

# Sanitary District Number 5 of Marin County

Tiburon, California

*Basic Financial Statements  
and Independent Auditors' Reports*

*For the years ended June 30, 2014 and 2013*



# Sanitary District Number 5 of Marin County

## Table of Contents

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	<u>Page</u>
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report</b> .....	1
<b>Management Discussion and Analysis</b> .....	3
<b>Basic Financial Statements:</b>	
Statement of Net Position .....	11
Statement of Revenues, Expenses, and Changes in Net Position .....	12
Statement of Cash Flows.....	13
<b>Notes to Basic Financial Statements</b> .....	14
<b>Required Supplementary Information:</b>	
Other Post Employment Benefits (OPEB).....	28
<b>Supplementary Information:</b>	
Combining Schedule of Revenues, Expenses, and Changes in Net Position by Zone .....	29
Continuing Annual Disclosure.....	30

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Sanitary District Number 5 of Marin County (the District), Tiburon, California as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for OPEB plans on pages 3-9 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedule of Revenues, Expenses, and Changes in Net Position by Zone and continuing annual disclosure are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Revenues, Expenses, and Changes in Net Position by Zone are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Badawi & Associates  
Certified Public Accountants  
Oakland, California  
February 26, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 years that ended on June 30, 2014 and 2013. The financial statements are presented in a format to comply with the financial statement presentation requirements of the Governmental Accounting Standards Board with some of the major differences being this Management Discussion and Analysis (MD&A) section.

### FINANCIAL HIGHLIGHTS

- The net position of the District's business-type activities increased by about \$1,145,000 in fiscal 2014 compared to a \$1,732,000 increase in the 2013 fiscal year.
- Total operating expenses in fiscal 2013-2014 increased by about \$989,000 compared to fiscal 2012-2013. Higher attorney fees of approximately \$224,000 and an increase in depreciation were the main causes of the increase. The increase in depreciation expense of approximately \$510,000 was due to the main plant rehabilitation project being placed into service in fiscal year 2013-2014.
- Customer rates in fiscal 2013-2014 were increased by about 12 percent in the Tiburon zone and by about 3 percent in the Belvedere zone. In fiscal 2012-2013, customer rates were increased by about 12 percent in the Tiburon Zone and by about 5 percent in the Belvedere zone.
- The District's net position regarding net investment in capital assets increased by about \$3.0 million in fiscal 2013-2014 as a result of the completion of the main plant rehabilitation project. Excluding depreciation charges, there was about a \$8.2 million increase in capital assets in fiscal 2012-2013, due to the start of construction on the main plant rehabilitation project
- District cash and investments decreased by about \$2.48 million to a total of \$9.55 million at the end of fiscal 2013-2014 as result of the District incurred \$3.9 million in construction costs associated with the MPR project. This was offset by the use of \$1.6 million of the main plant rehabilitation project bond proceeds for construction costs.
- No new debt was issued in fiscal 2013-2014. The District in fiscal 2011-2012 issued \$10,935,000 in revenue bonds to finance the main plant rehabilitation and renovation project. The bonds were sold at a \$1,076,031 premium.

### 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 plan. Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-1 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.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**TABLE A-1 NET POSITION OF THE DISTRICT**

	Business-Type Activities		Percentage Change	
	2013-2014	2012-2013	2013-2014	2012-2013
Current and other assets	\$9,645,310	\$12,156,500	-20.66%	-31.08%
Capital assets	21,845,460	19,379,900	12.72%	62.02%
<b>Total assets</b>	<b>31,490,770</b>	<b>31,536,440</b>	-0.14%	6.54%
Long-term debt	11,974,582	12,620,418	-5.12%	10.28%
Other liabilities	1,701,144	2,345,822	-27.48%	32.92%
<b>Total liabilities</b>	<b>13,675,726</b>	<b>14,866,200</b>	-8.01%	12.55%
Net position:				
Net investment in capital assets	10,608,432	7,560,089	40.32%	-22.26%
Restricted for debt service		1,679,415	-100%	100.00%
Unrestricted	7,206,612	7,430,754	-3.02%	11.46%
<b>Total net position</b>	<b>\$17,815,044</b>	<b>\$16,670,258</b>	6.87%	1.70%

**Net Position.** The District's combined net position increased by about \$1,144,786 in fiscal 2013-2014 compared to about a \$1,731,999 increase in fiscal year 2012-2013. (See Table A-1.) In fiscal 2012-2013, the District's net position increased by about \$1,731,999. This increase is discussed in detail on the following page.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

	Fiscal Year		Percentage Change 2013-2014	Percentage Change 2012-2013
	2013-2014	2012-2013		
<b>Revenues</b>				
Program revenues:				
Charges for services	\$4,995,715	\$4,508,493	11%	11%
Property taxes	946,109	841,500	12%	1%
Investment and other income	21,898	59,600	-63%	51%
<b>Total revenues</b>	<b>5,963,722</b>	<b>5,409,600</b>	<b>10%</b>	<b>10%</b>
<b>Expenses</b>				
Salaries and benefits	1,633,051	1,541,800	6%	-8%
Maintenance and repairs	45,733	34,100	34%	69%
Line inspections and cleaning	209,085	144,700	44%	41%
Supplies	167,711	131,800	27%	34%
Insurance	70,911	23,400	203%	-62%
Utilities	193,991	222,100	-13%	1%
Contract and professional services	454,183	156,100	191%	112%
Other operating and non-operating	339,255	406,500	-17%	-25%
Interest	365,786	366,700	0%	1178%
Depreciation	1,268,797	759,200	67%	-5%
<b>Total expenses</b>	<b>4,748,503</b>	<b>3,786,400</b>	<b>25%</b>	<b>5%</b>
Income (Loss) before contributions	1,006,086	1,623,200	-38%	23%
<b>Capital contributions</b>	<b>138,700</b>	<b>108,600</b>	<b>28%</b>	<b>-45%</b>
<b>Change in net position</b>	<b>1,144,786</b>	<b>1,731,800</b>	<b>-34%</b>	<b>14%</b>
Net position, beginning, as restated	16,670,258	14,938,200	12%	0%
<b>Net position, ending, as restated</b>	<b>\$17,815,044</b>	<b>\$16,670,200</b>	<b>7%</b>	<b>2%</b>

Table A-2 presents the revenue, expenses and change in net assets.

Overall in fiscal 2013-14, there was an increase of \$554,000, or approximately 10 percent, in total revenues. This was principally due to an increase in sewer charge rates. Investment income decreased in fiscal 2013-14 because in 2012-13 the District received an insurance recovery of \$32,000.

Overall in fiscal 2012-2013, there was about an 11 percent increase in charges for services when all zones were combined in the aggregate. Investment income increased in fiscal 2012-2013 because of additional cash invested from the bond proceeds and an insurance recovery of \$32,000.

Total district expenses in fiscal 2013-2014 increased by about \$962,000 compared to total fiscal 2012-2013 expenses. In the expense area contracting for professional services increased by approximately 300,000 from the previous year. District Management, during fiscal year 2013-2014, hired several attorneys and consultants to assist in the day to day management of the District. An increase of about \$500,000 was depreciated due to the completion of the Main Plant Rehabilitation Project. Salaries increased by about \$100,000 due to the hiring of a part-time Assistant District Manager as the District Manager was out on leave during a period of time during the 2013-14 fiscal year.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Cash flows of negative \$2.48 million were reported in fiscal 2013-2014 after all activities were conducted by the District. Most of the negative cash inflows were a result of the debt payments and capital acquisitions. Excluding the bond payments and related additions to capital assets, the District had about \$2.4 million of positive cash flows including about \$1.3 million from operating activities. Capital contribution revenues derived from connections to the wastewater system increased to \$139,000 in 2013-2014 compared to \$109,000 in 2012-2013.

The District invests its idle cash primarily in the State of California Local Agency Investment Fund (LAIF), and the District had about 98.3 percent of its total cash and cash equivalents invested in the LAIF at the end of fiscal 2013-2014 compared to about 97.7 percent at the end of fiscal 2012-2013. The District by policy manages its cash holdings by setting aside certain revenues, including property taxes, into Board designated capital replacement accounts in order to accumulate cash resources for future capital asset and plant needs. The District had about \$6.1 million set aside for these purposes in 2013-2014 compared to about \$7.41 million at the end of fiscal 2012-2013 which included \$1.67 Million of bond proceeds for the completion of the MPR project.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	Business-Type Activities		Total Percentage Change	Total Percentage Change
	2013-2014	2012-2013	2013-2014	2012-2013
Land	\$49,300	\$49,300	0%	0%
Main and Paradise Cove plants	16,874,300	5,972,200	183%	10%
Pipelines	3,493,700	3,122,600	12%	-3%
Construction in progress	0	8,891,100	-100%	396%
Treatment and collection	338,900	476,000	-29%	-11%
Equipment, pumps and other	1,089,300	877,000	24%	-10%
<b>Total</b>	<b>\$21,845,500</b>	<b>\$19,379,900</b>	<b>13%</b>	<b>62%</b>

**Capital Assets**

At the end of fiscal 2013-2014, there was a net increase in capital assets of \$2.4 million; mainly from the completion of the construction on the main plant rehabilitation and renovation project. The District did spend an additional \$464,000 (per page 19 of the notes to the financial statements) on line improvements.

More information about capital assets can be found starting on page 11 of the notes to the financial statements.

**Long-Term Debt**

In fiscal 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 2013.

There was no new long-term debt issued by the District in fiscal 2014. More information about long-term debt can be found starting on page 21 of the notes to the financial statements.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **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 2012 and was completed in 2014. Capital work continues in the collection system according to its 10yr CIP program. Inflow and Infiltration 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 NPDES permit which is has compliance objectives that are regulated by the California Regional Water Quality Control Board.

Two additional initiatives may have an effect upon the operations of the District. The first initiative deals with the expansion of the Paradise Cove Treatment Plant, which would allow a 100 percent increase in the connections in the Paradise Cove zone long term, as the plant was replaced by a new treatment facility in 2010 which doubled its capacity size from 20,000 gallons to 40,000 gallons. As a result of this capacity increase several new connections have taken place and flow to the plant has increased in volume, resulting in an increase in revenue required to treat the additional flow.

The second initiative deals with the annexation of the pumping stations and collection pipelines within the City of Belvedere to Sanitary District No. 5. This annexation took place, effective July 1, 2005. This change brings all City wastewater operations under the responsibility of the Sanitary District Board of Directors. As a result of all of these financial and operational changes and identified needs, the Board authorized an evaluation of District rates and charges.

This evaluation resulted in the need for significant modifications in the sewer service charges of the District for both billing zones. For the 2013-2014 fiscal year, the District approved a rate increase of about 3 percent for customers in the Belvedere operation zone and about a 12 percent rate increase for customers in the Tiburon operations zone. Additional rate increases have been planned for both the Belvedere and Tiburon Zones through fiscal year 2014-15.

### **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.

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**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Statement of Net Position**  
**June 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	3,432,687	\$ 4,626,675
Receivables from other governments	52,289	76,773
Interest receivable	-	7,608
Prepayments	41,546	34,191
Total current assets	3,526,522	4,745,247
Noncurrent assets:		
Cash and cash equivalents:		
Designated capital accounts	6,118,788	5,731,881
Bond proceeds accounts	-	1,679,415
Total designated cash	6,118,788	7,411,296
Capital assets:		
Capital assets not being depreciated :		
Land	49,295	49,295
Construction in progress	-	8,891,148
Total capital assets not being depreciated	49,295	8,940,443
Capital assets being depreciated:		
Mechanical, electrical and main plant	24,617,236	16,075,262
Paradise Cove plant	1,906,604	1,906,604
Pipelines including subsurface and other	8,103,990	7,639,750
Treatment and collection system	1,479,203	1,641,297
Odor control and pumps	3,027,666	2,749,000
Plant equipment	126,229	177,745
Vehicles and other equipment	411,070	421,985
Less accumulated depreciation	(17,875,833)	(20,172,189)
Total capital assets being depreciated	21,796,165	10,439,454
Total capital assets	21,845,460	19,379,897
Total noncurrent assets	27,964,248	26,791,193
Total assets	\$ 31,490,770	\$ 31,536,440
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	885,889	\$ 1,066,612
Contractual retentions	12,806	366,790
Accrued interest payable	91,118	91,558
Pension-related liabilities due within one year	61,056	52,285
Compensated absences due within one year	82,275	102,519
Loans due within one year	128,000	126,000
Bonds due within one year	440,000	440,000
Total current liabilities	1,701,144	2,345,822
Noncurrent liabilities:		
Compensated absences due in more than one year	10,000	10,000
Pension-related liabilities, due in more than one year	1,295,554	1,356,610
Loan due in more than one year	131,466	259,466
Bonds due in more than one year	10,537,562	10,994,342
Total liabilities	13,675,726	14,866,182
<b>NET POSITION</b>		
Net investment in capital assets	10,608,432	7,560,089
Restricted for capital projects	-	1,679,415
Unrestricted	7,206,612	7,430,754
Total net position	17,815,044	\$ 16,670,258

See accompanying notes to the basic financial statements

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For The Fiscal Years Ended June 30, 2014 and 2013**

	Fiscal Years Ended June 30	
	2014	2013
<b>OPERATING REVENUES</b>		
Sewer service fees	4,733,824	\$ 4,396,082
Maintenance agreements	42,687	41,574
Other operating revenues	219,204	70,837
Total operating revenues	4,995,715	4,508,493
<b>OPERATING EXPENSES</b>		
Salaries and benefits	1,633,051	1,541,764
Maintenance and repairs	45,733	34,133
Line cleaning and inspection	209,085	144,746
Supplies (chemicals)	167,711	131,781
Liability and property insurance	70,911	23,391
Utilities	193,991	222,126
Contract and professional services	454,183	156,077
Other operating	339,255	380,461
Depreciation	1,268,797	759,198
Total operating expenses	4,382,717	3,393,677
Operating income	612,998	1,114,816
<b>NON-OPERATING REVENUES(EXPENSES)</b>		
Property taxes	946,109	841,663
Insurance recovery	-	32,551
Loss on disposal of capital assets	(209,133)	(26,054)
Interest expense	(365,786)	(366,664)
Investment income	21,898	27,054
Net non-operating revenues (expenses)	393,088	508,550
Change in net position before capital contributions	1,006,086	1,623,366
Capital contributions		
Capital contributions	138,700	108,633
Total contributions	138,700	108,633
Change in net position	1,144,786	1,731,999
Total net position, beginning-restated	16,670,258	14,938,259
Total net position, ending	\$ 17,815,044	\$ 16,670,258

See accompanying notes to the basic financial statements



**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Statement of Cash Flows**  
**For The Fiscal Years Ended June 30, 2014 and 2013**

	Fiscal Years Ended June 30	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	4,758,308	\$ 4,336,748
Other operating receipts	261,891	112,411
Payments to suppliers for goods and services	(2,022,931)	(142,122)
Payments to employees for services and benefits	(1,705,580)	(1,551,144)
	<u>1,291,688</u>	<u>2,755,893</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property tax collections	946,109	841,663
Insurance recovery	-	32,551
	<u>946,109</u>	<u>874,214</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest paid on long-term debt	(383,006)	(414,672)
Payments to retire long-term debt	(566,000)	(698,000)
Capital contributions	138,700	108,633
Purchases of capital assets	(3,943,493)	(8,203,435)
	<u>(4,753,799)</u>	<u>(9,207,474)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest receipts	29,506	34,810
	<u>29,506</u>	<u>34,810</u>
Net increase (decrease) in cash and cash equivalents	(2,486,496)	(5,542,557)
Balances-beginning of the year	<u>12,037,971</u>	<u>17,580,528</u>
Balances-end of the year	<u>\$ 9,551,475</u>	<u>\$ 12,037,971</u>
<b>FINANCIAL STATEMENT PRESENTATION:</b>		
Cash and cash equivalents:		
Undesignated accounts	\$ 3,432,687	\$ 4,626,675
Designated capital accounts	6,118,788	5,731,881
Bond proceeds accounts	-	1,679,415
	<u>\$ 9,551,475</u>	<u>\$ 12,037,971</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating income	612,998	\$ 1,114,816
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense and amortization	1,268,797	759,198
Change in assets and liabilities:		
Decrease (increase) in due from other governments	24,484	(59,334)
Decrease (increase) in prepayments	(7,355)	(9,357)
Increase (decrease) in accounts payable	(534,707)	959,950
Increase (decrease) in pension-related liabilities	(52,285)	(44,455)
Increase (decrease) in compensated absences	(20,244)	35,075
	<u>\$ 1,291,688</u>	<u>\$ 2,755,893</u>

See accompanying notes to the basic financial statements

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

**B. Financial Statements**

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

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

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

The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows, and these notes to the basic financial statements.

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position**

**1. Deposits and Investments**

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

**2. Receivables, Property Taxes and Sewer Service Revenues**

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes. Accordingly, the District provides for no allowance for doubtful accounts.

Sewer service fees (used to supplement tax revenues) are set by the District based upon rates applied to the number of equivalent dwelling units (EDUs) for nonvacant properties and adjusted flows applicable to commercial properties. The sewer service fees are incorporated into the property tax billings, and such fees are due in two equal installments on December 10 and April 10 following the assessment date. The District recognizes these fees as revenues in the year earned, which is also the year in which the service is provided to properties within the District. Under an arrangement with the County known as the Teeter Plan, the County advances substantially all of the sewer fees to the District each year, and the County bears the burden of any uncollectible accounts. Therefore, the District does not provide for an allowance for uncollectible accounts or bad debts.

**3. Inventories and Prepaid Items**

All inventories are valued at cost based upon physical determinations made at the end of each year. The District currently has no inventory type items.

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

**4. Designated Cash Equivalents and Investments**

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position**

**5. Capital Assets**

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

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

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

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

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

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability, and workers compensation insurance through its membership in the California Sanitation Risk Management Authority. The risk of loss is transferred from the District to the Authority in exchange for the District's payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance.

The District has agreed to pay for certain medical insurance premiums for retiring employees with at least five years of District service. Such insurance programs are administered as part of the Public Employees Retirement System (PERS). The District obtains actuarial valuations of its retiree medical insurance plan in order to determine estimated annual required contributions (ARC) to the Plan. The District's Annual OPEB Cost (AOC) was equal to the ARC in fiscal years ended June 30, 2013 and 2012. Differences, if any, between the Plan AOC and actual contributions are reported as other net postemployment benefit liabilities or assets.

**7. Long-term Obligations**

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position**

**8. Net Position**

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

- Net investment in capital assets - This component of net position reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation, and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets. The portion of debt related to unspent bond proceeds when they are significant are excluded from this component.
- Restricted for debt service - This component of net position reports amounts held by the District restricted for repayment of debt.
- Unrestricted – The unrestricted component of net position reports amounts not included in the determination of net investment in capital assets or the restricted component of net position.

**E. Impact of Recently Issued and Adopted Accounting Principles**

In fiscal year 2014, the District adopted the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62* – The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. There was no effect on net position as part of implementation of this standard.
- GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* – The objective of this statement is to improve financial reporting by state and local governmental pension plans. There was no effect on net position as part of implementation of this standard.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There was no effect on net position as part of implementation of this standard.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**2. Detailed Notes**

**A. Cash Equivalents and Investments**

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

	2014	2013
Demand deposits	\$ 157,455	\$ 225,081
Local Agency Investment Fund (LAIF)	9,394,020	11,764,469
Marin County Treasurer's Investment Pool	-	48,421
Total cash and cash equivalents	\$ 9,551,475	\$ 12,037,971

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is that they will be made in institutions in California; they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2014, \$0 of the District's bank balances of \$293,422 was exposed to credit risk. At June 30, 2013, \$147,931 of the District's bank balances of \$397,931 were exposed to credit risk with the \$147,931 being collateralized with the collateral held by the pledging bank's agent.

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

*Credit Risk- Investments.* State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the District's policy to comply with those requirements. The Marin County Treasurer's Investment Pool and LAIF are unrated.

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

	2014	2013
Designated capital and capital reserve accounts	\$ 6,118,788	\$ 5,731,881
Revenue bond proceeds construction account	-	1,679,415
Total noncurrent cash and cash equivalents	\$ 6,188,788	\$ 7,411,296

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**2. Detailed Notes (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 49,295	\$ -	\$ -	\$ 49,295
Construction in progress	8,891,148	-	(8,891,148)	-
Total capital assets, not being depreciated	<u>8,940,443</u>	<u>-</u>	<u>(8,891,148)</u>	<u>49,295</u>
Capital assets, being depreciated:				
Main plant	16,075,262	12,016,214	(3,474,240)	24,617,236
Paradise Cove plant	1,906,604	-	-	1,906,604
Pipelines including subsurface	7,639,750	464,240	-	8,103,990
Treatment and collection system	1,641,297	-	(162,094)	1,479,203
Odor control and pumps	2,749,000	317,789	(39,123)	3,027,666
Plant equipment	177,745	7,086	(58,602)	126,229
Vehicles and other equipment	421,985	29,312	(40,227)	411,070
Total capital assets, being depreciated	<u>30,611,643</u>	<u>12,834,641</u>	<u>(3,774,286)</u>	<u>39,671,998</u>
Less accumulated depreciation:				
Main plant	(11,753,388)	(942,572)	3,348,796	(9,347,164)
Paradise Cove plant	(256,267)	(46,163)	-	(302,430)
Pipelines including subsurface	(4,517,129)	(93,142)	-	(4,610,271)
Treatment and collection system	(1,164,661)	(59,438)	83,818	(1,140,281)
Odor control and pumps	(2,084,256)	(92,370)	39,213	(2,137,413)
Plant equipment	(167,399)	(3,188)	53,099	(117,488)
Vehicles and other equipment	(229,089)	(31,924)	40,227	(220,786)
Total accumulated depreciation	<u>(20,172,189)</u>	<u>(1,268,797)</u>	<u>3,565,153</u>	<u>(17,875,833)</u>
Total capital assets, being depreciated, net	<u>10,439,454</u>	<u>11,565,844</u>	<u>(209,133)</u>	<u>21,796,165</u>
Business-type activities capital assets, net	<u>\$ 19,379,897</u>	<u>\$ 11,565,844</u>	<u>\$ (9,100,281)</u>	<u>\$ 21,845,460</u>

The District capitalized \$0 in accrued bond interest payable as construction period interest in fiscal 2014.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**2. Detailed Notes (Continued)**

**B. Capital Assets (Continued)**

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

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

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



**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**2. Detailed Notes Continued)**

**C. Long-Term Debt**

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

Fiscal Year Ended	Beginning of Year	Additions	Deletions	End of Year	Due in One Year
June 30, 2014:					
Refunding loan	\$ 385,466	\$ -	\$ 126,000	\$ 259,466	\$128,000
2012 Revenue bonds	10,360,000	-	440,000	9,920,000	440,000
Bond premium	1,074,342	-	16,780	1,057,562	-
Compensated absences	112,519	78,333	98,577	92,275	82,275
Pension Side Fund	1,408,895	-	52,285	1,356,610	61,056
<b>Totals</b>	<b>\$13,341,222</b>	<b>\$78,333</b>	<b>\$ 733,642</b>	<b>\$12,685,913</b>	<b>\$711,331</b>
June 30, 2013:					
Refunding loan	\$ 508,466	\$ -	\$ 123,000	\$ 385,466	\$126,000
2012 Revenue bonds	10,935,000	-	575,000	10,360,000	440,000
Bond premium	1,076,031	-	1,689	1,074,342	0
Compensated absences	77,444	79,950	44,875	112,519	102,519
Pension Side Fund	1,453,350	-	44,455	1,408,895	52,285
<b>Totals</b>	<b>\$ 14,050,291</b>	<b>\$ 79,950</b>	<b>\$ 789,019</b>	<b>\$13,341,222</b>	<b>\$720,804</b>

*Refunding Loan:*

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

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

Total interest and principal remaining to be paid is \$287,331. Annual principal and interest payments on this obligation are expected to require less than 12 percent of net revenues of the Belvedere zone as defined. Principal and interest paid in the 2014 fiscal year and total zone system net revenues as defined were \$143,652 and \$1,881,795 respectively.

Future debt service on the loan is:

Fiscal Year	Principal	Interest	Total
2015	\$ 128,000	\$ 11,882	\$ 139,882
2016	131,466	5,983	137,449
<b>Totals</b>	<b>\$ 259,466</b>	<b>\$ 27,865</b>	<b>\$ 287,331</b>

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**2. Detailed Notes (Continued)**

**C. Long-Term Debt (Continued)**

*2012 Revenue Bonds*

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

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

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 440,000	\$ 363,153	803,153
2016	445,000	359,941	804,941
2017	450,000	355,800	805,800
2018	450,000	349,050	799,050
2019	460,000	339,950	799,950
2020-2024	2,465,000	1,528,375	3,993,375
2025-2029	3,015,000	940,375	3,955,375
2030-3032	2,195,000	168,375	2,363,375
Totals	<u>\$ 9,920,000</u>	<u>\$4,405,019</u>	<u>\$14,325,019</u>

Total remaining principal and interest on the bonds is \$14,325,019. The District expects that the debt service on the bonds will be less than 40 percent of system net revenues as defined in the financing documents. Principal and interest paid in the 2014 fiscal year and total zone system net revenues as defined were \$805,353 and \$1,881,795 respectively.

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**2. Detailed Notes (Continued)**

**C. Long-Term Debt (Continued)**

*Pension Side Fund*

See Note 3 D.

**3. Other Information**

**A. Maintenance Agreements**

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

**B. Risk Management**

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

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

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The District had no significant uninsured claim liabilities at June 30, 2014 and 2013.

**C. Contingencies and Commitments**

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**3. Other Information (Continued)**

**D. Retirement System**

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

*Funding Policy and Annual Pension Cost.* Plan members are required to contribute 8.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 32,143 percent of covered payroll. The contribution requirements of plan members and the District are established by resolutions and contracts of the District and may be amended by the PERS. The contributions to the PERS by the District for the last three fiscal years were as follows:

**Three -Year Trend Information**

Plan	Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
Regular employees	6/30/12	\$ 206,742	100%	\$ -
	6/30/13	\$ 186,990	100%	\$ -
	6/30/14	\$ 172,890	100%	\$ -

The PERS employer contribution rate for the District includes an amount to amortize a PERS created side fund over a 10 year period as of June 30, 2013. Amortization of this side fund accounts for about 50 percent of the District's employer contribution rate. The side fund was created by PERS to account for the difference between the funded status of the pool and the funded status of the District's plan, in addition to the District's unfunded PERS liability, at the time of joining the pool. It is an actuarial model used by PERS to set the District's contribution rate based on assumptions that may or may not be realized. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period referred to above. The District's side fund was reported at \$1,356,610 as of June 30, 2014 in the PERS June 30, 2013 actuarial valuation.

**E. Post Employment Benefits Other Than Pensions**

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**3. Other Information (Continued)**

**E. Post Employment Benefits Other Than Pensions (Continued)**

*Funding Policy.* The contribution requirements of the Plan members and the District are established and may be amended by the District. The required contribution is based on a projected pay-as-you go financing requirement, with additional amounts to prefund the benefits determined annually by the District's Board of Directors. For the fiscal year ended June 30, 2014, the District contributed \$104,753 for current year premiums (100% of total premiums) and \$24,792 to prefund benefits. Plan members receiving benefits contributed no amounts of the total premiums.

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

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

	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$129,545	\$ 88,013
Interest on net OPEB obligation	-	-
Adjustments to annual required contribution	-	-
Annual OPEB expense	<u>129,545</u>	<u>88,013</u>
Contributions made	(129,545)	(88,013)
Change in net OPEB obligation	-	-
Net OPEB Obligation, beginning of year	<u>-</u>	<u>-</u>
Net OPEB Obligation, end of year	<u>\$ -</u>	<u>\$ -</u>

*Funding Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, the Plan was 20.13 percent funded. The actuarial accrued liability for benefits was \$1,165,603, and the actuarial value of Plan assets was \$234,587, resulting in the unfunded actuarial accrued liability (UAAL) of \$931,016. The covered payroll of active employees covered by the Plan was \$782,560 and the ratio of the UAAL to the covered payroll was 118.97 percent. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**3. Other Information (Continued)**

**E. Post Employment Benefits Other Than Pensions (Continued)**

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2014	\$129,545	100%	\$ -
June 30, 2013	\$88,013	100%	\$ -
June 30, 2012	\$88,134	100%	\$ -

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

In the July 1, 2013 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 7.61 percent investment rate of return which is blended rate of expected long-term investment returns on plan assets and the employer's own investments calculated based upon the funded level of the plan at the valuation date, and on the annual health care cost trend of 6.7 percent decreasing to 5.5 percent in 2019. The plan assets to value at the latest valuation date were \$234,587. The UAAL is being amortized as a level percentage of payroll over 26 years, the remaining amortization period at July 1, 2013.

**F. Segment Information**

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

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

	Tiburon/Paradise Cove Zone	Belvedere Zone
Operating revenues	\$ 2,677,506	\$ 2,318,209
Depreciation expense	(1,014,259)	(254,538)
Other operating expenses	(2,102,866)	(1,011,054)
Operating income (loss)	(439,619)	1,052,617
Non-operating revenues (expenses)		
Property taxes	946,109	-
Insurance recovery	-	-
Loss on disposal of capital assets	(209,133)	-
Investment income	12,789	9,109
Interest expense	(225,521)	(140,265)
Capital contributions	105,720	32,980
Change in net position	<u>\$ 190,345</u>	<u>\$ 954,441</u>

**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Notes to the Basic Financial Statements**  
**June 30, 2014 and 2013**

**4. Prior Period Adjustment**

In fiscal year 2013, the District made a prior period adjustment to record its pension side fund liability balance of \$1,486,913. The beginning net position balance has been reduced from \$16,391,609 to \$14,938,259 in FY12/13.

**5. Subsequent Event**

In December 2014, the District made a lump sum payment of approximately \$1.4 million to retire the side fund pension related obligation in full.

**Required Supplementary Information  
SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY  
Other Post Employment Benefits (OPEB)  
Schedule of Funding Progress  
June 30, 2014 and 2013**

**1. Other Post Employment Benefits (OPEB)**

A schedule of funding progress for the actuarial valuation of July 1, 2013 and the two preceding valuations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratios	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ -	\$ 955,000	\$ 955,000	0.00%	\$ 972,472	98.20%
7/1/2011	\$ 137,744	\$ 875,383	\$ 737,639	15.74%	\$ 955,597	77.19%
7/1/2013	\$ 234,587	\$ 1,165,603	\$ 931,016	20.13%	\$ 782,560	118.97%



**SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY**  
**Supplementary Financial Information**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position By Zone**  
**For The Fiscal Year Ended June 30, 2014**

	<b>Financial Zones</b>				
	Paradise Cove	Tiburon	Tiburon/Paradise Cove Zones Combined	Belvedere	District Total
<b>OPERATING REVENUES</b>					
Sewer service fees	\$ 98,041	\$ 2,391,263	\$ 2,489,304	\$ 2,244,520	\$ 4,733,824
Other operating revenues	56,483	131,719	188,202	73,689	261,891
Total operating revenues	<u>154,524</u>	<u>2,522,982</u>	<u>2,677,506</u>	<u>2,318,209</u>	<u>4,995,715</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	39,471	1,035,898	1,075,369	557,682	1,633,051
Maintenance and repairs	70	29,775	29,845	15,888	45,733
Line cleaning and inspection	2,752	126,504	129,256	79,829	209,085
Supplies	-	109,294	109,294	58,417	167,711
Liability and property insurance	4,734	42,082	46,816	24,095	70,911
Utilities	15,230	120,048	135,278	58,713	193,991
Contract and professional services	56,460	271,517	327,977	126,206	454,183
Other operating	38,459	210,572	249,031	90,224	339,255
Depreciation	66,517	947,742	1,014,259	254,538	1,268,797
Total operating expenses	<u>223,693</u>	<u>2,893,432</u>	<u>3,117,125</u>	<u>1,265,592</u>	<u>4,382,717</u>
Operating income (loss)	<u>(69,169)</u>	<u>(370,450)</u>	<u>(439,619)</u>	<u>1,052,617</u>	<u>612,998</u>
<b>NON-OPERATING REVENUES(EXPENSES)</b>					
Property taxes	37,655	908,454	946,109	-	946,109
Loss on disposal of capital assets	-	(209,133)	(209,133)	-	(209,133)
Interest expense	-	(225,521)	(225,521)	(140,265)	(365,786)
Investment income	-	12,789	12,789	9,109	21,898
Net non-operating revenues (expenses)	<u>37,655</u>	<u>486,589</u>	<u>524,244</u>	<u>(131,156)</u>	<u>393,088</u>
Change in net position before capital contributions	<u>(31,514)</u>	<u>116,139</u>	<u>84,625</u>	<u>921,461</u>	<u>1,006,086</u>
Capital contributions					
Capital contributions	<u>72,475</u>	<u>33,245</u>	<u>105,720</u>	<u>32,980</u>	<u>138,700</u>
Total contributions	<u>72,475</u>	<u>33,245</u>	<u>105,720</u>	<u>32,980</u>	<u>138,700</u>
Change in net position	<u><u>40,961</u></u>	<u><u>149,384</u></u>	<u><u>190,345</u></u>	<u><u>954,441</u></u>	<u><u>1,144,786</u></u>

**Sanitary District No. 5 of Marin County**  
**March 31, 2015 Annual Report**

(a)

**Table 10**  
**Wastewater Enterprise**  
**Historical Operating Results**  
**Fiscal Year 2013-2014**

The following table is an estimate of operating results of the Wastewater Enterprise for the fiscal year ending June 30, 2014, based on the District's unaudited actual results. The District's audited financial statements for the fiscal year ended June 30, 2014, have not yet been prepared and are not available as of the Annual Report Date. The audited financial statements will be submitted in the same manner as the Annual Report, when they become available.

	Estimated FY2013-2014 Unaudited
<b>OPERATING REVENUES</b>	
Sewer Service Fees	\$ 4,733,823
Maintenance Agreements	\$ 42,687
Other Operating Revenues	<u>\$ 219,204</u>
Total Operations Revenues	\$ 4,995,715
<b>OPERATING EXPENDITURES</b>	
Salary & Benefits	\$ 1,633,051
Maintenance & Repairs	\$ 45,733
Line Cleaning & Inspection	\$ 209,085
Supplies (Chemicals)	\$ 167,711
Liability & Property Insurance	\$ 70,911
Utilities	\$ 193,991
Contract & Professional Services	\$ 454,183
Other	<u>\$ 339,255</u>
Total Operating Expenses	<u>\$ 3,113,920</u>
<b>NET ORDINARY INCOME</b>	<b>\$ 1,881,795</b>
Property Tax Revenues	\$ 946,109

(b)

(i) **Principal Amount of Bonds outstanding at June 30, 2014:** \$ 9,920,000.00

(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 2013-2014:

**Table 3**  
**Wastewater Enterprise**  
**Billings by Customer Class**  
**Fiscal Year 2013-2014**

<u>User Type</u>	<u>Billings [2]</u>	<u>Billings as % of Total</u>
Single Family Residential	\$2,462,703	54%
Multi-Family Residential [1]	\$1,617,400	34%
Commercial	\$ 641,363	14%
Total	\$4,721,466	100%

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[1] Includes condominiums and apartments.

[2] Represents the amounts transmitted to the County assessor for collection on the 2013-2014 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 2013-2014.

**Table 4A**  
**Wastewater Enterprise**  
**Largest Commercial Users**  
**Fiscal Year 2013-2014**

<u>Customer</u>	<u>Type of Property</u>	<u>Fiscal Year 2013-2014 Billings [1]</u>	<u>% of Total Wastewater Billings</u>
Tiburon Lodge	Hotel / Restaurant	\$93,952	1.99%
Guaymas Restaurant	Restaurant	\$61,407	1.30%
Sam's Anchor Café/Restaurant	Restaurant	\$56,045	1.19%
Point Tiburon Park	Restaurant / Offices	\$46,528	0.99%
San Francisco Yacht Club	Yacht Club / Restaurant / Banquet Facilities	\$44,845	0.95%
Corinthian Yacht Club	Yacht Club / Restaurant / Banquet Facilities	\$44,325	0.94%
Boardwalk Shopping Center	Supermarket / Retail / Restaurants / Offices	\$36,431	0.77%
Tiburon Peninsula Club	Fitness Club / Restaurant	\$33,043	0.70%
Servino Restaurant	Restaurant	\$23,407	0.50%
Water's Edge Hotel	Hotel	<u>\$22,817</u>	<u>0.48%</u>
Subtotal Top Users:		\$462,800	9.80%
All Other Users		<u>\$4,258,666</u>	<u>90.20%</u>
Total		\$4,721,466	100.00%

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[1] Represents the amounts transmitted to the County assessor for collection on the 2013-2014 property tax roll. All rates and charges are collected on the tax roll.

(C)

**Table 4A**  
**Wastewater Enterprise**  
**Largest Residential Users**  
**Fiscal Year 2013-2014**

<u>Customer</u>	<u>Type of Property</u>	<u>Fiscal Year 2013-2014 Billings [1]</u>	<u>% of Total Wastewater Billings</u>
The Hilarita-Tiburon Ecumenical Association	Apartments (Ned's Way)	\$ 94,148	1.99%
Belvedere Land Company	Apartments (Beach Road)	\$ 73,266	1.55%
Essex Vista Belvedere	Apartments (Red Hill Circle)	\$ 70,150	1.49%
Tiburon 21 Marinero, LLC	Apartments (Marinero Circle)	\$ 40,616	0.86%
Nipomo Enterprises, Inc.	Leased Houses (Mallard Road)	\$ 38,564	0.82%
Belvedere Land Company	Apartments (Cove Road)	\$ 38,562	0.82%
PSP INVS	Apartments (Marinero Circle)	\$ 33,230	0.70%
Belvedere Land Company	Apartments (Peninsula Road)	\$ 30,850	0.65%
Allen Andrew Continuation Trust, et al.	Apartments (San Rafael Ave.)	\$ 28,924	0.61%
Lackenbacher / Toremi Trust	Apartments (Davis Drive)	\$ 24,000	0.51%
Subtotal Top Users:		\$472,310	10.00%
All Other Users		\$4,249,156	90.00%
Total		\$4,721,466	100.00%

[1] Represents the amounts transmitted to the County assessor for collection on the 2013-2014 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, 2015, through June 30, 2019. The projected operating results reflect a number of assumptions, which are as follows:

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

The projections set forth in the table below are forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflect certain significant assumptions concerning future events and circumstances. The forecast represents the District's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the table below are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual 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 2013-2014**

	2014-2015	2015-16	2016-17	2017-18	2018-19
<b>Operating Revenues [1]</b>					
Sewer Service Fees	\$5,105,045	\$5,105,045	\$5,105,045	\$5,105,045	\$5,105,045
Property Taxes	\$ 828,200	\$ 836,482	\$ 844,847	\$ 853,295	\$ 861,828
<b>Total Gross Revenues</b>	<b>\$5,933,245</b>	<b>\$5,941,527</b>	<b>\$5,949,891</b>	<b>\$5,958,340</b>	<b>\$5,966,873</b>
<b>Operating Expenses [2]</b>	<b>(\$3,209,129)</b>	<b>(\$3,305,403)</b>	<b>(\$3,404,565)</b>	<b>(\$3,506,702)</b>	<b>(\$3,611,903)</b>
<b>Net Revenues</b>	<b>\$2,724,116</b>	<b>\$2,636,124</b>	<b>\$2,545,326</b>	<b>\$2,451,639</b>	<b>\$2,354,971</b>
<b>Debt Service</b>					
Existing Loan	\$139,882	\$135,957	\$0	\$0	\$0
Series 2012 Bonds	\$803,153	\$804,941	\$805,800	\$799,050	\$799,950
<b>Total Debt Service</b>	<b>\$943,035</b>	<b>\$940,898</b>	<b>\$805,800</b>	<b>\$799,050</b>	<b>\$799,950</b>
<b>Coverage</b>	<b>2.89 x</b>	<b>2.80 x</b>	<b>3.16 x</b>	<b>3.07 x</b>	<b>2.94 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, 2014 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 2014-2015 is \$1,034.00 per Equivalent Dwelling Unit (EDU) (an increase from \$923.00 per EDU in fiscal year 2013-2014).

The annual sewer service charge for the Belvedere Zone for fiscal year 2014-2015 is \$1,985 per Equivalent Dwelling Unit (EDU) (an increase from \$1,928.00 per EDU in fiscal year 2013-2014).

**(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.

Ordinance No. 2010-03  
July 13, 2010

- 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.

\* \* \* \* \*

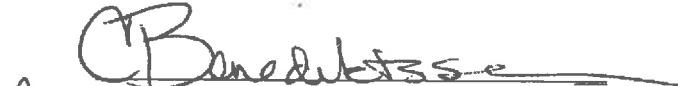
I certify that the foregoing Ordinance was duly and regularly adopted by the Board of Directors of Sanitary District No. 5 of Marin County, California at a meeting held on July 13, 2010 by the following vote:

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. 2014-02

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 2013-2014**

**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") for the fiscal year 2014-2015, 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, pursuant to Section 5473 of the Health and Safety Code of the State of California, the Sewer Service Charge for the fiscal year 2014-2015 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.
2. 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 2014-2015, computed in conformity with the charges prescribed by Ordinance No. 2010-04, shall be prepared and filed with the County of Marin.
3. 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.
4. 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. 2014-02

May 20, 2014

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 20th of May, 2014, by the following vote:

AYES, and in favor thereof, Directors: **CATHARINE BENEDIKTSSON, MICHAEL LASKY,  
TOD MOODY, RICHARD SNYDER**


NOES, Directors: **JOHN CARAPIET**

ABSENT, Directors: **NONE**

ABSTAIN, Directors: **NONE**

Approved:

Attest:



Catharine Benediktsson  
President, Board of Directors



John Carapiet  
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:

Ordinance No. 2010-04  
July 13, 2010

<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



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.

\* \* \* \* \*

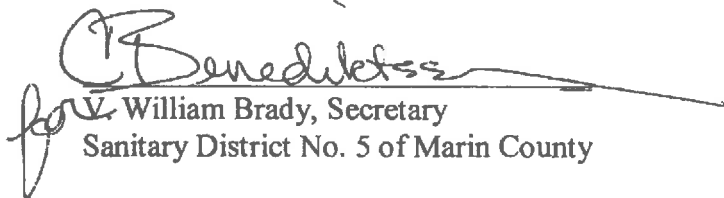
I certify that the foregoing Ordinance was duly and regularly adopted by the Board of Directors of Sanitary District No. 5 of Marin County, California at a meeting held on July 13, 2010 by the following vote:

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:

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

RESOLUTION NO. 2014-03

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 2014-2015**

**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") for the fiscal year 2014-2015, 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, pursuant to Section 5473 of the Health and Safety Code of the State of California, the Sewer Service Charge for the fiscal year 2014-2015 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.
2. 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 2014-2015, computed in conformity with the charges prescribed by Ordinance No. 2010-04, shall be prepared and filed with the County of Marin.
3. 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.
4. 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. 2014-03  
May 20, 2014

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 20th of May, 2014, by the following vote:

AYES, and in favor thereof, Directors: *CATHARINE BENEDIKTSSON, MICHAEL LASKY,  
TOD HOODY, RICHARD SNYDER*

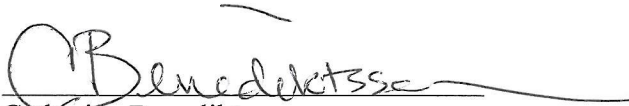
NOES, Directors: *JOHN CARAPIET*

ABSENT, Directors: *NONE*

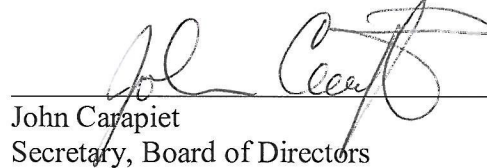
ABSTAIN, Directors: *NONE*

Approved:

Attest:



Catharine Benediktsson  
President, Board of Directors



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.

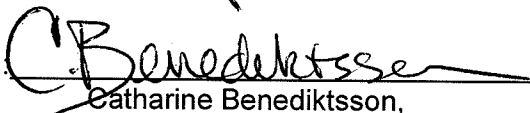
Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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.

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.

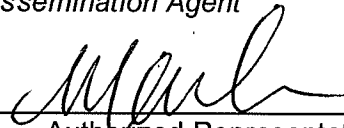
Section 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California.

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