

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

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**Perotti And Carrade**

*Certified Public Accountants  
A Professional Corporation*

*1100 Larkspur Landing Circle  
Suite 358  
Larkspur, CA 94939*

*Telephone 415 461-8500  
FAX 415 461-6342*

**INDEPENDENT AUDITORS' REPORT**

Board of Directors,  
Sanitary District Number 5 of Marin County:

We have audited the accompanying financial statements of Sanitary District Number 5 of Marin County as of and for the year ended June 30, 2015, 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 financials statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in the State Controller's Minimum Audit Requirements 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 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 purposes of expressing an opinion on the effectiveness of the District's internal controls. 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sanitary District Number 5 of Marin County as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the schedule of funding progress for retired employee health care plan on page 30, and the schedule of the District's proportionate share of net pension liability of CalPERS on page 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standard Board, who considers it to be an essential part of the 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sanitary District Number 5 of Marin County's basic financial statements. The additional information on page 32 is

presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

January 21, 2016

A handwritten signature in blue ink, reading "Peter J. Carradi". The signature is written in a cursive style with a large initial "P".

## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Sanitary District Number 5 of Marin County's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2015. The financial statements are presented in a format to comply with the financial statement presentation requirements of the Governmental Accounting Standards Board.

Due to the implementation of GASB Number 68 during the year ended June 30, 2015, the financial statements are not comparative. The June 30, 2014 net position was required to be restated by \$1,524,610 as a result of GASB 68. The information discussed below does not reflect the impact of the restatement on the June 30, 2014 change in net position.

### FINANCIAL HIGHLIGHTS

- The net position of the District's business-type activities increased by approximately \$1,827,000 during the year ended June 30, 2015.
- Total operating expenses for the year ended June 30, 2015 decreased by approximately \$229,000 compared to the year ended June 30, 2014. The decrease in operating expenses was two-fold: through change in management, the District drastically reduced its legal fees, as well as opting not to fill the Finance Manager position, allowing the District Manager and Administrative Finance Specialist to handle the office operations.
- Customer rates were increased by about 12 percent in the Tiburon zone and by about 3 percent in the Belvedere zone during the year ended June 30, 2015.
- The District elected to pay \$1.327 million to reduce its CalPERS pension obligation during the year ended June 30, 2015. As a consequence, the District cash and investments only increased by approximately \$368,000 to a total of \$9.92 million at the end of fiscal year 2014-2015. Had the pension payment not been made, the District's cash position would be \$1.327 million more.
- No new debt was issued in fiscal year 2014-2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements including related disclosures, and required supplementary information. The basic financial statements include 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. The statements are followed by a section of required supplementary information that provides more data about the District's pension plans. 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.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

FIGURE A-1 Major Financial Statement Features

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

**Basic Financial Statements**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The basic financial statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

	<u>2015</u>	<u>Increase (Decrease) Over 2014</u>	<u>Percent Increase (Decrease)</u>
Cash, including board reserves	\$ 9,919,651	\$ 368,176	3.85%
Capital assets	20,947,100	(898,360)	-4.11%
Other assets and deferred outflows of resources	1,727,332	1,378,298	394.89%
Total assets and deferred outflows of resources	<u>32,594,083</u>	<u>848,114</u>	2.67%
Current liabilities	1,261,102	(388,986)	-23.57%
Net pension liability and related deferred inflows of resources	3,192,098	55,679	1.78%
Long-term bond and loan debt	10,023,269	(645,759)	-6.05%
Total liabilities and deferred inflows of resources	<u>14,476,469</u>	<u>(979,066)</u>	-6.33%
Net assets:			
Invested in capital assets	10,438,416	(429,482)	-3.95%
Unrestricted	<u>7,679,198</u>	<u>2,256,662</u>	41.62%
Total net assets	<u>\$ 18,117,614</u>	<u>\$ 1,827,180</u>	11.22%

**Net Position.** The District's total net position increased by \$1,827,180 during the year ended June 30, 2015. This increase is discussed in detail on the following page. The \$1.378 million increase in other assets is attributed principally to the District's one-time payment of approximately \$1.32 million to pay down the District's pension obligation during the year ended June 30, 2015. Current year contributions to reduce pension obligations and cover service costs are reflected as deferred outflows and will be applied against the obligation and pension expense during the year ending June 30, 2016. This is because there is a one year lag in recognizing pension liability transactions. Contributions to the plan for the current year are recognized as deferred outflows (an asset).



**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

	2015	Increase (Decrease) Over 2014	Percent Increase (Decrease)
Operating revenues	\$ 5,356,997	\$ 277,042	5.45%
Nonoperating revenues	959,450	(8,557)	-0.88%
Total revenues	6,316,447	268,485	4.44%
Operating expenses	4,154,087	(228,630)	-5.22%
Nonoperating expenses	346,362	(228,557)	-39.75%
Total expenses	4,500,449	(457,187)	-9.22%
Change in net assets	1,815,998	725,672	66.56%
Net assets - beginning of period, restated	16,290,434	1,144,785	7.56%
Contributed Capital	11,182	(43,277)	-79.47%
Net assets - end of period	\$ 18,117,614	\$ 1,827,180	11.22%

Overall, during the year ended June 30, 2015, there was an increase of \$268,485, or about 4.4 percent, in total revenues from last fiscal year. This was principally due to an increase in sewer charge rates.

The District's total expenses for the year ended June 30, 2015 decreased by \$457,187 compared to total expenses for the year ended June 30, 2014. This decrease was attributed to two major factors: a reduction in legal fees of approximately \$240,000 due to the diminishing need for legal assistance; and with the completion of the main plant improvement project during the year ended June 30, 2014, the District recorded a \$209,133 loss on the disposition of certain capital assets which were replaced.

Contributed capital derived from connections to the wastewater system decreased by \$43,277 because fewer properties initially connected to the wastewater system in 2015.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	<u>June 30, 2015</u>	<u>Increase (Decrease) Over 2014</u>	<u>Percent Increase (Decrease)</u>
Land	\$ 49,295	\$ -	0.00%
Main and Paradise Cove plant	16,163,862	(1,088,420)	-6.31%
Sewer line and pump stations	4,567,805	222,946	5.13%
Plant equipment, vehicles and other equipment	<u>166,138</u>	<u>(32,886)</u>	<u>-16.52%</u>
Total capital assets, being depreciated	<u>\$ 20,947,100</u>	<u>\$ (898,360)</u>	<u>-4.11%</u>

**Capital Assets**

There was a net decrease in capital assets of \$898,360 during the year ended June 30, 2015 mainly due to current year depreciation of \$1,496,057. The District also added \$597,697 of improvements during the year ended June 30, 2015. This included approximately \$255,000 to rehabilitate the Mar West pump station.

**Long-Term Debt**

In fiscal year 2012, the District's financing Authority issued \$10,935,000 in revenue bonds to provide financing for the main plant renovation project. Because of the financial condition of the District, the bonds were sold at a \$1,076,031 premium that effectively reduces the overall interest rate on the District's bonds. Principal and interest payments began in fiscal year 2013.

There was no new long-term debt issued by the District in fiscal year 2015.

## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

Several major changes in the District's financial capabilities and operations are anticipated in the future.

In the capital area, the District has determined that it is in need of significant capital projects and programs. These deal primarily with the aging infrastructure of the District which is now reaching the end of its useful life due to improvement needs in the District collection system. The District's main plant rehabilitation and renovation project was started in fiscal year 2012 and was completed in 2014. Capital work continues in the collection system according to its 10yr CIP program. Inflow and Infiltration (I&I) continues to be the one of the Districts main items of concern. Reducing I&I requires a comprehensive plan and adequate funding to achieve results and it is also a concern to our National Pollutant Discharge Elimination System permit which has compliance objectives that are regulated by the California Regional Water Quality Control Board.

Additional initiatives may have an effect upon the operations of the District. These initiatives deal primarily with the collection system as both treatment plants have recently been renovated. The District is in the process of updating its original 10-yr Capital Improvement Program (CIP) program which dealt with sewer line repair/replacement, as identified in reports generated by contractor Harris and Associates. The updates will provide revised detail of capital work completed, as well as work yet to be performed, with current rehabilitation costs for each (at present-day market value) and a comprehensive schedule for completion. Concurrent with the CIP update, the District is currently working on completing a District-wide pump station assessment which will impact the 10-year CIP. The District owns and maintains a total of 24 pump stations that are critical to the operation of the District.

Another initiative which will have a major impact on District operations is the Cove Road Force Main Rehabilitation. The extent of this project will be determined upon the completion of the Cove Road Force Main Rehabilitation Assessment, which is currently underway.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Manager, Sanitary District Number 5 of Marin County, 2001 Paradise Drive, Tiburon, California, 94920.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

**ASSETS**

<b>Current Assets:</b>	
Cash and equivalents	\$ 3,622,532
Accounts receivable	53,054
Prepaid expenses	73,441
Total current assets	<u>3,749,027</u>
<b>Other Assets:</b>	
Board restricted cash reserves	6,297,119
Capital assets, net of accumulated depreciation	20,947,100
Total other assets	<u>27,244,219</u>
<b>Total Assets</b>	<u>30,993,246</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES: Pension Costs</u></b>	<u>1,600,837</u>

**LIABILITIES**

<b>Current Liabilities:</b>	
Accounts payable related to:	
Improvement projects in process	298,292
Operating expenses	144,832
Total accounts payable	<u>443,124</u>
Compensated absence liability	110,676
Accrued interest payable	90,458
Current portion of other long-term debt	616,844
Total current liabilities	<u>1,261,102</u>
<b>Long-term liabilities:</b>	
Net pension liabilities	2,757,064
Bonds payable	10,023,269
Total long-term liabilities	<u>12,780,333</u>
<b>Total Liabilities</b>	<u>14,041,435</u>
<b><u>DEFERRED INFLOWS OF RESOURCES: Pension Costs</u></b>	<u>435,034</u>

**NET POSITION**

Net invested in capital assets	10,438,416
Unrestricted	7,679,198
<b>Net Position</b>	<u>\$ 18,117,614</u>

See accompanying notes to the financial statements.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Operating Revenues:</b>	
Sewer service charges	\$ 5,090,701
Connection and inspection fees	196,111
Maintenance agreements	48,673
Other	21,512
	<hr/>
Total operating revenues	5,356,997
<b>Operating Expenses:</b>	
Salaries and benefits	1,575,919
Utilities	222,337
Contracted and professional services	177,424
Supplies (chemicals)	151,377
Line cleaning and inspection	149,382
Maintenance and repairs	89,098
Other operating costs	70,884
Telephone and internet	57,555
Monitoring	55,166
Other administrative costs	54,750
Liability and property insurance	54,138
Depreciation	1,496,057
	<hr/>
Total operating expenses	4,154,087
	<hr/>
<b>Operating Income</b>	<b>1,202,910</b>
<b>Non-Operating Revenues (Expenses):</b>	
Property taxes	941,485
Investment income	17,965
Loss on disposal of capital assets	(902)
Interest expense	(345,460)
	<hr/>
Total net non-operating revenues	613,088
	<hr/>
<b>Increase in Net Position Before Capital Contributions</b>	<b>1,815,998</b>
<b>Contributed Capital</b>	<b>11,182</b>
	<hr/>
<b>Net Position, Beginning of Year (Restated)</b>	<b>16,290,434</b>
	<hr/>
<b>Net Position, End of Year</b>	<b>\$ 18,117,614</b>
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See accompanying notes to the financial statements.

**SANTARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Cash Flows from Operating Activities:</b>	
Cash receipts from sewer service charges	\$ 5,089,936
Cash receipts from connection and inspection fees	196,111
Cash receipts from other operating cash receipts	70,185
Cash paid for salaries and benefits	(1,647,300)
Cash paid for utilities	(210,515)
Cash paid for contracted and professional services	(210,907)
Cash paid for supplies (chemicals)	(149,775)
Cash paid for line cleaning and inspection	(133,200)
Cash paid for other expenses	(375,637)
Payment on pension debt	(379,355)
Change in deferred pension outflows and inflows of resources	(910,604)
Cash provided by operating activities	<u>1,338,939</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income	<u>17,965</u>
Cash provided by investing activities	<u>17,965</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Interest paid on long-term debt	(346,120)
Payment on bond and loan debt	(596,915)
Contributed capital	11,182
Property additions	(998,360)
Cash used for capital and related financing activities	<u>(1,930,213)</u>
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>	
Property taxes collected	<u>941,485</u>
Cash provided by non-capital and related financing activities	<u>941,485</u>
<b>Net Increase in Cash and Equivalents</b>	<b>368,176</b>
<b>Cash and Equivalents, Beginning of Year</b>	<b><u>9,551,475</u></b>
<b>Cash and Equivalents, End of Year</b>	<b>\$ <u><u>9,919,651</u></u></b>
<b>Reconciliation of Cash and Investments to Amounts</b>	
<b>Reported on the Statement of Net Assets:</b>	
Cash and equivalents	\$ 3,622,532
Board restricted cash reserves	6,297,119
	<u>\$ 9,919,651</u>

See accompanying notes to the financial statements.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**RECONCILIATION OF OPERATING INCOME TO CASH  
PROVIDED BY OPERATING ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
<b>Operating Income</b>	\$ 1,202,910
Add or deduct items not requiring the use of cash:	
Depreciation	1,496,057
Amortization of pension costs funded in advance	
Changes in assets and liabilities:	
Decrease in accounts receivable	(765)
Increase in prepaid expenses	(31,895)
Decrease in operating accounts payable	(55,810)
Increase in compensated absence liability	18,401
Payment on pension debt	(379,355)
Change in deferred pension outflows and inflows of resources	(910,604)
<b>Cash Provided by Operating Activities</b>	<u>\$ 1,338,939</u>

See accompanying notes to the financial statements.

## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### 1. THE ORGANIZATION

Sanitary District Number 5 of Marin County (District) was created on March 17, 1947 as a special district under Provision of the Sanitary District Act of 1923 by a reorganization of previously created districts into a single sanitary district, and it is governed by five elected Directors. The District is an independent special district that provides sewage collection services to a portion of the Town of Tiburon and Belvedere, California. The District is a proprietary fund, also referred to as an enterprise fund, which is a fund established by governmental agencies to account for goods and services provided to the general public that are financed primarily through user charges.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The District has one blended component unit, the Tiburon/Belvedere Wastewater Financing Authority which is governed by the District's Board of Directors. The District is responsible for all of the Authority's obligations. The transactions between the Authority and the District have been eliminated from the accompanying financial statements and the Authority's transactions are reported as part of the District's financial activities. Separate financial statements for the Authority are not available.

The District's cash and equivalents and Board restricted reserves include demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The District's cash is pooled with other similar funds administered by the County of Marin. Investments are reported at fair value. The County of Marin is restricted by State statute to invest in its own bonds, U.S. Treasury notes, commercial paper, and like investments. Interest earned on pooled funds is allocated to the District quarterly based on the District's average daily balance.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Presentation and Accounting** - The activities of the District are accounted for in a single enterprise fund using the accrual basis of accounting. The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, these notes to the basic financial statements, and required supplementary information.



## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

### NOTES TO FINANCIAL STATEMENTS

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

Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the households and commercial and public facilities in the district for sewer service. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District, as authorized by its Board of Directors, charges new users a fee to pay for capital improvements necessitated by their addition. Fees received have been treated as contributed capital and have been expended solely on infrastructure improvements.

**Cash and Equivalents:** Cash and equivalents include short-term, highly liquid, unrestricted 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 Local Agency Investment Fund of the State of California (LAIF). Investments are reported at fair value. LAIF is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in LAIF is the same as the fair value of LAIF deposits.

**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 the Teeter Plan arrangement discussed above, the County advances

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

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.

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing wastewater system), are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets lives are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. The portion of interest expense related to spent debt proceeds incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Depreciation is computed using the straight line method over the estimated lives of the assets as follows:

Treatment plant	15-40 years
Subsurface lines	50 years
Equipment and vehicles	5-15 years

**Compensated Absences:** The District accrues a liability for vacation earned but not yet taken. The District does not provide for payment of unused sick leave at termination dates.

**Pensions:** For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the California Public Employees Retirement System (CalPERS) and additions to/deductions from CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Inflows:** The District recognizes deferred outflows and inflows of resources pursuant to GASB Statement Number 68. A deferred outflow of resources is defined as a consumption of net asset (net position) by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Subsequent Events:** Subsequent events have been evaluated through January 21, 2016, the date the financial statements were available to be issued.

**3. CASH AND EQUIVALENTS AND BOARD RESTRICTED CASH RESERVES**

Cash and equivalents and board restricted cash reserves consisted of the following at June 30:

Demand deposits	\$ 2,087,368
Local Agency Investment Fund (LAIF)	7,832,283
Total cash and equivalents	<u>\$ 9,919,651</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 and they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2015, \$1,866,892 of the District's bank balances was exposed to credit risk.

**Custodial Credit Risk – Investments:** The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2015, the County's pooled investment position in the State of California Local Agency Investment Fund (LAIF) was \$7,832,283 which approximates fair value. The total amount invested by all public agencies in LAIF on that day was \$69.6 billion. Of that amount, 99.24% was invested in non-derivative financial products and 0.76% in structured notes and asset-backed securities. Fair value is based on information provided by the State for the Local Agency Investment Fund.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**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. LAIF is unrated. The Board of Directors has authorized the establishment of a cash operating reserve as of June 30, 2015.

The District's noncurrent cash and equivalents of \$6,297,119 are all invested with Local Agency Investment Fund (LAIF).

**4. CAPITAL ASSETS**

Changes in the District's property, equipment and improvements and accumulated depreciation for the year ended June 30, 2015 is summarized as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2015</u>
Capital asset, not being depreciated - Land	\$ 49,295			\$ 49,295
Capital assets, being depreciated:				
<u>Historical Cost:</u>				
Main plant	26,692,322	\$ 179,697		\$ 26,872,019
Paradise Cove plant	1,906,603			1,906,603
Sewer line and pump stations	10,535,774	418,000		10,953,774
Plant equipment, vehicles and and other equipment	<u>537,299</u>		<u>(27,819)</u>	<u>509,480</u>
Total capital assets, being depreciated	<u>39,671,998</u>	<u>597,697</u>	<u>(27,819)</u>	<u>40,241,876</u>
<u>Accumulated Depreciation:</u>				
Main plant	11,044,213	1,221,954		12,266,167
Paradise Cove plant	302,430	46,163		348,593
Sewer line and pump stations	6,190,915	195,054		6,385,969
Plant equipment, vehicles and and other equipment	<u>338,275</u>	<u>32,886</u>	<u>(27,819)</u>	<u>343,342</u>
Total accumulated depreciation	<u>17,875,833</u>	<u>1,496,057</u>	<u>(27,819)</u>	<u>19,344,071</u>
Total capital assets, being depreciated, net	<u>21,796,165</u>	<u>(898,360)</u>	-	<u>20,897,805</u>
Capital assets - net	\$ <u>21,845,460</u>	\$ <u>(898,360)</u>	\$ -	\$ <u>20,947,100</u>

## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### **5. LOAN PAYABLE**

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 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.

The loan payable was \$259,466 as of June 30, 2014. The District made a principal payment of \$128,037 during the year ended June 30, 2015. The District paid the remaining principal balance of \$131,429 in July 2015. The amount has been included in the current portion of long-term debt in the accompanying statement of net position. No interest was required to be paid with the final payment made in July 2015. The final principal payment on this obligation is expected to require less than four percent of net revenues of the Belvedere zone as defined. Principal and interest paid during the year ended June 30, 2015 and total zone system net revenues as defined were \$139,883 and \$1,815,998, respectively.

#### **6. BOND PAYABLE**

The Tiburon/Belvedere Wastewater Financing Authority, a joint powers authority, is governed by the same board of directors as the District's board of directors. In February 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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**6. BOND PAYABLE (continued)**

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.

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

Fiscal year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 445,000	\$ 359,941	\$ 804,941
2017	450,000	355,800	805,800
2018	450,000	349,050	799,050
2019	460,000	339,950	799,950
2020	470,000	330,650	800,650
2021-2025	2,540,000	1,444,600	3,984,600
2026-2030	3,165,000	785,875	3,950,875
2031-2032	1,500,000	76,000	1,576,000
Total	<u>\$ 9,480,000</u>	<u>\$ 4,041,866</u>	<u>\$ 13,521,866</u>

The bond payable at June 30, 2014 was \$9,920,000. The District made a principal payment of \$440,000 during the year ended June 30, 2015. Total remaining principal and interest on the bonds is \$13,521,866. The District expects that the debt service on the bonds will be less than 23 percent of system net revenues as defined in the financing documents. Principal and interest paid in the 2014 fiscal year and total zone system net revenues as defined were \$804,941 and \$3,577,474 respectively.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**6. BOND PAYABLE (continued)**

The \$1,076,031 of bond premium will be amortized as follows:

Fiscal year ending June 30	Premium Amortization
2016	\$ 40,415
2017	51,531
2018	60,460
2019	67,439
2020	74,748
2021-2025	433,209
2026-2030	272,908
2031-2032	27,974
Total	<u>\$ 1,028,684</u>

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	Total
Operating revenues	\$ 2,978,516	\$ 2,378,481	\$ 5,356,997
Depreciation expense	(1,159,442)	(336,615)	(1,496,057)
Other operating expenses	(1,827,079)	(830,951)	(2,658,030)
Operating income	<u>(8,005)</u>	<u>1,210,915</u>	<u>1,202,910</u>
Non-operating revenues (expenses)			
Property taxes	941,485	-	941,485
Investment income	9,820	8,145	17,965
Loss on equipment disposition	-	(902)	(902)
Interest expense	(217,704)	(127,756)	(345,460)
Capital contributions	11,182		11,182
Change in net position	<u>\$ 736,778</u>	<u>\$ 1,090,402</u>	<u>\$ 1,827,180</u>

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**7. CALPERS RETIREMENT PLANS AND RELATED LIABILITIES**

**Plan Description:** Employees of the District are provided with pension benefits under one of two plans depending on the employee's hire date. The plans are part of a cost-sharing multiple-employer public employee pool of similar organizations administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating California public entities. Benefits provisions and all other requirements are established by State Statute and District Ordinances. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the CalPERS. That report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

**Benefits Provided:** CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. For employees hired before 2013, retirement benefits are determined as 2.7 percent of the employee's final 3-year average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 55. Employees hired after 2012, retirement benefits are determined as 2.0 percent of the employee's final 3-year average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 60.

**Contributions:** Contribution requirements of active employees and the Districts are established and may be amended by the District. Employees hired before 2013 are required to contribute 8.0% of their annual pay. As a benefit to those employees, the District paid 100% of the employee required contributions during the year ended June 30, 2015. Employees hired after 2012 are required to contribute 6.25% of their annual pay. The District did not pay any of the required employee contribution. The District's contractually required contribution rate for employees hired before 2012 was 35.57% of annual wages until January 2015 at which time the rate was reduced to 16.69% as a result of the one-time payment discussed below. The District's contractually required contribution rate for employees hired after 2012 was 6.25% of wages for the year ended June 30, 2015. Actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plans from the District were \$1,600,837 for the year ended June 30, 2015 of which \$1,326,675 was a one-time payment to reduce the overall pension liabilities. The District's proportionate share of employer contributions allocated to its CalPERS account was \$167,265. In July 2015 the District made an additional one-time payment of \$1,629,062 to further reduce its pension obligations in future years.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Amounts reflected are aggregate amounts for both plans as amounts related to post 2012 employees are minor in comparison to pre 2012 amounts):**

At June 30, 2015, the District reported a liability of \$2,757,064 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the



**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating public entities, actuarially determined. At June 30, 2014, the District's proportion was 0.044 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$310,878. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 424,872
District contributions and proportionate share of contributions	-	10,162
District contributions subsequent to the measurement date	<u>1,600,837</u>	-
Total	<u>\$ 1,600,837</u>	<u>\$ 435,034</u>

\$1,600,837 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 109,847
2017	109,847
2018	109,122
2019	<u>106,218</u>
Total	<u>\$ 435,034</u>

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**Actuarial assumptions:** The total pension liabilities in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

<u>Asset Class</u>	<u>Net Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11+</u>
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**Discount rate:** The discount rate used to measure the total pension liabilities was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from agencies will be made at contractually required rates on time and as scheduled in all future years. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plans' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liabilities to changes in the discount rate:** The following presents the District's proportionate share of the net pensions liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$3,943,406	\$ 2,757,064	\$1,772,512

**Pension plans' fiduciary net position:** Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial report.

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**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 CalPERS in so far as the District's health insurance premiums are paid to CalPERS. CalPERS, 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 for the District.

**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. In general, the District pays substantially all of the annual premiums of Plan members currently receiving benefits.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**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:

Annual required amount	\$ 129,335
Contributions made	(72,868)
Premiums paid on behalf of retirees	(56,467)
Decrease in net OPEB obligation	<u>0</u>
Net OPEB obligation, beginning of year	0
Net OPEB prepaid, end of year	<u><u>\$ 0</u></u>

**Funding Status and Funding Progress:** As of July 1, 2015, the most recent actuarial valuation date, the Plan was 32.12 percent funded. The actuarial accrued liability for benefits was \$1,182,850, and the actuarial value of Plan assets was \$379,982, resulting in the unfunded actuarial accrued liability (UAAL) of \$802,868. The covered payroll of active employees covered by the Plan was \$878,354 and the ratio of the UAAL to the covered payroll was 91.41 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.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

The District's annual OPEB cost, the percentage of the annual OPEB cost paid and the net OPEB obligation for the year ended June 30, 2015 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percent Paid</u>	<u>Net OPEB Obligation</u>
2013	\$88,013	100.00%	\$0
2014	\$129,545	100.00%	\$0
2015	\$129,335	100.00%	\$0

An actuarial valuation is required once every three years. The most recent valuations were performed as of July 1, 2015, 2013 and 2011. The actuarial accrued liability for benefits (AAL), the covered payroll (the annual payroll of active employees eligible to participate) and the ratio of the unfunded actuarial accrued liability (UAAL) are summarized on page 30.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status and the annual required employer contribution amount 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 that shows whether the actuarial value of assets set aside to cover obligations is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015 actuarial valuation, the Entry Age Actuarial Cost Method was used. The actuarial assumptions included a discount rate (7.28% for the July 2015 valuation), the annual healthcare cost trend of 6.4% initially, reduced by decrements to an ultimate rate of 5.5% after three years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over 30 years commencing with the actuarial valuation date of July 1, 2015.

## SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### **9. DEFERRED COMPENSATION PLAN**

The District's employees may participate in one 457 Deferred Compensation Program (Program). The Program is available to all District employees and is entirely voluntary. The purpose of the Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. The District makes no matching contributions to the Program.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. The District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the Program assets held in trust by the District's two deferred compensation programs at June 30, 2015 amounted to \$401,291.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not presented in the accompanying financial statements.

#### **10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries insurance. The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority for risk pooling, which provides insurance coverage and risk management services to its 60 member agencies through its' coverage programs.

The District participates in CSRMA's Pooled Liability and Workers' Compensation Programs, where each member agency is assessed a deposit based on their ratable exposures. At each program's year end, deposits are retrospectively reviewed for all years of participation, based on actual loss performance of the individual member agencies. If a member's losses exceed their deposit, the member is assessed, through a debit on their renewal invoice, to adjust for this situation. Conversely, if the member's losses are less than the collected deposit, a credit is shown on the member's renewal invoice.

Risk of loss is transferred from the District to CSRMA under the arrangement. CSRMA's Pooled Liability Program provides \$25 million in coverage to the members with a combination of reinsurance and excess insurance, with CSRMA retaining the first \$500,000. The District maintains a \$10,000 liability deductible. The District also participates in CSRMA's property insurance program for its buildings and plant with \$31 million insurable values.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**10. RISK MANAGEMENT (continued)**

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. There have been no significant reductions in insurance coverage, and there have been no settlements exceeding insurance coverage in the last three years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. There were no claims payable as of June 30, 2015.

**11. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

GASB's Statement Number 68 and 71 provided new guidance on financial reporting for pensions by state and local governmental employers. The accounting standard under GASB 68 as amended by GASB 71 provided that cost sharing employers are required to recognize a liability for their share of the pension liabilities (the collective liability of all pool members less the plans' collective assets). The standard also expanded the disclosure requirements for pension plans. GASB Statement 68 and 71 became effective during the year ended June 30, 2015.

The unrestricted net position of the audited financial statements as of June 30, 2014 has been restated to reflect the District's application of GASB 68 and 71. The net position as of June 30, 2014 have been reduced by \$1,524,610. The changes to the previously reported balances in the 2014 financial statements are reflected in the following table:

	Originally Stated	Change	As Restated
Deferred pension outflow	\$ -	\$ 255,199	\$ 255,199
Net pension liability	\$ 1,356,610	\$ 1,779,809	\$ 3,136,419
Net assets, June 30, 2014	\$ 17,815,044	\$ (1,524,610)	\$ 16,290,434

In June 2015 GASB issued statement Number 75 which provides new guidance on the financial reporting for other post-employment benefits (OPEB). The accounting standard under GASB 75 provides that employers are to recognize a liability for the unfunded actuarial accrued liability (the net of actuarial value of assets less the actuarial accrued liability). GASB 75 becomes effective in the year ended June 30, 2018.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**REQUIRED SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS FOR  
RETIRED EMPLOYEES HEALTH CARE PLAN  
JUNE 30, 2015**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll</b>	<b>Unfunded AAL as a % of Covered Payroll</b>
7/1/2011	\$ 137,744	\$ 875,383	\$ 737,639	15.74%	\$ 955,597	77.19%
7/1/2013	\$ 234,587	\$ 1,165,603	\$ 931,016	20.13%	\$ 782,560	118.97%
7/1/2015	\$ 379,982	\$ 1,182,850	\$ 802,868	32.12%	\$ 878,354	91.41%



**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Public Employer Retirement Plan  
Last 10 Fiscal Years\*  
(Dollar amounts in thousands)**

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0440%
District's proportionate share of the net pension liability (asset)	2,757,064
District's covered-employee payroll	878,354
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	314%
Plan fiduciary net position as a percentage of the total pension liability	69.16%

\* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

**SANTARY DISTRICT NUMBER 5 OF MARIN COUNTY**

**SUPPLEMENTARY INFORMATION  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY ZONE**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Tiburon/Paradise Cove</b>				
	<b><u>Paradise Cove</u></b>	<b><u>Tiburon</u></b>	<b><u>Zones Combined</u></b>	<b><u>Belvedere</u></b>	<b><u>District Total</u></b>
<b>Operating Revenues:</b>					
Sewer service charges	\$ 110,556	\$ 2,651,065	\$ 2,761,621	\$ 2,329,080	\$ 5,090,701
Connection and inspection fees	67,160	104,341	171,501	24,610	196,111
Maintenance agreements	-	32,595	32,595	16,078	48,673
Other	1,163	11,636	12,799	8,713	21,512
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	178,879	2,799,637	2,978,516	2,378,481	5,356,997
<b>Operating Expenses:</b>					
Salaries and benefits	43,496	1,032,386	1,075,882	500,037	1,575,919
Utilities	15,664	136,261	151,925	70,412	222,337
Contracted and professional services	15,203	116,044	131,247	46,177	177,424
Supplies (chemicals)	4,092	99,198	103,290	48,087	151,377
Line cleaning and inspection	1,126	91,574	92,700	56,682	149,382
Maintenance and repairs	12,305	52,224	64,529	24,569	89,098
Other operating costs	7,527	43,695	51,222	19,662	70,884
Telephone and internet	6,496	35,380	41,876	15,679	57,555
Monitoring	16,035	21,537	37,572	17,594	55,166
Other administrative costs	1,374	38,903	40,277	14,473	54,750
Liability and property insurance	1,430	35,129	36,559	17,579	54,138
Depreciation	66,517	1,092,925	1,159,442	336,615	1,496,057
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	191,265	2,795,256	2,986,521	1,167,566	4,154,087
<b>Operating Income (Loss)</b>	<b>(12,386)</b>	<b>4,381</b>	<b>(8,005)</b>	<b>1,210,915</b>	<b>1,202,910</b>
<b>Non-Operating Revenues (Expenses):</b>					
Property taxes	76,192	865,293	941,485	-	941,485
Investment income	-	9,820	9,820	8,145	17,965
Loss on disposal of capital assets	-	-	-	(902)	(902)
Interest expense	-	(217,704)	(217,704)	(127,756)	(345,460)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total non-operating revenues (expenses)	76,192	657,409	733,601	(120,513)	613,088
<b>Increase in Net Position Before Capital Contributions</b>	<b>63,806</b>	<b>661,790</b>	<b>725,596</b>	<b>1,090,402</b>	<b>1,815,998</b>
<b>Contributed Capital</b>	<b>11,182</b>	<b>-</b>	<b>11,182</b>	<b>-</b>	<b>11,182</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Change in Net Position</b>	<b>\$ 74,988</b>	<b>\$ 661,790</b>	<b>\$ 736,778</b>	<b>\$ 1,090,402</b>	<b>\$ 1,827,180</b>

**Sanitary District No. 5 of Marin County  
March 31, 2016 Annual Report**

(a)

**Table 10  
Wastewater Enterprise  
Historical Operating Results  
Fiscal Year 2014-2015**

The condensed financial statement presented below of the Wastewater Enterprise for the fiscal year ended June 30, 2015 was extracted from Sanitary District Number 5 of Marin County's complete set of financial statements for 2015 which have been audited by Perotti and Carrade, CPAs and on which they have rendered an unmodified opinion dated January 21, 2016. The organization's complete audited financial statements and the independent auditors' report have been submitted in this Annual Report.

	FY2014-2015 Audited
<b>OPERATING REVENUES</b>	
Sewer Service Fees	\$ 5,090,701
Maintenance Agreements	\$ 48,673
Other Operating Revenues	<u>\$ 217,623</u>
Total Operations Revenues	\$ 5,356,997
 <b>OPERATING EXPENDITURES</b>	
Salary & Benefits	\$ 1,575,919
Maintenance & Repairs	\$ 89,098
Line Cleaning & Inspection	\$ 149,382
Supplies (Chemicals)	\$ 151,377
Liability & Property Insurance	\$ 54,138
Utilities	\$ 222,337
Contract & Professional Services	\$ 177,424
Other	<u>\$ 238,355</u>
Total Operating Expenses	<u>\$ 2,658,030</u>
<b>NET ORDINARY INCOME</b>	<b>\$ 2,698,967</b>
 Property Tax Revenues	 \$ 941,485

(b)

(i) **Principal Amount of Bonds outstanding at June 30, 2015: \$ 9,480,000.00**

(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 2014-2015:

**Table 3**  
**Wastewater Enterprise**  
**Billings by Customer Class**  
**Fiscal Year 2014-2015**

<u>User Type</u>	<u>Billings [2]</u>	<u>Billings as % of Total</u>
Single Family Residential	\$3,117,278	61.24%
Multi-Family Residential [1]	\$1,106,778	21.74%
Commercial	\$ 866,645	17.02%
Total	\$5,090,701	100.00%

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[1] Includes condominiums and apartments.

[2] Represents the amounts transmitted to the County assessor for collection on the 2014-2015 property tax roll. All rates and charges are collected on the tax roll.

(B)

**Largest Users.** The following table shows the largest users of the Wastewater Enterprise based on billings for fiscal year 2014-2015.

**Table 4A  
Wastewater Enterprise  
Largest Commercial Users  
Fiscal Year 2014-2015**

<u>Customer</u>	<u>Type of Property</u>	<u>Fiscal Year 2014-2015 Billings [1]</u>	<u>% of Total Wastewater Billings</u>
Tiburon Lodge	Hotel / Restaurant	\$113,182	2.22%
San Francisco Yacht Club	Yacht Club / Restaurant / Banquet Facilities	\$ 86,307	1.70%
Sam's Anchor Café/Restaurant	Restaurant	\$ 58,742	1.15%
Guaymas Restaurant	Restaurant	\$ 56,973	1.12%
Point Tiburon Park	Restaurant / Offices	\$ 49,477	0.97%
Corinthian Yacht Club	Yacht Club / Restaurant / Banquet Facilities	\$ 42,558	0.84%
Tiburon Peninsula Club	Fitness Club / Restaurant	\$ 37,296	0.73%
Boardwalk Shopping Center	Supermarket / Retail / Restaurants / Offices	\$ 32,086	0.63%
Servino Restaurant	Restaurant	\$ 30,575	0.60%
Reed Union School District	School	<u>\$ 27,111</u>	<u>0.53%</u>
Subtotal Top Users:		\$534,307	10.50%
All Other Users		<u>\$4,556,394</u>	<u>89.50%</u>
Total		\$5,090,701	100.00%

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[1] Represents the amounts transmitted to the County assessor for collection on the 2014-2015 property tax roll. All rates and charges are collected on the tax roll.

(C)

**Table 4A**  
**Wastewater Enterprise**  
**Largest Residential Users**  
**Fiscal Year 2014-2015**

<u>Customer</u>	<u>Type of Property</u>	<u>Fiscal Year 2014-2015 Billings [1]</u>	<u>% of Total Wastewater Billings</u>
The Hilarita-Tiburon Ecumenical Association	Apartments (Ned's Way)	\$105,470	2.07%
Essex Vista Belvedere	Apartments (Red Hill Circle)	\$ 78,586	1.54%
Belvedere Land Company	Apartments (Beach Road)	\$ 74,638	1.47%
Tiburon 21 Marinero, LLC	Apartments (Marinero Circle)	\$ 45,500	0.89%
Nipomo Enterprises, Inc.	Leased Houses (Mallard Road)	\$ 39,704	0.78%
Belvedere Land Company	Apartments (Cove Road)	\$ 39,702	0.78%
PSP INVS	Apartments (Marinero Circle)	\$ 37,226	0.73%
Belvedere Land Company	Apartments (Peninsula Road)	\$ 31,762	0.62%
Allen Andrew Continuation Trust, et al.	Apartments (San Rafael Ave.)	\$ 29,779	0.58%
Lackenbacher / Toremi Trust	Apartments (Davis Drive)	\$ 26,886	0.53%
Subtotal Top Users:		\$509,253	10.00%
All Other Users		<u>\$4,581,448</u>	<u>90.00%</u>
Total		\$5,090,701	100.00%

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[1] Represents the amounts transmitted to the County assessor for collection on the 2014-2015 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, 2016, through June 30, 2020. 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, 2016.
- 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 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 Year 2014-2015**

	2015-2016	2016-17	2017-18	2018-19	2019-2020
<b>Operating Revenues [1]</b>					
Sewer Service Fees	\$5,106,677	\$5,106,677	\$5,106,677	\$5,106,677	\$5,106,677
Property Taxes	\$ 901,056	\$ 910,067	\$ 919,167	\$ 928,359	\$ 937,642
<b>Total Gross Revenues</b>	<b>\$6,007,733</b>	<b>\$6,016,744</b>	<b>\$6,025,844</b>	<b>\$6,035,036</b>	<b>\$6,044,319</b>
<b>Operating Expenses [2]</b>	<b>(\$2,942,761)</b>	<b>(\$3,031,044)</b>	<b>(\$3,061,354)</b>	<b>(\$3,091,968)</b>	<b>(\$3,122,887)</b>
<b>Net Revenues</b>	<b>\$3,064,972</b>	<b>\$2,985,700</b>	<b>\$2,964,490</b>	<b>\$2,943,068</b>	<b>\$2,921,432</b>
<b>Debt Service</b>					
Existing Loan	\$131,439	\$0	\$0	\$0	\$0
Series 2012 Bonds	\$804,941	\$805,800	\$799,050	\$799,950	\$800,650
<b>Total Debt Service</b>	<b>\$936,370</b>	<b>\$805,800</b>	<b>\$799,050</b>	<b>\$799,950</b>	<b>\$800,650</b>
<b>Coverage</b>	<b>3.27 x</b>	<b>3.71 x</b>	<b>3.71 x</b>	<b>3.68 x</b>	<b>3.65 x</b>

[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, 2015 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 2015-2016 is \$1,034.00 per Equivalent Dwelling Unit (EDU) (no change from fiscal year 2014-2015).

The annual sewer service charge for the Belvedere Zone for fiscal year 2015-2016 is \$1,985 per Equivalent Dwelling Unit (EDU) (no change from fiscal year 2014-2015).

**(iv) A description of any Parity Debt issued during the most recently completed fiscal year:**

None.



**ORDINANCE NO. 2010-03**

**AN ORDINANCE OF THE BOARD OF DIRECTORS OF SANITARY DISTRICT NO. 5  
OF MARIN COUNTY INCREASING THE SEWER SERVICE CHARGES FOR THE  
TIBURON ZONE**

WHEREAS, the Tiburon Zone has been a portion of Sanitary District Number 5 of Marin County ("SD No. 5") since the creation of the District;

WHEREAS, Ordinance No. 78-1 established and prescribed Sewer Service Charges for SD No. 5;

WHEREAS, in the 25 years from 1980 to 2005, there were no District Sewer Service Charge increases in the Tiburon Zone, partly because the District treatment plant was new and only maintenance was needed;

WHEREAS, the Sewer Service Charge is supplemented in the Tiburon Zone by a portion of property taxes;

WHEREAS, to pay for needed District improvements and costs, the Sewer Service Charge in the Tiburon Zone was increased to \$478 per Equivalent Dwelling Unit ("EDU") in 2008;

WHEREAS, it is now necessary for SD No. 5 to increase Sewer Service Charges in the Tiburon Zone for the following reasons:

- Over \$2.9 million in average annual maintenance, upgrades, and improvements are needed to ensure reliable service across the Tiburon Zone;
- To establish sufficient District reserves in order to fund needed system improvements and to pay for emergencies;
- To avoid spills or other violations resulting in costly penalties;
- To protect the public health and safety;
- To help the District comply with increasingly strict regulations that are designed to protect the San Francisco Bay;

WHEREAS, SD No. 5 commissioned, and approved, on May 11, 2010, a Sewer Rate Study which serves as the basis for the increases in Sewer Service Charges contained herein;

WHEREAS, the Sewer Service Charges contained herein are based on the actual cost to collect, transport, and treat wastewater from customers within the Tiburon Zone;

WHEREAS, on May 13, 2010, SD No. 5 provided written notice by mail to the record owner of each parcel within the Tiburon Zone of the fee increases contained herein;

WHEREAS, on June 29, 2010, SD No. 5 held a public hearing to consider the fee increases contained herein, to consider all written protests against said fee increases, and to introduce and read this Ordinance; and

Ordinance No. 2010-03  
July 13, 2010

WHEREAS, written protests were received from less than a majority of the owners of parcels in the Tiburon Zone.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF SANITARY DISTRICT NO. 5 OF MARIN COUNTY DOES HEREBY ORDAIN AS FOLLOWS WITH RESPECT TO THE SEWER SERVICE CHARGES IN THE TIBURON ZONE:**

- A. Annual Sewer Service Charges for the users below shall be as follows:
1. **Residential Sewer Service Charges:** The annual Sewer Service Charge payable by each single family dwelling unit (1 EDU), exclusive of Hotels and Inns, shall be as follows:
    - a. Fiscal Year 2010-2011: \$598
    - b. Fiscal Year 2011-2012: \$717
    - c. Fiscal Year 2012-2013: \$825
    - d. Fiscal Year 2013-2014: \$923
    - e. Fiscal Year 2014-2015: \$1,034
  2. **Non-Residential Use (Includes Hotels and Inns):** The annual Sewer Service Charge payable for each Non-Residential customer shall be calculated based upon the following:
    - a. Non-Residential users shall be assessed a Sewer Service Charge based upon annual metered water readings and wastewater strengths. A strength factor (EDU factor) will be used to recover costs for wastewater strengths greater than residential wastewater strengths. The non-residential use groups and EDU factors are as follows:

<u>User Group*</u>	<u>EDU Factor</u>
Non-Residential, Miscellaneous	1.0
Hotels, Inns with Dining	1.7
Delicatessens	2.0
Groceries with Grinders	2.2
Restaurants	2.4

\* Any use not listed herein shall be assigned the most appropriate/similar of the above EDU Factors by SD No. 5.

- b. The formulae used to calculate the annual Sewer Service Charge for each Non-Residential user shall be the following:
    - i.  $(\text{Annual Flow} \times \text{EDU Factor}) \div \text{Average Annual Residential Flow} = \text{Non-Residential EDU Units}$
    - ii.  $\text{Non-Residential EDU Units} \times \text{Annual Rate} = \text{Annual Non-Residential Sewer Service Charge}$
  - c. The following definitions shall apply to the Non-Residential Sewer Service Charge formulae contained in Subsection (b) above:
    - i. **Annual Flow:** The total volume of water utilized by a commercial property in the previous calendar year as calculated by the Marin Municipal Water District ("MMWD") meter reading for the property, excluding any MMWD meters designated, or proven to be, only for irrigation purposes or other uses not resulting in water entering the SD No. 5 collection system.
    - ii. **Average Annual Residential Flow:** The average annual water consumption for single family home and duplex water meters in Southern Marin for the previous calendar year as provided by MMWD, but excluding 1/3 to account for water consumption used for irrigation purposes.
  - d. The **Annual Rate** for use in the calculation of the Non-Residential Sewer Service Charge shall be set as follows:
    - i. Fiscal Year 2010-2011: \$598
    - ii. Fiscal Year 2011-2012: \$717
    - iii. Fiscal Year 2012-2013: \$825
    - iv. Fiscal Year 2013-2014: \$923
    - v. Fiscal Year 2014-2015: \$1,034
  - e. For all Non-Residential users, the minimum Sewer Service Charge shall be one (1) EDU per parcel.
3. **Sewer Service Charge collection costs:** An additional charge of \$2.00 shall continue to be collected by the County of Marin in addition to each of the above Residential and Non-Residential Sewer Service Charges and used for the purpose of defraying the costs of levying, collecting, and enforcing said charges on each lot or parcel of land against which a charge has been imposed.

Ordinance No. 2010-03  
July 13, 2010

- B. This Ordinance shall supersede Ordinance No. 78-1, as amended, by setting new rates and clarifying the methods of calculating Sewer Service Charges. All other provisions of Ordinance No. 78-1, as amended, shall remain the same.
- C. Upon adoption of this Ordinance, it shall be entered in the minutes of the Board of Directors and shall be published once in *The Ark*, a newspaper published in SD No. 5's district.

\* \* \* \* \*

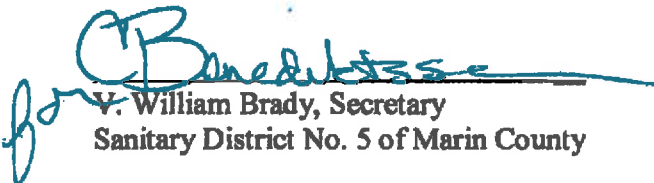
I certify that the foregoing Ordinance was duly and regularly adopted by the Board of Directors of Sanitary District No. 5 of Marin County, California at a meeting held on July 13, 2010 by the following vote:

AYES, and in favor thereof, Directors: *Claire McAuliffe, Corinne W. Wiley, Catharine Benediktsson, Roy Fedotoff*  
NOES, Directors: *None*  
ABSTAIN, Directors: *None*  
ABSENT, Directors: *V. William Brady*

Approved:

  
\_\_\_\_\_  
Claire McAuliffe, President  
Sanitary District No. 5 of Marin County

Attest:

  
\_\_\_\_\_  
V. William Brady, Secretary  
Sanitary District No. 5 of Marin County

**RESOLUTION NO. 2015-05**

**SANITARY DISTRICT NO.5 OF MARIN COUNTY**

**A RESOLUTION PROVIDING FOR THE COLLECTION BY THE COUNTY OF MARIN OF A SEWER SERVICE CHARGE IN THE AMOUNT OF \$1,034.00 FOR EACH EDU PLUS A \$2.00 COLLECTION FEE FOR THE TIBURON ZONE OF SANITARY DISTRICT NO.5 OF MARIN COUNTY FOR THE FISCAL YEAR 2015-2016**

**WHEREAS**, Sanitary District No. 5 of Marin County ("the District") utilizes the services of the County of Marin, in order to collect applicable Sewer Service Charges, and;

**WHEREAS**, on July 13, 2010, Ordinance No. 2010-03, setting the Sewer Service Charge for the Tiburon Zone of Sanitary District No.5 of Marin County at \$1,034.00 per Equivalent Dwelling Unit ("EDU"), was adopted by the District's Board of Directors.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of Sanitary District No.5 of Marin County, California, as follows:

1. That the Sewer Service charge shall be collected for the current fiscal year, and every year thereafter as proscribed by Ordinance 2010-03. Said rate is currently set at \$1,034.00 per EDU.
2. That, pursuant to Section 5473 of the Health and Safety Code of the State of California, the Sewer Service Charge for the fiscal year 2015-2016 shall be collected on the tax roll of the County of Marin, State of California, in the manner provided pursuant to Sections 5471 through 5473.11 of the Health and Safety Code of the State of California.
3. That a written report containing a description of each parcel of real property receiving District services and the amount of the charge for each parcel for the fiscal year 2015-2016, computed in conformity with the charges prescribed by Ordinance No. 2010-04, shall be prepared and filed with the County of Marin.
4. That the County of Marin shall enter the amounts of the Sewer Service Charge against the respective parcels on the assessment roll and shall collect such charges at the same time and in the same manner as the general taxes for the District.
5. That all laws applicable to the levy, collection, and enforcement of general taxes, including but not limited to, those pertaining to the manners of delinquency, correction, collection, refund, and redemption, are applicable to the collection of the District's Sewer Service Charge.

\* \* \* \* \*

Resolution No. 2015-05  
May 14, 2015

I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Board of Directors of Sanitary District No. 5 of Marin County at a meeting thereof held on the 14th of May, 2015, by the following vote:

AYES, and in favor thereof, Directors: **Richard Snyder, John Carapic, Catharine Benckertsen, Ted Hoody**

NOES, Directors: **NONE**

ABSENT, Directors: **MICHAEL LASKY**

ABSTAIN, Directors: **NONE**

Approved:

Attest:



**Michael Lasky**  
President, Board of Directors

VICE



**John Carapic**  
Secretary, Board of Directors

**ORDINANCE NO. 2010-04**

**AN ORDINANCE OF THE BOARD OF DIRECTORS OF SANITARY DISTRICT NO. 5  
OF MARIN COUNTY INCREASING THE SEWER SERVICE CHARGES FOR THE  
BELVEDERE ZONE**

WHEREAS, on July 10, 1978, the City of Belvedere adopted an Ordinance establishing a Sewer Service Charge for all premises connected or required to be connected to Belvedere's sanitary sewer collection system;

WHEREAS, in June 2005, the City of Belvedere established a Sewer Service Charge of \$890 per Equivalent Dwelling Unit ("EDU") for the Belvedere Zone;

WHEREAS, Ordinance No. 78-1 established and prescribed Sewer Service Charges for Sanitary District Number 5 of Marin County ("SD No. 5");

WHEREAS, upon the annexation of the Belvedere Zone sewer system to SD No. 5 in July 2005, SD No. 5 continued to apply the existing \$890 Sewer Service Charge per EDU to the Belvedere Zone;

WHEREAS, in 2007 it became necessary to increase the Belvedere Zone Sewer Service Charge for the first time since annexation. Ordinance No. 2007-01 increased the Sewer Service Charge for Fiscal Year 2007-2008 to \$1,139 and increased the Sewer Service Charge for Fiscal Year 2009-2010 to \$1,185. An approved 9% Sewer Service Charge increase for Fiscal Year 2008-2009 was not implemented by the Board of Directors;

WHEREAS, the Belvedere Zone has a population about one-half that of the Tiburon Zone, but twice as many pump stations because of the hilly terrain and the original sewer system design;

WHEREAS, the Belvedere Zone must pay back a bond that adds about \$135 per household to the annual Sewer Service Charge;

WHEREAS, SD No. 5 received from the City of Belvedere a one-time \$750,000 reserve fund at the time of annexation, but this fund was needed almost immediately simply to pay for operations within the Zone;

WHEREAS, it is now necessary for SD No. 5 to increase Sewer Service Charges in the Belvedere Zone for the following reasons:

- Over \$1.7 million in average annual maintenance, upgrades, and improvements are needed to ensure reliable service across the Belvedere Zone;
- To establish sufficient District reserves in order to fund needed system improvements and to pay for emergencies;
- To avoid spills or other violations resulting in costly penalties;
- To protect the public health and safety;

Ordinance No. 2010-04  
July 13, 2010

- To help the District comply with increasingly strict regulations that are designed to protect the San Francisco Bay;

WHEREAS, SD No. 5 commissioned, and approved, on May 11, 2010, a Sewer Rate Study which serves as the basis for the increases in Sewer Service Charges contained herein;

WHEREAS, the Sewer Service Charges contained herein are based on the actual cost to collect, transport, and treat wastewater from customers within the Belvedere Zone;

WHEREAS, on May 13, 2010, SD No. 5 provided written notice by mail to the record owner of each parcel within the Belvedere Zone of the fee increases contained herein;

WHEREAS, on June 29, 2010, SD No. 5 held a public hearing to consider the fee increases contained herein, to consider all written protests against said fee increases, and to introduce and read this Ordinance; and

WHEREAS, written protests were received from less than a majority of the owners of parcels in the Belvedere Zone.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF SANITARY DISTRICT NO. 5 OF MARIN COUNTY DOES HEREBY ORDAIN AS FOLLOWS WITH RESPECT TO THE SEWER SERVICE CHARGES IN THE BELVEDERE ZONE:**

- A. Annual Sewer Service Charges for the users below shall be as follows:
1. **Residential Sewer Service Charges:** The annual Sewer Service Charge payable by each single family dwelling unit (1 EDU), exclusive of Hotels and Inns, shall be as follows:
    - a. Fiscal Year 2010-2011: \$1,457
    - b. Fiscal Year 2011-2012: \$1,748
    - c. Fiscal Year 2012-2013: \$1,836
    - d. Fiscal Year 2013-2014: \$1,928
    - e. Fiscal Year 2014-2015: \$1,985
  2. **Non-Residential Use (Includes Hotels and Inns):** The annual Sewer Service Charge payable for each Non-Residential customer shall be calculated based upon the following:
    - a. Non-Residential users shall be assessed a Sewer Service Charge based upon annual metered water readings and wastewater strengths. A strength factor (EDU factor) will be used to recover costs for wastewater strengths greater than residential wastewater strengths. The non-residential use groups and EDU factors are as follows:



<u>User Group*</u>	<u>EDU Factor</u>
Non-Residential, Miscellaneous	1.0
Hotels, Inns with Dining	1.7
Delicatessens	2.0
Groceries with Grinders	2.2
Restaurants	2.4

\* Any use not listed herein shall be assigned the most appropriate/similar of the above EDU Factors by SD No. 5.

- b. The formulae used to calculate the annual Sewer Service Charge for each Non-Residential user shall be the following:
- i.  $(\text{Annual Flow} \times \text{EDU Factor}) \div \text{Average Annual Residential Flow} = \text{Non-Residential EDU Units}$
  - ii.  $\text{Non-Residential EDU Units} \times \text{Annual Rate} = \text{Annual Non-Residential Sewer Service Charge}$
- c. The following definitions shall apply to the Non-Residential Sewer Service Charge formulae contained in Subsection (b) above:
- i. **Annual Flow:** The total volume of water utilized by a commercial property in the previous calendar year as calculated by the Marin Municipal Water District ("MMWD") meter reading for the property, excluding any MMWD meters designated, or proven to be, only for irrigation purposes or other uses not resulting in water entering the SD No. 5 collection system.
  - ii. **Average Annual Residential Flow:** The average annual water consumption for single family home and duplex water meters in Southern Marin for the previous calendar year as provided by MMWD, but excluding 1/3 to account for water consumption used for irrigation purposes.
- d. The Annual Rate for use in the calculation of the Non-Residential Sewer Service Charge shall be set as follows:
- i. Fiscal Year 2010-2011: \$1,457
  - ii. Fiscal Year 2011-2012: \$1,748
  - iii. Fiscal Year 2012-2013: \$1,836
  - iv. Fiscal Year 2013-2014: \$1,928
  - v. Fiscal Year 2014-2015: \$1,985

Ordinance No. 2010-04  
July 13, 2010


- e. For all Non-Residential users, the minimum Sewer Service Charge shall be one (1) EDU per parcel.
- 3. **Sewer Service Charge collection costs:** An additional charge of \$2.00 shall continue to be collected by the County of Marin in addition to each of the above Residential and Non-Residential Sewer Service Charges and used for the purpose of defraying the costs of levying, collecting, and enforcing said charges on each lot or parcel of land against which a charge has been imposed.
- B. This Ordinance shall supersede Ordinance No. 78-1, as amended, by setting new rates and clarifying the methods of calculating Sewer Service Charges. All other provisions of Ordinance No. 78-1, as amended, shall remain the same and are hereby deemed to apply to the Belvedere Zone, as it is part of SD No. 5.
- C. Upon adoption of this Ordinance, it shall be entered in the minutes of the Board of Directors and shall be published once in *The Ark*, a newspaper published in SD No. 5's district.

\* \* \* \* \*

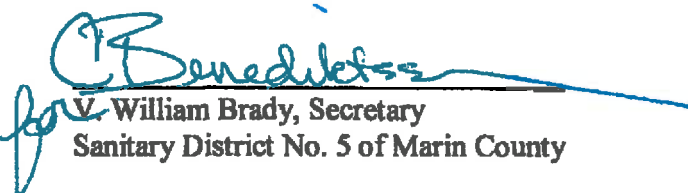
I certify that the foregoing Ordinance was duly and regularly adopted by the Board of Directors of Sanitary District No. 5 of Marin County, California at a meeting held on July 13, 2010 by the following vote:

AYES, and in favor thereof, Directors: *Claire McAuliffe, Corinne W. Wiley, Catharine Benediktsson, Roy Fedotoff*  
NOES, Directors: *None*  
ABSTAIN, Directors: *None*  
ABSENT, Directors: *V. William Brady*

Approved:

  
\_\_\_\_\_  
Claire McAuliffe, President  
Sanitary District No. 5 of Marin County

Attest:

  
\_\_\_\_\_  
V. William Brady, Secretary  
Sanitary District No. 5 of Marin County

**RESOLUTION NO. 2015-06**

**SANITARY DISTRICT NO.5 OF MARIN COUNTY**

**A RESOLUTION PROVIDING FOR THE COLLECTION BY THE COUNTY OF MARIN OF A SEWER SERVICE CHARGE IN THE AMOUNT OF \$1,985.00 FOR EACH EDU PLUS A \$2.00 COLLECTION FEE FOR THE BELVEDERE ZONE OF SANITARY DISTRICT NO.5 OF MARIN COUNTY FOR THE FISCAL YEAR 2015-2016**

**WHEREAS**, Sanitary District No. 5 of Marin County ("the District") utilizes the services of the County of Marin, in order to collect applicable Sewer Service Charges, and;

**WHEREAS**, on July 13, 2010, Ordinance No. 2010-04, setting the Sewer Service Charge for the Belvedere Zone of Sanitary District No.5 of Marin County at \$1,985.00 per Equivalent Dwelling Unit ("EDU"), was adopted by the District's Board of Directors.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of Sanitary District No.5 of Marin County, California, as follows:

1. That the Sewer Service charge shall be collected for the current fiscal year, and every year thereafter as proscribed by Ordinance 2010-04. Said rate is currently set at \$1,985.00 per EDU.
2. That, pursuant to Section 5473 of the Health and Safety Code of the State of California, the Sewer Service Charge for the fiscal year 2015-2016 shall be collected on the tax roll of the County of Marin, State of California, in the manner provided pursuant to Sections 5471 through 5473.11 of the Health and Safety Code of the State of California.
3. That a written report containing a description of each parcel of real property receiving District services and the amount of the charge for each parcel for the fiscal year 2015-2016, computed in conformity with the charges prescribed by Ordinance No. 2010-04, shall be prepared and filed with the County of Marin.
4. That the County of Marin shall enter the amounts of the Sewer Service Charge against the respective parcels on the assessment roll and shall collect such charges at the same time and in the same manner as the general taxes for the District.
5. That all laws applicable to the levy, collection, and enforcement of general taxes, including but not limited to, those pertaining to the manners of delinquency, correction, collection, refund, and redemption, are applicable to the collection of the District's Sewer Service Charge.

\* \* \* \* \*

Resolution No. 2015-06  
May 14, 2015

I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Board of Directors of Sanitary District No. 5 of Marin County at a meeting thereof held on the 14th of May, 2015, by the following vote:

AYES, and in favor thereof, Directors: *RICHARD SNYDER, JOHN CARAPIET, CATHERINE BENSONLISEN, TOU HODDY*

NOES, Directors: *NONE*

ABSENT, Directors: *MICHAEL LASKY*

ABSTAIN, Directors: *NONE*

Approved:

Attest:



Michael Lasky  
President, Board of Directors

ULCC



John Carapiet  
Secretary, Board of Directors

**CONTINUING DISCLOSURE CERTIFICATE**

**\$10,935,000  
TIBURON/BELVEDERE WASTEWATER FINANCING AUTHORITY  
(SANITARY DISTRICT NO. 5 OF MARIN COUNTY)  
2012 REVENUE BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Sanitary District No. 5 of Marin County (the "District") in connection with the issuance by the Tiburon/Belvedere Wastewater Financing Authority (the "Authority") of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture of Trust dated as of February 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

*"Annual Report"* means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Annual Report Date"* means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

*"Dissemination Agent"* means The Bank of New York Mellon Trust Company, N.A. or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

*"Listed Events"* means any of the events listed in Section 5(a) of this Disclosure Certificate.

*"MSRB"* means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

*"Official Statement"* means the final official statement executed by the District in connection with the issuance of the Bonds.

*"Participating Underwriter"* means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**"Rule"** means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

**Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2012, with the report for the Fiscal Year ending June 30, 2011, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, that the first Annual Report due on March 31, 2012, shall consist solely of a copy of the Official Statement and the District's audited financial statements for fiscal year 2010-11. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report, prepared by the District, to the MSRB by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

**Section 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the

final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding statements and tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) The information for the most recently completed fiscal year in the form of the following tables in the Official Statement (in each case based on actual results for the most recently-completed fiscal year only; no projections for future years is required):

(A) Table 3, Billings by Customer Class.

(B) Table 4A, Wastewater Enterprise Largest Commercial Users.

(C) Table 4B, Wastewater Enterprise Largest Residential Users.

(D) Table 11, Projected Operating Results and Debt Service Coverage.

(iii) A summary of any changes in the District's rates and charges for the Wastewater Enterprise since the date of the previous Annual Report.

(iv) A description of any Parity Debt issued during the most recently completed fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

#### **Section 5. Reporting of Significant Events.**

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) **Unscheduled draws on credit enhancements reflecting financial difficulties.**

(v) **Substitution of credit or liquidity providers, or their failure to perform.**

(vi) **Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.**

(vii) **Modifications to rights of security holders, if material.**

(viii) **Bond calls, if material, and tender offers.**

(ix) **Defeasances.**

(x) **Release, substitution, or sale of property securing repayment of the securities, if material.**

(xi) **Rating changes.**

(xii) **Bankruptcy, insolvency, receivership or similar event of the District.**

(xiii) **The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.**

(xiv) **Appointment of a successor or additional trustee or the change of name of a trustee, if material.**

(b) **Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.**

(c) **The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), and (a)(xiv) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(vi) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law.**

(d) **For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a**



receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Bank of New York Mellon Trust Company, N.A. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided that any amendments to this Disclosure Certificate affecting the rights, duties or liabilities of the Dissemination Agent shall not be effective without the Dissemination Agent's written consent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form,

the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

**Section 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. Duties, Immunities and Liabilities of Dissemination Agent.** (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to the Dissemination Agent by the District. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as

may be provided by written notice from the District. The Dissemination Agent shall have the same rights, protections and immunities hereunder as afforded to it in its role as trustee under the Indenture.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.


Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California.

Date: February 16, 2012

Sanitary District No. 5 of Marin County

By:   
Catharine Benediktsson,  
President of the Board of Directors

AGREED AND ACCEPTED:  
The Bank of New York Mellon Trust Company, N.A.,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Representative

may be provided by written notice from the District. The Dissemination Agent shall have the same rights, protections and immunities hereunder as afforded to it in its role as trustee under the Indenture.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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Date: February 16, 2012

Sanitary District No. 5 of Marin County

By : \_\_\_\_\_  
Catharine Benediktsson,  
President of the Board of Directors

AGREED AND ACCEPTED:  
The Bank of New York Mellon Trust Company, N.A.,  
as Dissemination Agent

By :  \_\_\_\_\_  
Authorized Representative