,750	7,673,049
Treatment and collection system	1,641,297	1,641,297
Odor control and pumps	2,749,000	2,697,120
Plant equipment	177,745	181,466
Vehicles and other equipment	421,985	433,481
Less accumulated depreciation	(20,172,189)	(19,462,663)
Total capital assets being depreciated	10,439,454	10,121,345
Total capital assets	19,379,897	11,961,714
Total noncurrent assets	26,791,193	27,225,851
Total assets	\$ 31,536,440	\$ 29,599,879
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,066,612	\$ 461,533
Contractual retentions	366,790	11,919
Accrued interest payable	91,558	137,876
Pension-related liabilities due within one year	152,343	148,006
Compensated absences due within one year	102,519	67,444
Loans due within one year	126,000	123,000
Bonds due within one year	440,000	575,000
Total current liabilities	2,345,822	1,524,778
Noncurrent liabilities:		
Compensated absences due in more than one year	10,000	10,000
Pension-related liabilities, due in more than one year	1,256,552	1,305,344
Loan due in more than one year	259,466	385,466
Bonds due in more than one year	10,994,342	11,436,032
Total liabilities	14,866,182	14,661,620
NET POSITION		
Net investment in capital assets	7,560,089	9,725,116
Restricted for debt service	1,679,415	-
Unrestricted	7,430,754	5,213,143
Total net position	16,670,258	\$ 14,938,259

See accompanying notes to the basic financial statements

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Years Ended June 30, 2013 and 2012

	Fiscal Years Ended June 30	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Sewer service fees	4,396,082	\$ 3,959,901
Maintenance agreements	41,574	62,886
Other operating revenues	<u>70,837</u>	<u>34,088</u>
Total operating revenues	<u>4,508,493</u>	<u>4,056,875</u>
OPERATING EXPENSES		
Salaries and benefits	1,541,764	1,638,564
Maintenance and repairs	34,133	20,212
Line cleaning and inspection	144,746	102,674
Supplies (chemicals)	131,781	98,283
Liability and property insurance	23,391	62,171
Utilities	222,126	219,582
Contract and professional services	156,077	73,687
Other operating	380,461	333,756
Depreciation	<u>759,198</u>	<u>796,045</u>
Total operating expenses	<u>3,393,677</u>	<u>3,344,974</u>
Operating income	<u>1,114,816</u>	<u>711,901</u>
NON-OPERATING REVENUES(EXPENSES)		
Property taxes	841,663	831,209
Insurance recovery	32,551	-
Debt issuance costs	-	(205,032)
Loss on disposal of capital assets	(26,054)	-
Interest expense	(366,664)	(28,736)
Investment income	<u>27,054</u>	<u>39,500</u>
Net non-operating revenues (expenses)	<u>508,550</u>	<u>636,941</u>
Change in net position before capital contributions	<u>1,623,366</u>	<u>1,348,842</u>
Capital contributions		
Capital contributions	<u>108,633</u>	<u>198,492</u>
Total contributions	<u>108,633</u>	<u>198,492</u>
Change in net position	1,731,999	1,547,334
Total net position, beginning-restated	<u>14,938,259</u>	<u>13,390,925</u>
Total net position, ending	<u>\$ 16,670,258</u>	<u>\$ 14,938,259</u>

See accompanying notes to the basic financial statements

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Statement of Cash Flows
For The Fiscal Years Ended June 30, 2013 and 2012

	Fiscal Years Ended June 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,336,748	\$ 4,001,057
Other operating receipts	112,411	96,974
Payments to suppliers for goods and services	(142,122)	(998,572)
Payments to employees for services and benefits	(1,551,144)	(1,646,406)
	<u>2,755,893</u>	<u>1,453,053</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	841,663	831,209
Insurance recovery	32,551	-
Net cash provided by noncapital financing activities	<u>874,214</u>	<u>831,209</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on long-term debt	(414,672)	(28,736)
Payments to retire long-term debt	(698,000)	(119,000)
Proceeds from sale revenue bonds, net of issuance costs	-	11,806,000
Capital contributions	108,633	198,492
Purchases of capital assets	(8,203,435)	(1,771,546)
Net cash used for capital and related financing activities	<u>(9,207,474)</u>	<u>10,085,210</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest receipts	34,810	44,911
Net cash provided by investing activities	<u>34,810</u>	<u>44,911</u>
Net increase (decrease) in cash and cash equivalents	(5,542,557)	12,414,383
Balances-beginning of the year	<u>17,580,528</u>	<u>5,166,145</u>
Balances-end of the year	<u>\$ 12,037,971</u>	<u>\$ 17,580,528</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash and cash equivalents:		
Undesignated accounts	\$ 4,626,675	\$ 2,316,391
Designated capital accounts	5,731,881	4,981,237
Bond proceeds accounts	1,679,415	10,282,900
Total cash and cash equivalents	<u>\$ 12,037,971</u>	<u>\$ 17,580,528</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating income	1,114,816	\$ 711,901
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense and amortization	759,198	796,045
Change in assets and liabilities:		
Decrease (increase) in due from other governments	(59,334)	21,335
Decrease (increase) in other receivables	-	19,821
Decrease (increase) in prepayments	(9,357)	(2,244)
Increase (decrease) in accounts payable	959,950	(85,963)
Increase (decrease) in pension-related liabilities	(44,455)	(33,563)
Increase (decrease) in compensated absences	35,075	25,721
Net cash provided by operating activities	<u>\$ 2,755,893</u>	<u>\$ 1,453,053</u>

See accompanying notes to the basic financial statements

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Sanitary District Number 5 of Marin County was created in March 17, 1947 as a special district under Provisions of the Sanitary District Act of 1923 by a reorganization of previously created districts into a single sanitary district, and it is governed by five elected Directors. The District's service area includes a portion of the Town of Tiburon and Belvedere, California. 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 one blended component unit, the Tiburon/Belvedere Wastewater Financing Authority which authority is governed by the District's Board of Directors. The District is responsible for all of the Authority's obligations. The transactions between the Authority and the District have been eliminated from the accompanying financial statements and the Authority's transactions are reported as part of the District's financial activities. Separate financial statements for the Authority are not available.

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. 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 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.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

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 idle cash in demand deposits and the Marin County Treasurer's Investment Pool and the Local Agency Investment Fund of the State of California (LAIF). Investments are reported at fair value. The County Pool and LAIF are operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the County Pool and the LAIF are the same as the fair value of the County Pool shares and LAIF 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. The District currently has no inventory type items.

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.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

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. The portion of interest expense related to spent debt proceeds incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Treatment plant	15-40
Subsurface lines	50
Equipment and vehicles	5-15

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

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as compensated absences. The District does not provide for payment of unused sick leave at termination dates; it does allow for the conversion to service credit through the Public Employees retirement System.

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability, and workers compensation insurance through its membership in the California Sanitation Risk Management Authority. The risk of loss is transferred from the District to the Authority 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 agreed to pay for certain medical insurance premiums for retiring employees with at least five years of District service. Such insurance programs are administered as part of the Public Employees Retirement System (PERS). The District obtains actuarial valuations of its retiree medical insurance plan in order to determine estimated annual required contributions (ARC) to the Plan. The District's Annual OPEB Cost (AOC) was equal to the ARC in fiscal years ended June 30, 2013 and 2012. Differences, if any, between the Plan AOC and actual contributions are reported as other net postemployment benefit liabilities or assets.

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.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position

8. Net Position

In the financial statements, components of net position are reported in three categories as follows:

- Net investment in capital assets - This component 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. The portion of debt related to unspent bond proceeds when they are significant are excluded from this component.
- Restricted for debt service - This component of net position reports amounts held by the District restricted for repayment of debt.
- Unrestricted – The unrestricted component of net position reports amounts not included in the determination of net investment in capital assets or the restricted component of net position.

E. Impact of Recently Issued and Adopted Accounting Principles

In fiscal year 2013, the District adopted the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*– This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement has no impact on the District’s financial statements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*– This statement amended GASB No. 14 and No. 34 to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This statement has no impact on the District’s financial statements.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

2. Detailed Notes

A. Cash Equivalents and Investments

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

	2013	2012
Demand deposits	\$ 225,081	\$ 477,110
Local Agency Investment Fund (LAIF)	11,764,469	17,024,659
Marin County Treasurer's Investment Pool	48,421	78,759
	<hr/>	<hr/>
Total cash and cash equivalents	<u>\$12,037,971</u>	<u>\$17,580,528</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 be made in institutions in California; they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2013, \$147,931 of the District's bank balances of \$397,931 were exposed to credit risk with the \$147,931 being collateralized with the collateral held by the pledging bank's agent. At June 30, 2012, \$302,530 of the District's bank balances of \$552,530 were exposed to custodial credit risk with the \$302,530 being collateralized with the collateral held by the pledging bank's agent.

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 and the Local Agency Investment Fund (LAIF) are not evidenced by specific securities; and therefore are not subject to custodial credit risk disclosure requirements.

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 District's policy to comply with those requirements. The Marin County Treasurer's Investment Pool and LAIF are unrated.

The District's noncurrent cash and cash equivalents consisted of the following all invested in the Local Agency Investment Fund (LAIF)

	2013	2012
Designated capital and capital reserve accounts	5,731,881	\$ 4,981,237
Revenue bond proceeds construction account	1,679,415	10,282,900
	<hr/>	<hr/>
Total noncurrent cash and cash equivalents	<u>\$ 7,411,296</u>	<u>\$ 15,264,137</u>

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

2. Detailed Notes (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 49,295	\$ -	\$ -	\$ 49,295
Construction in progress	1,791,074	8,151,194	(1,051,120)	8,891,148
Total capital assets, not being depreciated	<u>1,840,369</u>	<u>8,151,194</u>	<u>(1,051,120)</u>	<u>8,940,443</u>
Capital assets, being depreciated:				
Main plant	15,050,991	1,039,979	(15,708)	16,075,262
Paradise Cove plant	1,906,604	-	-	1,906,604
Pipelines including subsurface	7,673,049	360	(33,659)	7,639,750
Treatment and collection system	1,641,297	-	-	1,641,297
Odor control and pumps	2,697,120	51,880	-	2,749,000
Plant equipment	181,466	-	(3,721)	177,745
Vehicles and other equipment	433,481	11,142	(22,638)	421,985
Total capital assets, being depreciated	<u>29,584,008</u>	<u>1,103,361</u>	<u>(75,726)</u>	<u>30,611,643</u>
Less accumulated depreciation:				
Main plant	(11,333,969)	(426,370)	6,950	(11,753,388)
Paradise Cove plant	(210,104)	(46,163)	-	(256,267)
Pipelines including subsurface	(4,442,054)	(92,954)	17,877	(4,517,129)
Treatment and collection system	(1,105,290)	(59,371)	-	(1,164,661)
Odor control and pumps	(1,988,822)	(95,433)	-	(2,084,256)
Plant equipment	(161,823)	(8,303)	2,728	(167,399)
Vehicles and other equipment	(220,601)	(30,604)	22,117	(229,089)
Total accumulated depreciation	<u>(19,462,663)</u>	<u>(759,198)</u>	<u>49,672</u>	<u>(20,172,189)</u>
Total capital assets, being depreciated, net	<u>10,121,345</u>	<u>344,163</u>	<u>(26,054)</u>	<u>10,439,454</u>
Business-type activities capital assets, net	<u>\$ 11,961,714</u>	<u>\$ 8,495,357</u>	<u>\$ (1,077,174)</u>	<u>\$ 19,379,897</u>

Construction in progress consists primarily of final plant design and other costs associated with the rehabilitation and renovation of the District's main wastewater treatment plant. The District capitalized \$138,883 in accrued bond interest payable as construction period interest in fiscal 2013.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

2. Detailed Notes (Continued)

B. Capital Assets (Continued)

Capital asset activity for the 2012 fiscal year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 49,295	\$ -	\$ -	\$ 49,295
Construction in progress	215,909	1,575,165	-	1,791,074
Total capital assets, not being depreciated	<u>265,204</u>	<u>1,575,165</u>	<u>-</u>	<u>1,840,369</u>
Capital assets, being depreciated:				
Main plant	15,050,991	-	-	15,050,991
Paradise Cove plant	1,906,604	-	-	1,906,604
Pipelines including subsurface	7,269,671	403,378	-	7,673,049
Treatment and collection system	1,641,297	-	-	1,641,297
Odor control and pumps	2,691,515	5,605	-	2,697,120
Plant equipment	181,466	-	-	181,466
Vehicles and other equipment	421,756	11,725	-	433,481
Total capital assets, being depreciated	<u>29,163,300</u>	<u>420,708</u>	<u>-</u>	<u>29,584,008</u>
Less accumulated depreciation:				
Main plant	(10,917,010)	(416,959)	-	(11,333,969)
Paradise Cove plant	(163,376)	(46,728)	-	(210,104)
Pipelines including subsurface	(4,329,575)	(112,479)	-	(4,442,054)
Treatment and collection system	(1,045,919)	(59,371)	-	(1,105,290)
Odor control and pumps	(1,872,605)	(116,217)	-	(1,988,822)
Plant equipment	(148,296)	(13,527)	-	(161,823)
Vehicles and other equipment	(189,837)	(30,764)	-	(220,601)
Total accumulated depreciation	<u>(18,666,618)</u>	<u>(796,045)</u>	<u>-</u>	<u>(19,462,663)</u>
Total capital assets, being depreciated, net	<u>10,496,682</u>	<u>(375,337)</u>	<u>-</u>	<u>10,121,345</u>
Business-type activities capital assets, net	<u>\$ 10,761,886</u>	<u>\$ 1,199,828</u>	<u>\$ -</u>	<u>\$ 11,961,714</u>

The District capitalized \$137,876 in accrued bond interest payable as construction period interest in fiscal 2012.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

2. Detailed Notes Continued)

C. Long-Term Debt

Changes in long-term debt for the fiscal years were as follows:

Fiscal Year Ended	Beginning of Year	Additions	Deletions	End of Year	Due in One Year
June 30, 2013:					
Refunding loan	\$ 508,466	\$ -	\$ 123,000	\$ 385,466	\$126,000
2012 Revenue bonds	10,935,000	-	575,000	10,360,000	440,000
Bond premium	1,076,031	-	1,689	1,074,342	
Compensated absences	77,444	79,950	44,875	112,519	102,519
Pension Side Fund	1,453,350		44,455	1,408,895	152,343
Totals	\$14,050,291	\$79,950	\$ 789,019	\$13,341,222	\$820,862
June 30, 2012:					
Refunding loan	\$ 627,466	\$ -	\$ 119,000	\$ 508,466	\$123,000
2012 Revenue bonds	-	10,935,000	-	10,935,000	575,000
Bond premium	-	1,076,031	-	1,076,031	
Compensated absences	51,723	77,444	51,723	77,444	67,444
Pension Side Fund	1,486,913		33,563	1,453,350	148,006
Totals	\$ 2,163,102	\$12,088,475	\$ 204,286	\$14,050,291	\$913,450

Refunding Loan:

On December 4, 2006, the District entered into a refunding loan agreement with the Municipal Finance Corporation in an original amount of \$1,172,429 to advance refund and retire the City of Belvedere's 1996 Certificates of Participation (the liability for which was assumed by the District as part of an annexation agreement). The refunding loan agreement has an interest rate of 4.58 percent.

The loan is payable in semi-annual installments of principal and interest each July 1 commencing July 1, 2007 and each January 1 as to interest only through July 1, 2016. The District has pledged the net revenues of its system as security for repayment of the loan, has pledged to set gross revenues at amounts sufficient to cover all obligations of the system including the loan and has pledged to generate net revenues, which together with unencumbered cash, are at least equal to 110 percent of the loan payments payable with respect to such fiscal year.

Total interest and principal remaining to be paid is \$420,983. Annual principal and interest payments on this obligation are expected to require less than 12 percent of net revenues of the Belvedere zone as defined. Principal and interest paid in the 2013 fiscal year and total zone system net revenues as defined were \$146,286 and \$1,349,699 respectively.

Future debt service on the loan is:

Fiscal Year	Principal	Interest	Total
2014	126,000	17,652	143,652
2015	128,000	11,882	139,882
2016	131,466	5,983	137,449
Totals	\$ 385,466	\$ 35,517	\$ 420,983

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

2. Detailed Notes (Continued)

C. Long-Term Debt (Continued)

2012 Revenue Bonds

The Tiburon/Belvedere Wastewater Financing Authority, a joint powers authority, is governed by the same board of directors as are members of the District's board of directors. In February of 2012, the Authority issued \$10,935,000 in 2012 revenue bonds, at a premium of \$1,076,031, for the purpose of providing financing for the District's rehabilitation and renovation of its main treatment plant. In exchange for the proceeds from the sale of the bonds, the District entered into an installment agreement with the Authority wherein the District agreed to make installment payments in amounts sufficient to provide for the payment of all future bond principal and interest as such payments become due. The agreement receivable by the Authority and payable by the District have been eliminated from the accompanying financial statements as the Authority is deemed a component unit of the District, and revenue bonds are reported as a long-term obligation of the District.

The bonds bear interest at rates from .25 percent to 5.0 percent, mature each October 1 through 2031, and interest is payable each October 1 and April 1 commencing October 1, 2012. The bonds consist of \$5,205,000 in serial bonds maturing in various amounts through 2022 and \$5,730,000 in term bonds maturing October 1, 2031. The serial bonds maturing on or before October 1, 2021 are not subject to optional redemption prior to their stated maturity. Bonds maturing on or after October 1, 2022 are subject to redemption at the option of the Authority from any available source of funds without premium. The term bonds are subject to mandatory sinking fund redemption in various amounts commencing October 1, 2023.

The District has pledged all net revenues of its system. This pledge constitutes a lien on the District's net revenues on a parity with the pledge and lien that secures the loan and any future parity obligations. The pledge and lien excludes any ad valorem property taxes, special assessments, or special taxes levied for the purpose of paying general obligation bonds, special assessments, or special tax obligations of the District. A rate covenant requires the District to establish rates to yield gross revenues in amounts sufficient to pay all O&M costs, all installment payments on the bonds and all parity obligations, and any other required payments. In addition, the District is obligated to generate system net revenues equal to at least 125 percent of all installment payments and principal and interest payments on any parity debt.

Fiscal Year Ending June 30	Principal	Interest	Total
2014	440,000	365,355	805,355
2015	440,000	363,153	803,153
2016	445,000	359,941	804,941
2017	450,000	355,800	805,800
2018	450,000	349,050	799,050
2019-2023	2,405,000	1,594,825	3,999,825
2024-2028	2,870,000	1,087,500	3,957,500
2029-3032	2,860,000	294,750	3,154,750
Totals	\$10,360,000	\$4,770,371	\$15,130,371

Total remaining principal and interest on the bonds is \$15,130,371. The District expects that the debt service on the bonds will be less than 40 percent of system net revenues as defined in the financing documents. Principal and interest paid in the 2013 fiscal year and total zone system net revenues as defined were \$939,903 and \$2,904,880 respectively.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

2. Detailed Notes (Continued)

C. Long-Term Debt (Continued)

Pension Side Fund

See Note 3 D.

3. Other Information

A. Maintenance Agreements

The District has an agreement with the Sewerage Agency of Southern Marin (SASM) for operations and maintenance of the agency's joint outfall and the dechlorination responsibilities for SASM.

B. Risk Management

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the California Sanitation Risk Management Authority. Each member agency is assessed a premium based on ratable exposure. At the end of each year, the premiums are retrospectively rated based on exposure and actual loss histories of the individual member agencies. If member losses exceed member premiums, surcharges are assessed to compensate this situation, and if member losses are less than premiums then premiums are adjusted or refunded to members.

The risk of loss is transferred from the District to the Authority under the arrangement. The Authority provides coverage for the first \$500,000 in general liability and auto claims with the District being responsible for the first \$10,000. The Authority provides coverage for the next \$25 million in claims by purchasing commercial insurance coverages. The Authority provided \$26.5 million in insurance coverage for the District's buildings and plant. The Authority provides purchased pollution liability insurance with a coverage limit of \$1 million in excess of the District's \$100,000 self-insured amount. Workers compensation insurance is also obtained through the District's membership in the Authority with the Authority covering the first \$750,000 in losses. Excess coverage for \$1 million is purchased by the Authority. The District paid no material uninsured losses during the last three fiscal years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (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, 2013 and 2012.

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.

Commitments. In April 2012, the District awarded the construction contract for the main plant rehabilitation and renovation project in the amount of \$8,922,300. Construction started in June 2012.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

3. Other Information (Continued)

D. Retirement System

Plan Description. The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan administered by the PERS. The PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District Ordinances. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. Plan members are required to contribute 8.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 28.262 percent of covered payroll. The contribution requirements of plan members and the District are established by resolutions and contracts of the District and may be amended by the PERS. The contributions to the PERS by the District for the last three fiscal years were as follows:

Three -Year Trend Information

<u>Plan</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
Regular employees	6/30/11	\$ 196,254	100%	\$ -
	6/30/12	\$ 206,742	100%	\$ -
	6/30/13	\$ 186,990	100%	\$ -

The PERS employer contribution rate for the District includes an amount to amortize a PERS created side fund over a 11 year period as of June 30, 2012. Amortization of this side fund accounts for about 50 percent of the District's employer contribution rate. The side fund was created by PERS to account for the difference between the funded status of the pool and the funded status of the District's plan, in addition to the District's unfunded PERS liability, at the time of joining the pool. It is an actuarial model used by PERS to set the District's contribution rate based on assumptions that may or may not be realized. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period referred to above. The District's side fund was reported at \$1,408,895 as of June 30, 2013 in the PERS June 30, 2012 actuarial valuation.

E. Post Employment Benefits Other Than Pensions

Plan Description. The District administers the District's retired employees health care plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District's health insurance premiums are paid to the PERS. The PERS through an aggregation of single employer plans pools administrative functions in regard to purchases of commercial health care policies and coverages. District regulations and resolutions assign authority to establish and amend plan provisions to the District.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

3. Other Information (Continued)

E. Post Employment Benefits Other Than Pensions (Continued)

Funding Policy. The contribution requirements of the Plan members and the District are established and may be amended by the District. The required contribution is based on a projected pay-as-you-go financing requirement, with additional amounts to prefund the benefits determined annually by the District's Board of Directors. For the fiscal year ended June 30, 2013, the District contributed \$63,221 for current year premiums (100% of total premiums) and \$24,792 to prefund benefits. Plan members receiving benefits contributed no amounts of the total premiums.

Annual OPEB Costs and Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level amount of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed 30 years.

The following table shows components of the District's annual OPEB cost for the year, the amounts actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

	2013	2012
Annual required contribution (ARC)	\$ 88,013	\$ 88,134
Interest on net OPEB obligation	-	-
Adjustments to annual required contribution	-	-
Annual OPEB expense	88,013	88,134
Contributions made	(88,013)	(88,134)
Change in net OPEB obligation	-	-
Net OPEB Obligation, beginning of year	-	-
Net OPEB Obligation, end of year	\$ -	\$ -

Funding Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the Plan was 15.74 percent funded. The actuarial accrued liability for benefits was \$875,383, and the actuarial value of Plan assets was \$137,744, resulting in the unfunded actuarial accrued liability (UAAL) of \$737,639. The covered payroll of active employees covered by the Plan was \$955,597 and the ratio of the UAAL to the covered payroll was 77.19 percent. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplemental information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last two fiscal years was as follows:

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

3. Other Information (Continued)

E. Post Employment Benefits Other Than Pensions (Continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2013	\$88,013	100%	\$ -
June 30, 2012	\$88,134	100%	\$ -
June 30, 2011	\$94,965	100%	\$ -

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 7.61 percent investment rate of return which is blended rate of expected long-term investment returns on plan assets and the employer's own investments calculated based upon the funded level of the plan at the valuation date, and on the annual health care cost trend of 7.3 percent decreasing to 5.5 percent in 2019. The plan assets to value at the latest valuation date were \$200,401. The UAAL is being amortized as a level percentage of payroll over 28 years, the remaining amortization period at July 1, 2011.

F. Segment Information

The District has entered into a separate refunding loan to finance the retirement of long-term debt for the Belvedere zone of operations. The District's zones are accounted for in a single fund, but the lender of the loan relies solely on the revenues generated by the individual activity by zone for repayment. The pledge of the combined system net revenues from both zones for repayment of the 2012 revenue bonds is made on a parity basis with the District's obligations under the refunding loan.

Summary information for the Tiburon/Paradise Cove zone and the Belvedere zone is as follows:

	Tiburon/Paradise Cove Zone	Belvedere Zone
Operating revenues	\$ 2,318,374	\$ 2,190,119
Depreciation expense	(695,327)	(63,871)
Other operating expenses	(1,756,609)	(877,868)
Operating income (loss)	(133,562)	1,248,380
Non-operating revenues (expenses)		
Property taxes	831,663	-
Insurance recovery	32,551	-
Loss on disposal of capital assets	(26,054)	-
Investment income	17,664	9,390
Interest expense	(214,859)	(151,805)
Capital contributions	86,429	22,204
Change in net position	\$ 603,832	\$ 1,128,169

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Notes to the Basic Financial Statements
June 30, 2013 and 2012

4. Prior Period Adjustment

The District made a prior period adjustment to record its pension side fund liability balance of \$1,486,913. The beginning net position balance has been reduced from \$16,391,609 to \$14,938,259 in FY12/13. The beginning net position balance has been reduced from \$14,877,838 to \$13,390,925 in FY11/12. The change in net position has been increased by \$33,563 in FY11/12. The change in net position has been increased by \$26,803 in FY10/11.

Required Supplementary Information
SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Other Post Employment Benefits (OPEB)
Schedule of Funding Progress
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratios	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ 0	\$ 955,000	\$ 955,000	0.00%	\$ 972,472	98.20%
7/1/2011	\$ 137,744	\$ 875,383	\$ 737,639	15.74%	\$ 955,597	77.19%

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Supplementary Financial Information
Combining Schedule of Revenues, Expenses, and Changes in Net Position By Zone
For The Fiscal Year Ended June 30, 2013

	Financial Zones				District Total
	Paradise Cove	Tiburon	Tiburon/Paradise Cove Zones Combined	Belvedere	
OPERATING REVENUES					
Sewer service fees	\$ 85,758	\$ 2,147,830	\$ 2,233,588	\$ 2,162,494	\$ 4,396,082
Other operating revenues	34,119	50,667	84,786	27,625	112,411
Total operating revenues	119,877	2,198,497	2,318,374	2,190,119	4,508,494
OPERATING EXPENSES					
Salaries and benefits	40,284	969,718	1,010,002	531,762	1,541,764
Maintenance and repairs	-	22,083	22,083	12,050	34,133
Line cleaning and inspection	37	99,636	99,673	45,073	144,746
Supplies	-	87,417	87,417	44,364	131,780
Liability and property insurance	533	14,827	15,360	8,031	23,391
Utilities	14,247	134,249	148,496	73,630	222,126
Contract and professional services	5,842	103,375	109,217	46,860	156,077
Other operating	45,919	218,442	264,361	116,099	380,461
Depreciation	-	695,327	695,327	63,871	759,198
Total operating expenses	106,862	2,345,074	2,451,936	941,739	3,393,676
Operating income (loss)	13,014	(146,577)	(133,562)	1,248,380	1,114,818
NON-OPERATING REVENUES(EXPENSES)					
Property taxes	32,656	809,007	841,663	-	841,663
Insurance recovery	-	32,551	32,551	-	32,551
Loss on disposal of capital assets	-	(26,054)	(26,054)	-	(26,054)
Interest expense	-	(214,859)	(214,859)	(151,805)	(366,664)
Investment income	-	17,664	17,664	9,390	27,054
Net non-operating revenues (expenses)	32,656	618,309	650,965	(142,415)	508,550
Change in net position before capital contributions	45,670	471,732	517,403	1,105,965	1,623,368
Capital contributions					
Capital contributions	31,200	55,229	86,429	22,204	108,633
Total contributions	31,200	55,229	86,429	22,204	108,633
Change in net position	76,870	526,961	603,832	1,128,169	1,732,001

**Sanitary District No. 5 of Marin County
March 31, 2014 Annual Report**

(a)

**Table 10
Wastewater Enterprise
Historical Operating Results
Fiscal Year 2012-13 (Unaudited)**

The following table is an estimate of operating results of the Wastewater Enterprise for the fiscal year ending June 30, 2013, based on the District's unaudited actual results. The District's audited financial statements for the fiscal year ended June 30, 2013, have not yet been prepared and are not available as of this Annual Report Date. The audited financial statements will be submitted in the same manner as the Annual Report when they become available.

	Estimated Actual <u>2012-13</u>
OPERATING REVENUES	
Sewer service fees	\$4,396,082
Maintenance agreements	41,574
Other operating revenues	71,357
Total operating revenues	\$4,509,013
OPERATING EXPENSES	
Salaries and benefits	\$1,548,338
Maintenance and repairs	34,132
Line cleaning and inspection	144,746
Supplies (chemicals)	130,128
Liability and property insurance	23,391
Utilities	222,126
Contract and professional services	156,077
Other	389,652
Total operating expenses	\$2,648,590
NET ORDINARY INCOME	\$1,860,424
Property Tax Revenues	\$841,664

(b)

(i) **Principal amount of Bonds outstanding at June 30, 2013: \$10,360,000.00**

(ii)

(A)

Historical Revenues. The following table shows wastewater billings by type of customer for active wastewater accounts of the Wastewater Enterprise for fiscal year 2012-13.

**Table 3
Wastewater Enterprise
Billings by Customer Class
Fiscal Year 2012-13**

<u>User Type</u>	<u>Billings [2]</u>	<u>Billings as % of Total</u>
Single Family Residential	\$2,260,298	52%
Multi-family Residential [1]	1,354,487	31
Commercial	<u>762,723</u>	<u>17</u>
Total	<u>\$4,377,508</u>	100%

[1] Includes condominiums and apartments.

[2] Represents the amounts transmitted to the County assessor for collection on the 2012-13 property tax roll. All rates and charges are collected on the tax roll.

(B)

Largest Users. The following tables show the largest users of the Wastewater Enterprise based on billings for fiscal year 2012-13.

**TABLE 4A
Wastewater Enterprise
Largest Commercial Users
Fiscal Year 2012-13**

Customer	Type of Property	Fiscal Year 2012-13 Billings [1]	Percent of Total Wastewater Billings
Tiburon Lodge	Hotel & Restaurant	\$99,159	2.27%
San Francisco Yacht Club	Yacht Club/Restaurant/Banquet Facilities	61,528	1.41%
Sam's Anchor Café/Restaurant	Restaurant	53,414	1.22%
Guaymas Restaurant	Restaurant	44,106	1.01%
Corinthian Yacht Club	Yacht Club/Restaurant/Banquet Facilities	43,478	0.99%
Boardwalk Shopping Center	Supermarket/Retail/Restaurants/Offices	33,027	0.75%
Tiburon Peninsula Club	Recreational Club	32,722	0.75%
Reed School	School	22,498	0.51%
Servino Restaurant	Restaurant	21,576	0.49%
Waters Edge Hotel	Hotel	20,758	0.47%
Subtotal Top Users:		432,266	9.87%
All Other Users		3,945,242	90.13%
Total		\$4,377,508	100.00%

[1] Represents the amounts transmitted to the County assessor for collection on the 2012-13 property tax roll. All rates and charges are collected on the tax roll.

(C)

**TABLE 4B
Wastewater Enterprise
Largest Residential Users
Fiscal Year 2012-13**

Customer	Type of Property	Fiscal Year 2012-13 Billings [1]	Percent of Total Wastewater Billings
The Hilarita-Tiburon Ecumenical Association	Low Income Apartments (Neds Way)	84,152	1.92%
Belvedere Land Company	Apartments (Beach Road)	69,770	1.59%
Essex Vista Belvedere	Apartments (Red Hill Circle)	62,702	1.43%
Belvedere Land Company	Apartments (Cove Road)	36,722	0.84%
Nipomo Enterprises Inc.	Leased Houses (Mallard Road)	33,050	0.75%
PSP INVS	Apartments (Marinero Circle)	29,702	0.68%
Belvedere Land Company	Apartments (Peninsula Road)	29,378	0.67%
Belvedere Land Company	Apartments (Beach Road)	22,034	0.50%
Lackenbacher/Toremi Trust	Apartments (Davis Drive)	21,452	0.49%
Belvedere Tiburon Housing Association	Low Income/Senior Apartments (Farley Place)	20,198	0.46%
Subtotal Top Users:		409,160	9.35%
All Other Users		3,968,348	90.65%
Total		\$4,377,508	100.00%

[1] Represents the amounts transmitted to the County assessor for collection on the 2012-13 property tax roll. All rates and charges are collected on the tax roll.

(D) Projected Operating Results and Debt Service Coverage

The table below sets forth the District's projected operating results for the Wastewater Enterprise, and resulting projected debt service coverage, for the fiscal years ending June 30, 2014 through June 30, 2018. The projected operating results reflect a number of assumptions, which are as follows:

- No rate increases will occur beyond the approved rate increases scheduled through June 30, 2015.
- Revenues exclude connection fees.
- Property tax revenues will increase at a rate of 1% per year.
- Operating expenses will increase at a rate of 3% per year.

The projections set forth in the table below are forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflect certain significant assumptions concerning future events and circumstances. The forecast represents the District's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the table below are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast, and such variations may be material.

Table 11
Wastewater Enterprise
Projected Operating Results and
Debt Service Coverage
Fiscal Years 2013-14 Through 2017-18

	2013-14	2014-15	2015-16	2016-17	2017-18
Operating Revenues [1]					
Sewer service fees	\$4,738,581	\$5,105,045	\$5,105,045	\$5,105,045	\$5,105,045
Property Taxes	820,000	828,200	836,482	844,847	853,295
Total Gross Revenues	\$5,558,581	\$5,933,245	\$5,941,527	\$5,949,892	\$5,958,340
Operating Expenses [2]	(\$3,115,659)	(\$3,209,129)	(\$3,305,403)	(\$3,404,565)	(\$3,506,702)
Net Revenues	\$2,442,922	\$2,724,116	\$2,636,124	\$2,545,327	\$2,451,638
Debt Service					
Existing Loan	\$143,653	\$139,882	\$135,957	\$0	\$0
Series 2012 Bonds	805,353	803,153	804,941	805,800	799,050
Total Debt Service	\$949,006	\$943,035	\$940,898	\$805,800	\$799,050
Coverage	2.57 x	2.89 x	2.80 x	3.16 x	3.07 x

[1] Excludes interest earnings, connection fees, and developer impact fees, which are pledged but are excluded for purposes of these projections.

[2] Calculated in accordance with the Indenture, and excludes depreciation and other non-cash items.

(iii) Summary of changes in the District's rates and charges for the Wastewater Enterprise since the March 31, 2013 Annual Report:

Annual sewer service charges for the Tiburon Zone and the Belvedere Zone were most recently increased by Ordinance No. 2010-03 ("**Ordinance No. 2010-03**") and Ordinance No. 2010-04 ("**Ordinance No. 2010-04**"), respectively, each adopted by the District Board of Directors on July 13, 2010.

The annual sewer service charge for the Tiburon Zone for fiscal year 2013-14 is \$923.00 per Equivalent Dwelling Unit (EDU) (an increase from \$825.00 per EDU in fiscal year 2012-13).

The annual sewer service charge for the Belvedere Zone for fiscal year 2013-14 is \$1,928.00 per Equivalent Dwelling Unit (EDU) (an increase from \$1,836.00 per EDU in fiscal year 2012-13).

(iv) A description of any Parity Debt issued during the most recently completed fiscal year:
None.