

NOVATO SANITARY DISTRICT

Meeting Date: December 16, 2014

The Finance Committee of the Novato Sanitary District will hold a meeting at 2:00 PM, Tuesday, December 16, 2014 at the District offices, 500 Davidson Street, Novato.

AGENDA

1. AGENDA APPROVAL

2. PUBLIC COMMENT (PLEASE OBSERVE A THREE-MINUTE TIME LIMIT):

This item is to allow anyone present to comment on any subject not on the agenda, or to request consideration to place an item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Committee at this time as a result of any public comments made.

3. APPROVAL OF MINUTES:

- a. Consider approval of minutes of December 12, 2013 meeting.

4. FISCAL YEAR (FY) 2013-14 DRAFT ANNUAL AUDIT:

- a. Receive report from independent auditor, Maze and Associates.
- b. Review draft Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2014, and 2013, including draft audited financial statements.
- c. Consider making a recommendation to the District Board that, subject to minor edits, the Board accept the audit and CAFR.

5. DISTRICT POLICY 3120 – INVESTMENT OF PUBLIC FUNDS

- a. Review District Statement of Investment Policy, District Policy 3120 – Investment of Public Funds, and recommend its ratification by the District Board.

6. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

Materials that are public records and that relate to an open session agenda item will be made available for public inspection at the District office, 500 Davidson Street, Novato, during normal business hours.

December 12, 2013

The Finance Committee of Novato Sanitary District held a meeting at 6:00 p.m., Thursday, December 12, 2013, at the District office, 500 Davidson Street, Novato.

COMMITTEE MEMBERS PRESENT: Members William C. Long and Jean Mariani.

STAFF PRESENT: Manager-Engineer-Secretary Beverly B. James, Deputy Manager-Engineer Sandeep Karkal, Finance Officer Laura Creamer and Administrative Secretary Julie Swoboda.

ALSO PRESENT: Vikki Rodriguez, Vice President (Tax/Audit), Maze and Associates
Brant Miller, Board member

AGENDA APPROVAL: The agenda was approved as presented.

REVIEW OF MINUTES: The July 16, 2013 meeting minutes were approved as written.

AUDIT:

- Receive report from Auditor on 2012-13 Audit. The Manager introduced Vikki Rodriguez of Maze and Associates who was present to review the audit documents with the Committee. Ms. Rodriguez stated that Maze and Associates had performed an independent audit which involved examining evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. She stated that Maze and Associates had concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with the generally accepted accounting principles (GAAP). Ms. Rodriguez noted that this opinion is the highest rating given.

Ms. Rodriguez discussed details of the audit and Member Mariani provided grammatical edits.

The Manager stated that the audit will be presented to the full board at their regular meeting on January 13th. Finance Officer Laura Creamer stated that the audit would be submitted for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting award.

ADJOURNMENT: The meeting was adjourned at 6:18 p.m.

Respectfully submitted,

Beverly B. James
Secretary

Julie Swoboda, Recording

**NOVATO SANITARY DISTRICT, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOVATO SANITARY DISTRICT
500 Davidson Street
Novato, California 94945
(415) 892-1694 – www.novatosan.com**

Prepared by:

*Sandeep Karkal, Manager-Engineer
Laura Creamer, Finance Officer*

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Introductory Section



December 1, 2014

To: The Honorable President, Members of the Board of Directors, and Rate Payers of the Novato Sanitary District:

State law requires that all general-purpose local governments and special districts publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Comprehensive Annual Financial Report (CAFR) of the Novato Sanitary District (District) for fiscal year ended June 30, 2014 is hereby submitted as required. Maze & Associates, a firm of licensed certified public accountants, has audited the Novato Sanitary District's financial statements.

This report is organized into four sections: (1) Introductory (2) Financial (3) Supplemental Information and (4) Statistical. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statement, and the District's audited basic financial statements with accompanying notes. The Supplemental Information section includes schedules for the purpose of additional analysis. The Statistical section presents un-audited ten-year historical financial, demographic, and statistical information pertinent to the District's operations.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Novato Sanitary District for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Novato Sanitary District's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE DISTRICT

The Novato Sanitary District was formed in October 1925 pursuant to the Sanitary District Act of 1923 (California Health and Safety Code, Sections 6400 et seq). Established as an Independent Enterprise Special District, the District is authorized to provide wastewater collection and treatment services, to levy rates and fees to support those services, and to regulate collection of garbage and refuse. The District is located in northern Marin County and is approximately 25 miles north of the City and County of San Francisco.

The District has an upgraded and expanded treatment plant designed for average dry weather flow of 7.0 million gallons per day, providing wastewater service to the sewered areas of the City of Novato as well as developed areas outside the city limits. The District encompasses 24.66 square miles and serves approximately 56,000 residents. Wastewater from the District's service area is transported to the Novato Wastewater Treatment Plant where it is treated to federally mandated standards to protect the public health.

The District also operates a Wastewater Reclamation Facility consisting of some 820 acres of farmland in three separate sites adjacent to Highway 37. This acreage is irrigated with recycled water during the summer months for grazing cattle during 5-6 months of the year. Another unique feature of the reclamation facility is a 10-acre wildlife pond utilizing recycled water. The pond supports a variety of freshwater aquatic life and grasses, and is a preserve for birds and other forms of wildlife. A third feature of the reclamation facility is the 6 acres of treated bio solids storage ponds and 15 acres of dedicated disposal site.

In cooperation with the North Marin Water District, up to 1.7 million gallons per day of Title 22 recycled water is produced for use for landscape irrigation in Northern and Eastern Novato.

In addition, the District operates a Household Hazardous Waste program and is responsible for refuse, recycling and green-waste collection through its oversight of a franchise.

Governance

The affairs of the District are directed by a five member Board of Directors elected at large by the registered voters residing in the District. The directors are residents of the District and have the same concerns as their constituents. The Board members, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the annual budget, and hiring the District's Manager-Engineer. The Manager-Engineer is responsible for carrying out the policies and ordinances of the District Board and for overseeing the day-to-day operations of the District.

Mission and Vision

The mission of the Novato Sanitary District is as follows:

Novato Sanitary District provides responsible environmental and economical wastewater and solid waste resource management for Novato.

The District's long-term vision is as follows:

Creating worth from all of Novato's waste.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Novato Sanitary District operates.

Local Economy

The District has a predominantly residential ratepayer base, with residential users accounting for 75% of equivalent dwelling units. The local economy also includes some 2,500 commercial businesses. No major industrial wastewater producers exist within the District's service area. In general, the District's service area is significantly built out with densification anticipated in the downtown area and commercial corridors. Future growth areas are areas zoned very low density residential.

As an independent enterprise special district having the ability to adjust service rates as required, the District's operating revenues are somewhat insulated from the local economy. The District's operating revenues tend to increase with growth periods and stabilize during non-growth periods. Conceivably, the greatest threat to operating revenues would be from a significant reduction in the service area population. As the District reaches build out, it is anticipated that growth in District revenues will remain stable.

Capacity fees are collected as new units are connected to the District. During the housing boom of the early 2000's the District experienced very strong revenues from capacity fees. It is anticipated that capacity fee revenues will slow dramatically as the District approaches build out.

Property taxes accounted for approximately 10.3% and 12.9% of the District's total revenue for FYE 2013 and 2014, respectively. Due to the current conditions in the housing market, property tax revenues are not expected to increase at prior year historical rates and may remain flat or decrease in the near future due to reduction in values and reassessments.

Long-Term Financial Planning

The District's Board of Directors is aware of the need to ensure the District's financial stability. Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future needs. The cornerstone of these policies is the District's 2011 Comprehensive Financial Plan that forecasts the District's expenditures and revenue needs through the 2015-16 fiscal year. The District utilizes this information to anticipate future expense obligations and to develop programs to ensure these expense obligations are fully funded.

RELEVANT FINANCIAL POLICIES

Reserve Policy

The District has established a Reserve Policy to anticipate and prepare for unforeseen events, and to establish and maintain the required reserves of its State Revolving Fund loan and 2011 Certificates of Participation. The District has also established Capital and Operating Fund targets as of July 1st each year in order to provide sufficient cash flow for expenses in that fiscal year.

Investment Policy

The District's Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the "prudent investor" standard as stated in California Government Code (CGC) Section 53600.3. The primary objectives, in priority order, of the District's investment activities are the following: 1) safety, 2) liquidity, and 3) yield. The District's funds are invested in the State Local Agency Investment Fund, in accordance with California Government Code, as described in Footnote 2 of the Basic Financial Statements.

INTERNAL CONTROLS

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that; 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

MAJOR INITIATIVES

The District has initiated several major projects to upgrade infrastructure and ensure the adequacy of facilities.

- 1) The District recently completed a major upgrade to its wastewater treatment facilities. Financed by a California State Revolving Fund loan the District upgraded and expanded its Novato Treatment Plant to treat the combined flow of two wastewater treatment plants. The new treatment plant replaces two aging facilities with a single new modernized plant. A major new pump station and pipeline replaced an aging and obsolete plant. Improvements include efficient treatment processes that comply with all current standards, re-use of the portions of the plant built since the 1980's that are still usable, and addition of backup facilities in case of equipment failure or emergencies. Debt service payments are paid semi-annually through 2031 at an interest rate of 2.40%.
- 2) A Collection System Improvement and Pump Station Rehabilitation Program is underway to replace aging sewer lines that are reaching the end of their useful lives. The program is designed to meet the District's needs for the next 25 to 50 years. Construction is ongoing and is expected to require work for several more years.
- 3) The District initiated a Sewer System Plan more than a decade ago. Since then much progress has been made. With about 220 miles of sewer pipelines, 6,000 manholes, plus other critical facilities, many of which are 50 or 60 years old, there is more work to do. The District has been investing up to \$5 million each year in sewer upgrades to repair the wear and tear from past decades.
- 4) The District's 2011 Comprehensive Financial Plan Update projects the likely future financial condition of the District and provides guidance in the decision making process.
- 5) Due to the success of the District's Lateral Replacement Program over the past year, the program will continue to provide incentives for ratepayers to repair their private laterals. The program reimburses ratepayers up to \$1,500 for lateral replacement installation. During the fiscal year 2014 the District contributed \$16,500 for the replacement and repair of eleven damaged private laterals.
- 6) The District completed construction of the 1.7 million gallons per day Recycled Water Treatment Facility in September 2012. The project is part of a regional recycled water program – North Bay Water Reuse Authority. Twenty-five percent of the cost was covered by a grant from the U.S. Bureau of Reclamation. Five percent was covered by a grant from the California Department of Water Resources. The recycled water will be distributed by North Marin Water District to irrigate a golf course, landscaping, cemeteries, and playing fields in Northern and Eastern Novato. The Facility was operational in September of 2012.

COLLABORATIVE PARTNERSHIPS

The District 's success in providing low-cost, high-quality service is due in part to the successful strategy of forming collaborative partnerships with a number of different entities.

Zero Waste Program. In addition to franchising garbage collection and disposal with Novato Disposal Service, the District is responsible for meeting mandates of AB 939, the California Integrated Waste Management Act of 1989. A Zero Waste Program with Novato Disposal Service will take recycling to the next level by dramatically reducing what goes to the landfill, without a rate increase beyond inflation.

Specialized Staff Sharing. The District shared a single full-time safety officer with the Central Marin Sanitation Agency. The District and North Marin Water District also have a Mutual Aid Agreement to share highly skilled laboratory staff.

Cost-Saving Management of Treatment Plant. The District contracts with Veolia Water to operate its newly upgraded treatment facilities, achieving both cost savings and environmental compliance.

Millions in Funding from Collaborative Recycled Water Program. By working collaboratively with North Marin Water District and other neighboring agencies, the District has helped obtain over \$2.6 million in federal grant funding to expand recycled water use in Novato.

RISK MANAGEMENT

The District is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a public joint powers authority that provides a full service risk management program for public sanitation agencies. The day-to-day operations of CSRMA are governed by its bylaws and other executive policies adopted by its Board of Directors. CSRMA provides comprehensive property, liability and workers' compensation protection to the District.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The District is a member of the California Public Employees' Retirement System (CalPERS) and participates in a three-tiered defined benefit pension plan. The three tiers are as follows: 2% @ 55, 2% @ 60 and 2% @ 62 defined benefit pension plans. For more information, please refer to Footnote 10 of the Basic Financial Statements.

The District provides post-employment healthcare benefits to eligible retirees based on a formula adopted by the District Board in July 2008. Depending on date of hire, years of service, and age at retirement, the benefits range from full coverage for retiree and one dependent to contribution of 1.5% of base salary to a Medical After Retirement Account(MARA) for employees hired after July 2008. Employees who retired prior to the adoption of the vesting formula in 2008 receive full coverage for retiree and eligible dependents. Twenty-two individuals are currently participating in the District's post-employment health care program. The District does not provide pension or medical benefits to retired members of the Board of Directors.

INDEPENDENT AUDIT

The Government Code requires an annual audit of the District's financial records by a Certified Public Accountant. The District selected, through a competitive process, the firm of Maze & Associates to conduct the audit. The auditor's report on the financial statements and schedules are included in the financial section of this report.

ACKNOWLEDGEMENTS

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. A special note of appreciation goes to Laura Creamer, CPA, the District's Finance Officer, for her assistance with developing this report. We would also like to recognize the members of the Board of Directors' Finance Committee, Gerald Peters and William Long. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Novato Sanitary District's fiscal policies.

Respectfully submitted,

Sandeep Karkal
Manager-Engineer

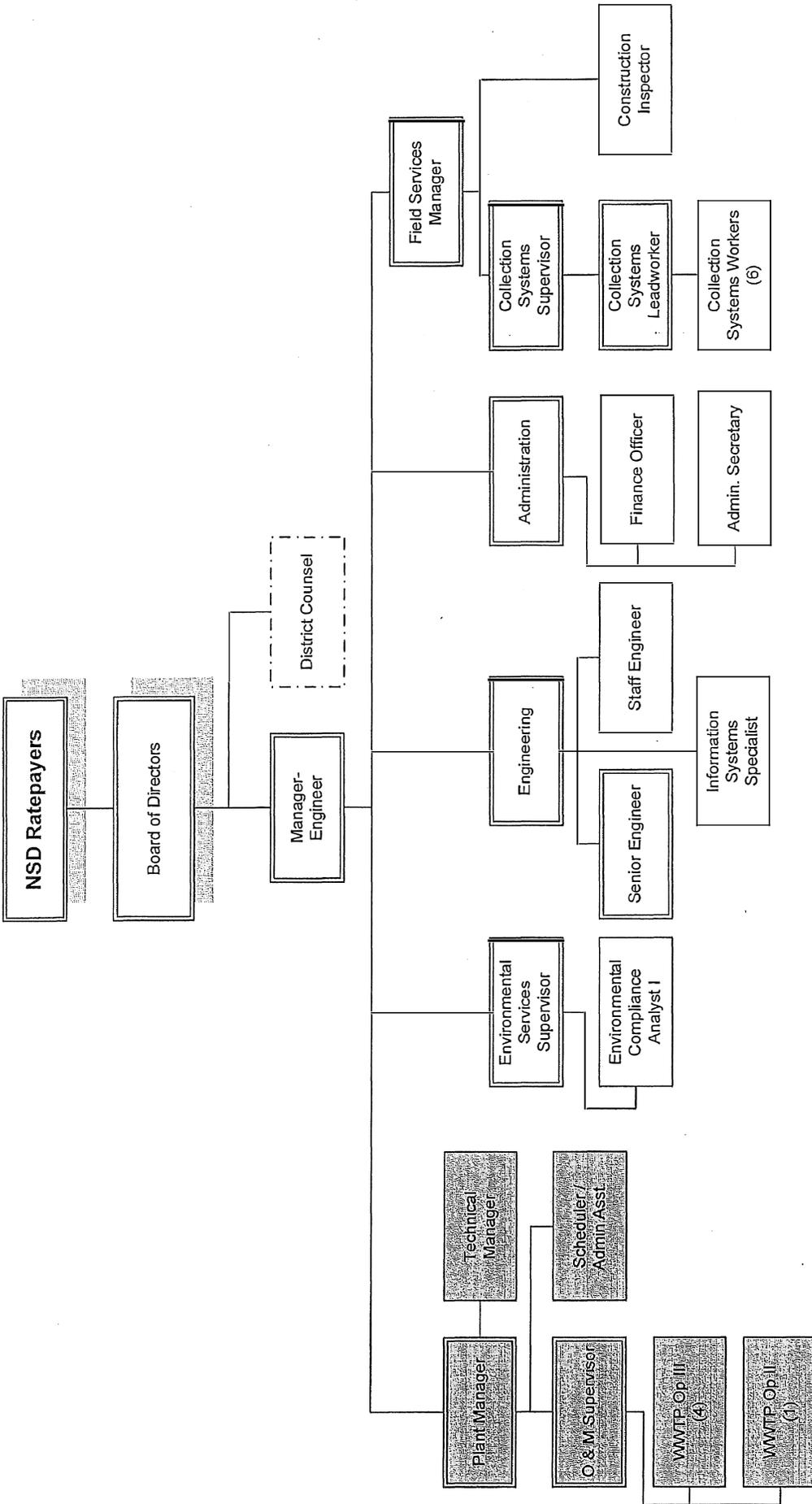
Leaders in Protecting the Environment

Novato Sanitary District provides wastewater collection, treatment, recycling and disposal services for the community of Novato, California. In addition, the District is responsible for refuse disposal, recycling, and greenwaste collection through its franchise collector, Novato Disposal Service.

Novato Sanitary District Board of Directors as of June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>First Seated on Board</u>	<u>Current Term</u>
Jean Mariani	President	Elected	5/2011	12/11-12/15
William C. Long	Director	Elected	12/2001	12/13-12/17
Gerald Peters	Director	Elected	12/2011	12/11-12/15
Gary Butler	Director	Appointed	5/2014	05/14-12/15
Brant Miller	Director	Elected	12/2013	12/13-12/17

**Novato Sanitary District
Sandeep Karkal, Manager-Engineer
500 Davidson Street
Novato, California 94945
(415) 892-1694 – www.novatosan.com**





Government Finance Officers Association

Certificate of
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**Novato Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, appearing to read 'Jeffrey R. Snow'. The signature is written in a cursive, flowing style.

Executive Director/CEO

Financial Section

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Novato Sanitary District, California
Novato, California

Report on Financial Statements

We have audited the accompanying financial statements of the Novato Sanitary (District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Prior Period Restatement

As discussed in Note 4B, the District restated Beginning Net Position to reflect corrections to prior year depreciation.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the required supplementary information, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Introductory Section and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Sections have 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.

Pleasant Hill, California

DATE

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Novato Sanitary District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2014 and 2013. The two-year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2014, the District's assets decreased 2.5% or \$5,308,920 to \$204,997,388 due primarily to the payment on our debt obligations. In 2013, the District's assets decreased 4.5% or \$9,886,033 to \$210,306,308 due to the payment on our debt obligations and the restatement of prior year capital assets. See note 4B.
- In 2014, the District's net position decreased 1.2% or \$1,339,359 to \$106,584,107. In 2013, the District's net position decreased 4.5% or \$5,064,785 to \$107,923,466 primarily due to the prior period restatement.
- In 2014, the District's operating revenues increased 3.3% or \$507,570 due to the approved rate increase of approximately 3.8% in June of 2012. In 2013, the District's operating revenues increased 7.8% or \$1,116,244.
- In 2014, the District's capital contributions increased 282% or \$415,604 due to new connections in the current fiscal year. In 2013, the District's capital contributions decreased 93.6% or \$2,172,885 due to no grant monies received in this fiscal year.
- In 2014, the District's other non-operating expenses increased 111% or \$3,396,869 due to the rehabilitation and retirement of pump station buildings and equipment.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State wastewater standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 37.

	Condensed Statements of Net Position				
	2014	2013-Restated	Change	2012	Change
Assets:					
Current assets	\$ 20,783,974	23,453,892	(2,669,918)	26,303,224	(2,849,332)
Non-current assets	-	-	-	-	-
Capital assets, net	184,213,414	186,852,416	(2,639,002)	193,889,117	(7,036,701)
Total assets	204,997,388	210,306,308	(5,308,920)	220,192,341	(9,886,033)
Liabilities:					
Current liabilities	7,172,441	6,856,759	315,682	7,515,697	(658,938)
Non-current liabilities	91,240,840	95,526,083	(4,285,243)	99,688,393	(4,162,310)
Total liabilities	98,413,281	102,382,842	(3,969,561)	107,204,090	(4,821,248)
Net Position as restated (Note 8)					
Net investment in capital assets	94,531,379	97,636,900	(3,105,521)	105,262,788	(7,625,888)
Unrestricted	12,052,728	10,286,566	1,766,162	7,725,463	2,561,103
Total net position	106,584,107	107,923,466	(1,339,359)	112,988,251	(5,064,785)
Total liabilities and net position	\$ 204,997,388	210,306,308	(5,308,920)	220,192,341	(9,886,033)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$106,584,107 and \$107,923,466 as of June 30, 2014 and June 30, 2013, respectively.

By far the largest portion of the District's net position (89% and 90% as of June 30, 2014 and 2013, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2014 and 2013, the District showed a positive balance in its unrestricted net position of \$12,052,728 and \$10,286,566 respectively, which may be utilized in future years. See note 8 for further discussion.

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position					
	2014	2013-Restated	Change	2012	Change
Revenues:					
Operating revenues	\$ 15,849,099	15,341,529	507,570	14,225,285	1,116,244
Non-operating revenues	2,115,122	1,980,806	134,316	2,088,099	(107,293)
Total revenues	17,964,221	17,322,335	641,886	16,313,384	1,008,951
Expenses:					
Operating expenses	8,322,651	8,103,790	218,861	9,758,265	(1,654,475)
Depreciation and amortization	5,092,355	4,602,353	490,002	3,238,715	1,363,638
Non-operating expenses	6,450,627	3,053,758	3,396,869	3,055,503	(1,745)
Total expenses	19,865,633	15,759,901	4,105,732	16,052,483	(292,582)
Net income before capital contributions	(1,901,412)	1,562,434	(3,463,846)	260,901	1,301,533
Capital contributions	562,553	146,949	415,604	2,319,834	(2,172,885)
Change in net position	(1,338,859)	1,709,383	(3,048,242)	2,580,735	(871,352)
Net position, beginning of year	107,923,466	112,988,251	(5,064,785)	110,471,520	2,516,731
Prior year restatement(Note 4B)		(6,774,168)	6,774,168	(64,004)	(6,710,164)
Net position, end of year	\$ 106,584,607	107,923,466	(1,338,859)	112,988,251	(5,064,785)

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased by \$1,339,359 and \$5,064,785 for the fiscal years ended June 30, 2014 and 2013, respectively. A closer examination of the sources of changes in net position reveals that:

In 2014, the District's sewer service charges increased 3.3% or \$487,077 primarily due to the rate increase approved in June of 2012 of approximately 3.8% in the second year.

In 2014, the District's capital contributions increased 282% or \$415,604 primarily due to new connections in the current fiscal year. In 2013, the District's capital contributions decreased 93.6% or \$2,172,885 primarily due to the grant funding received in the prior year ended June 30, 2012.

In 2014, the District's loss on disposal of assets increased 100% or \$3,502,140 primarily due to the rehabilitation of our pump stations and the retirement of the old pump station assets no longer being used.

Operating and Non-Operating Revenues

	2014	2013-Restated	Change	2012	Change
Operating revenues:					
Sewer service charges	\$ 15,157,903	14,670,826	487,077	13,671,131	999,695
Other service charges	254,797	305,154	(50,357)	227,067	78,087
Permit, inspection and other fees	39,023	34,505	4,518	21,441	13,064
Recycled water facility	99,790	33,458	66,332	8,060	25,398
AB939 – solid waste programs	297,586	297,586	-	297,586	-
Total operating revenues	15,849,099	15,341,529	507,570	14,225,285	1,116,244
Non-operating revenue:					
Property taxes	1,941,241	1,795,781	145,460	1,795,489	292
Franchise fees	51,019	46,170	4,849	45,000	1,170
Rental revenue	76,689	67,246	9,443	(18,901)	86,147
Interest earnings	45,673	67,050	(21,377)	37,129	29,921
Gain on sale/disposition of assets	-	2,529	(2,529)	-	2,529
Other non-operating revenues	-	2,030	(2,030)	229,382	(227,352)
Total non-operating revenues	2,114,622	1,980,806	133,816	2,088,099	(107,293)
Total revenues	\$ 17,963,721	17,322,335	641,386	16,313,384	1,008,951

Total revenues increased by \$641,386 and \$1,008,951 in fiscal years 2014 and 2013, respectively.

Operating and Non-Operating Expenses

	2014	2013-Restated	Change	2012	Change
Operating expenses:					
Collection system	\$ 1,188,408	1,022,006	166,402	1,274,730	(252,724)
Treatment plant	2,562,314	2,561,301	1,013	2,560,633	668
Wastewater reclamation and disposal	418,748	423,670	(4,922)	442,266	(18,596)
Laboratory and monitoring	534,959	572,718	(37,759)	621,758	(49,040)
Sewers and pump stations	668,841	668,427	414	758,563	(90,136)
Recycled water facility	104,837	31,301	73,536	-	31,301
AB939 – solid waste programs	320,938	318,616	2,322	310,890	7,726
Administrative and engineering	2,523,606	2,505,751	17,855	3,789,425	(1,283,674)
Total operating expenses	8,322,651	8,103,790	218,861	9,758,265	(1,654,475)
Depreciation and amortization exp.	5,092,355	4,602,353	490,002	3,238,715	1,363,638
Non-operating expenses:					
Interest expense	2,678,227	2,712,097	(33,870)	2,669,346	42,751
Deferred charges amortization	-	-	-	10,564	(10,564)
Loss on sale/disposition of assets	3,502,140	-	3,502,140	367,095	(367,095)
Other non-operating expenses	270,260	341,661	(71,401)	8,498	333,163
Total non-operating expenses	6,450,627	3,053,758	3,396,869	3,055,503	(1,745)
Total expenses	\$ 19,865,633	15,759,901	4,105,732	16,052,483	(292,582)

Total expenses increased by \$4,105,732 and decreased by \$292,582 in fiscal years 2014 and 2013, respectively.

Capital Asset Administration

Changes in capital assets amounts for 2014 were as follows:					
	Balance				Balance
	2013 as restated	Additions	Transfers/ Deletions	Reclassifications and Restatement	2014
Capital assets:					
Non-depreciable assets	\$ 8,362,618	4,285,520	(2,488,528)		10,159,610
Depreciable assets	229,870,767	1,733,721	(1,963,571)		229,640,917
Accumulated depreciation	(51,380,969)	(5,092,355)	886,211		(55,587,113)
Total capital assets ,net	\$ 186,852,416	926,886	(3,565,888)	-	184,213,414
Changes in capital assets amounts for 2013 were as follows:					
	Balance				Balance
	2012	Additions	Transfers/ Deletions	Reclassifications and Restatement	2013 as restated
Capital assets:					
Non-depreciable assets	\$ 16,430,111	622,662	(8,688,920)	(1,235)	8,362,618
Depreciable assets	217,700,000	3,728,894	8,440,638	1,235	229,870,767
Accumulated depreciation	(40,240,994)	(4,602,353)	236,546	(6,774,168)	(51,380,969)
Total capital assets ,net	\$ 193,889,117	(250,797)	(11,736)	(6,774,168)	186,852,416

At the end of fiscal year 2014 and 2013, the District's investment in capital assets amounted to \$184,213,414 and \$186,852,416 (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, sewer collection and outfall system, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital assets additions during the year include improvements to portions of the District's sewer collection and treatment system and pump stations. (See note 4 for further details)

Debt Administration

Changes in long-term debt amounts for 2014 were as follows:				
	Balance			Balance
	2013	Additions	Deletions	2014
Loan payable	77,875,980	-	(3,509,933)	74,366,047
2011 Certificates Of Participation	20,950,000	-	(830,000)	20,120,000
Total long-term debt	\$ 98,825,980	-	(4,339,933)	94,486,047
Changes in long-term debt amounts for 2013 were as follows:				
	Balance			Balance
	2012	Additions	Deletions	2013
Long-term debt:				
Loan payable	\$ 81,307,947	-	(3,431,967)	77,875,980
2011 Certificates Of Participation	21,750,000	-	(800,000)	20,950,000
Total long-term debt	\$ 103,057,947	-	(4,231,967)	98,825,980

See note 6 for further details of the District's long-term debt.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net assets or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Manager-Engineer at 500 Davidson Street, Novato, California, 94945.

Basic Financial Statements

NOVATO SANITARY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$15,612,749	\$13,231,902
Restricted - cash and investments (Note 2)	4,804,012	9,610,464
Accrued interest receivable	11,352	13,401
Accounts receivable, net (Note 3)	300,683	544,544
Prepaid expenses and other deposits	55,178	53,581
Total current assets	20,783,974	23,453,892
NON-CURRENT ASSETS		
Capital assets - not being depreciated (Note 4)	10,159,610	8,362,618
Capital assets - being depreciated, net (Note 4)	174,053,804	178,489,798
Total non-current assets	184,213,414	186,852,416
TOTAL ASSETS	\$204,997,388	\$210,306,308
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$1,235,959	\$978,949
Customer deposits and unearned revenue	43,006	38,006
Restricted - special assessment payable	163,271	166,077
Accrued interest payable	1,241,058	1,293,552
Long-term liabilities - due within one year:		
Compensated absences (Note 5)	39,976	40,242
State Revolving Fund Loan payable (Note 6)	3,594,171	3,509,933
Certificates of Participation (Note 6)	855,000	830,000
Total current liabilities	7,172,441	6,856,759
NON-CURRENT LIABILITIES		
Long-term liabilities - due in more than one year:		
Compensated absences (Note 5)	119,928	120,725
Other post-employment benefits payable (Note 7)	1,084,036	919,311
State Revolving Fund Loan payable (Note 6)	70,771,876	74,366,047
Certificates of Participation (Note 6)	19,265,000	20,120,000
Total non-current liabilities	91,240,840	95,526,083
TOTAL LIABILITIES	98,413,281	102,382,842
NET POSITION (Note 8)		
Net investment in capital assets	94,531,379	97,636,900
Unrestricted	12,052,728	10,286,566
TOTAL NET POSITION	106,584,107	107,923,466
TOTAL LIABILITIES AND NET POSITION	\$204,997,388	\$210,306,308

See accompanying notes to financial statements

NOVATO SANITARY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Sewer service charges	\$15,157,903	\$14,670,826
Other service charges	254,797	305,154
Permit, inspection and other fees	39,023	34,505
Recycled water facility	99,790	33,458
AB939 - solid waste programs	297,586	297,586
Total operating revenues	15,849,099	15,341,529
OPERATING EXPENSES		
Collection system	1,188,408	1,022,006
Treatment plant	2,562,314	2,561,301
Reclamation and disposal	418,748	423,670
Laboratory and monitoring	534,959	572,718
Pump stations	668,841	668,427
AB939 - solid waste programs	320,938	318,616
Recycled water	104,837	31,301
Administrative and engineering	2,523,606	2,505,751
Total operating expenses	8,322,651	8,103,790
Operating income before depreciation	7,526,448	7,237,739
Depreciation	(5,092,355)	(4,602,353)
OPERATING INCOME	2,434,093	2,635,386
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,941,241	1,795,781
Franchise fees	51,019	46,170
Rental revenue	76,689	67,246
Interest income	45,673	67,050
Interest expense	(2,678,227)	(2,712,097)
Gain (loss) on sale/disposition of capital assets	(3,502,140)	2,529
Other non-operating revenues		2,030
Other non-operating expenses	(270,260)	(341,661)
Total nonoperating revenues (expenses), net	(4,336,005)	(1,072,952)
Net income (loss) before capital contributions	(1,901,912)	1,562,434
CAPITAL CONTRIBUTIONS		
Connection fees	343,773	146,949
Capital contributions	202,530	
Capital grants	16,250	
Total capital contributions	562,553	146,949
CHANGES IN NET POSITION	(1,339,359)	1,709,383
NET POSITION, BEGINNING OF YEAR	107,923,466	112,988,251
Prior period adjustment (Note 4B)		(6,774,168)
NET POSITION, END OF YEAR	\$106,584,107	\$107,923,466

See accompanying notes to financial statements

NOVATO SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers for sewer service charges and services	\$16,220,668	\$16,220,930
Cash paid to employees for salaries, wages and benefits	(1,980,190)	(1,922,742)
Cash paid to vendors and suppliers for materials and services	<u>(6,191,452)</u>	<u>(7,435,016)</u>
Cash Flows from Operating Activities	<u>8,049,026</u>	<u>6,863,172</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	<u>1,941,241</u>	<u>1,795,781</u>
Cash Flows from Noncapital Financing Activities	<u>1,941,241</u>	<u>1,795,781</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,019,241)	(4,351,556)
Proceeds from sale of capital assets	63,748	14,265
Capital contributions	562,553	146,949
Principal payments on long-term debt	(4,339,933)	(4,231,967)
Interest payments on long-term debt	<u>(2,730,721)</u>	<u>(2,389,839)</u>
Cash Flows from Capital and Related Financing Activities	<u>(12,463,594)</u>	<u>(10,812,148)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>47,722</u>	<u>68,742</u>
Cash Flows from Investing Activities	<u>47,722</u>	<u>68,742</u>
NET CASH FLOWS	(2,425,605)	(2,084,453)
Cash, beginning of year	<u>22,842,366</u>	<u>24,926,819</u>
Cash, end of year	<u><u>\$20,416,761</u></u>	<u><u>\$22,842,366</u></u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$15,612,749	\$13,231,902
Restricted - cash and cash equivalents	<u>4,804,012</u>	<u>9,610,464</u>
Total cash and cash equivalents	<u><u>\$20,416,761</u></u>	<u><u>\$22,842,366</u></u>

(Continued)

NOVATO SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$2,434,093</u>	<u>\$2,635,386</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,092,355	4,602,353
Other non-operating revenues	127,708	115,446
Other non-operating expenses	(270,260)	(341,661)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable - sewer services	243,861	763,955
Prepaid expenses and other deposits	(1,597)	(768)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	257,010	(801,627)
Payable to other agency		(285,000)
Customer deposits and deferred revenue	5,000	(6,035)
Restricted - special assessment payable	(2,806)	2,369
Compensated absences	(1,063)	4,522
Other post-employment benefits payable	<u>164,725</u>	<u>174,232</u>
Total adjustments	<u>5,614,933</u>	<u>4,227,786</u>
Net cash provided by operating activities	<u><u>\$8,049,026</u></u>	<u><u>\$6,863,172</u></u>
Schedule of Non-Cash Investing and Financing Activities:		
Change in fair value of investments	\$4,602	\$3,608
Capital contributions	202,530	

See accompanying notes to financial statements

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Operations of the Reporting Entity*

The Novato Sanitary District (District) is a separate governmental unit established as a Special District of the State of California, created in 1925. The District provides sewage collection, treatment, reclamation, and disposal services to an area of about 25 square miles in and around the City of Novato in Marin County, California. Revenues are derived principally from sewer service charges collected from commercial and residential customers within the District's service area. The District is governed by a five-member Board of Directors who serve four year terms.

B. *Basis of Accounting and Measurement Focus*

Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing wastewater service, treatment and collection to its service area on a continuing basis be financed or recovered primarily through user charges (sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as sewer service charges as well as treatment and collection charges, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. *Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

D. *Cash and Cash Equivalents*

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

F. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

G. Property Taxes and Sewer Assessments

The Marin County Assessor's Office assesses all real and personal property within the County each year. The Marin County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Marin County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the Marin County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

H. Prepaid Expenses

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

I. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Sewer system improvements - 15 years
- Sewer collection and outfall system - 50 to 100 years
- Buildings and structures - 15 to 50 years
- Sewer facilities equipment - 5 to 35 years
- Equipment - 5 to 35 years

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Compensated Absences*

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours during their first 15 years of service and 320 hours after 15 years of service. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time unless the employee retires from the District in which case unused sick leave is counted 100% towards CalPERS service credits.

K. *Sewer Service Charges*

The majority of sewer service charges are billed annually on the County of Marin's property tax bills.

L. *Capital Contributions*

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or connection to the District's system.

M. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

N. *Net Position*

The financial statements utilize a net position presentation. Net positions are categorized as follows:

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This component of net position consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	2014	2013
Cash and cash equivalents	\$15,612,749	\$13,231,902
Restricted cash and investments	4,804,012	9,610,464
Total Cash and Investments	\$20,416,761	\$22,842,366

Cash and cash equivalents as of June 30, consist of the following:

	2014	2013
<i>Held by District:</i>		
Cash on hand	\$828	\$538
Deposits with financial institutions	206,637	26,457
Local Agency Investment Fund	15,405,284	13,204,907
<i>Held by Fiscal Agent:</i>		
Deposits with financial institutions	1,697,906	1,697,252
Local Agency Investment Fund	3,106,106	7,913,212
Total Cash and Investments	\$20,416,761	\$22,842,366

A. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and Local Agency Bonds, Notes and Warrants	5 years		100%	None
Registered State bonds, Notes and Warrants	5 years		100%	None
U.S. Treasury Obligations	5 years		100%	None
Federal Agency Securities	5 years		100%	None
Banker's Acceptances	270 days		40%	30%
Prime Commercial Paper	180 days	A-1	25%	10%
Negotiable Certificates of Deposit	5 years	AA	30%	None
Repurchase Agreements	1 year		100%	None
Reverse Repurchase Agreements	92/30 days		20% of base	None
Medium-term Notes	5 years	AA	30%	None
Money Market Mutual Funds	N/A		15%	10%
Mortgage Pass-through Securities	N/A		30%	None
California Local Agency Investment Fund	N/A		\$40 million per account	None
Passbook Savings Account Demand Deposits	N/A		100%	None

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by the District's Debt Issues

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions related to maturities and credit ratings, where applicable, of these investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality (per S&P)
Federal Securities		
U.S. Agency Securities		A
Interest Bearing Deposit Accounts, including Certificates of Deposit		A or fully insured by the FDIC
Commercial Paper	180 days	Highest Short-Term Rating
Federal Funds or Bankers' Acceptances	1 year	Highest Rating Category
Money Market Funds		AAAm-G, AAAm or Aam
Obligations the interest on which is excludable from gross income pursuant to IRS Tax Code Section 103		A
Obligations issued by any corporation organized and operating within the U.S. with assets > \$500 million		A
Municipal Bonds or Notes		Two Highest Categories
Guaranteed Investment Agreements		A
California Local Agency Investment Fund (LAIF)		

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 at June 30, 2014 and 2013 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014 and 2013, these investments matured in an average of 232 and 278 days, respectively.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2014 and 2013, the Local Agency Investment Fund was not rated.

F. Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer that represent 5% or more of total District's investments at June 30, 2014 and 2013, respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

The District's accounts receivable at June 30, was as follows:

Description	2014	2013
Sewer services	\$135,097	\$338,862
Franchise/Lease	104,369	
Property tax	13,295	66,268
Recycling	33,772	51,962
Other, net of allowance	14,150	87,452
	\$300,683	\$544,544

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 4 – CAPITAL ASSETS

A. Capital Assets Activity

Changes in capital assets for the current fiscal year were as follows:

	Balance June 30, 2013 (As restated)	Additions/ Transfer	Deletions/ Transfers	Reclassifications	Balance June 30, 2014
Non-depreciable assets:					
Land and land rights	\$2,773,507				\$2,773,507
Easements	2,118,095	\$51,780			2,169,875
Construction-in-process	3,471,016	4,233,740	(\$2,488,528)		5,216,228
Total non-depreciable assets	8,362,618	4,285,520	(2,488,528)		10,159,610
Depreciable assets:					
Sewer system improvements	173,897,528	1,154,737	(2,853,534)	(\$1,186,173)	171,012,558
Sewer collection and outfall system	46,908,353	322,094	1,674,686		48,905,133
Sewer facilities equipment	7,290,422	224,568	(583,883)	1,186,173	8,117,280
Equipment	1,774,464	32,322	(200,840)		1,605,946
Total depreciable assets	229,870,767	1,733,721	(1,963,571)		229,640,917
Accumulated depreciation:					
Sewer system improvements	(31,620,083)	(4,286,818)	274,905		(35,631,996)
Sewer collection and outfall system	(13,644,771)	(519,243)			(14,164,014)
Sewer facilities equipment	(5,174,029)	(199,989)	484,691		(4,889,327)
Equipment	(942,086)	(86,305)	126,615		(901,776)
Total accumulated depreciation	(51,380,969)	(5,092,355)	886,211		(55,587,113)
Total depreciable assets, net	178,489,798	(3,358,634)	(1,077,360)		174,053,804
Total capital assets, net	\$186,852,416	\$926,886	(\$3,565,888)		\$184,213,414

Major capital assets additions during the year include improvements to portions of the District's sewer collection and treatment system and pump stations.

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 4 – CAPITAL ASSETS (Continued)

Changes in capital assets for the prior fiscal year were as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Reclassifications and restatement</u>	<u>Balance June 30, 2013 (As restated)</u>
Non-depreciable assets:					
Land and land rights	\$2,774,742			(\$1,235)	\$2,773,507
Easements	2,118,095				2,118,095
Construction-in-process	11,537,274	\$622,662	(\$8,688,920)		3,471,016
Total non-depreciable assets	<u>16,430,111</u>	<u>622,662</u>	<u>(8,688,920)</u>	<u>(1,235)</u>	<u>8,362,618</u>
Depreciable assets:					
Sewer system improvements	162,355,711	2,824,901	8,688,920	27,996	173,897,528
Sewer collection and outfall system	46,515,619	419,495		(26,761)	46,908,353
Sewer facilities equipment	6,895,689	478,464	(83,731)		7,290,422
Equipment	1,932,981	6,034	(164,551)		1,774,464
Total depreciable assets	<u>217,700,000</u>	<u>3,728,894</u>	<u>8,440,638</u>	<u>1,235</u>	<u>229,870,767</u>
Accumulated depreciation:					
Sewer system improvements	(21,083,218)	(3,762,697)		(6,774,168)	(31,620,083)
Sewer collection and outfall system	(13,164,363)	(480,408)			(13,644,771)
Sewer facilities equipment	(5,007,310)	(243,417)	76,698		(5,174,029)
Equipment	(986,103)	(115,831)	159,848		(942,086)
Total accumulated depreciation	<u>(40,240,994)</u>	<u>(4,602,353)</u>	<u>236,546</u>	<u>(6,774,168)</u>	<u>(51,380,969)</u>
Total depreciable assets, net	<u>177,459,006</u>	<u>(873,459)</u>	<u>8,677,184</u>	<u>(6,772,933)</u>	<u>178,489,798</u>
Total capital assets, net	<u><u>\$193,889,117</u></u>	<u><u>(\$250,797)</u></u>	<u><u>(\$11,736)</u></u>	<u><u>(\$6,774,168)</u></u>	<u><u>\$186,852,416</u></u>

Major capital assets additions during the year include construction of the District's new recycled water facility and other buildings, structures and improvements.

B. Prior Period Adjustment

For fiscal year ended June 30, 2013, the District determined depreciation was incorrectly calculated on certain depreciable assets. The cumulative effect as of July 1, 2012 was \$6,774,168, which has been recorded as a prior period adjustment as of June 30, 2013.

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 4 – CAPITAL ASSETS (Continued)

C. Construction-In-Process

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

Construction-in-process consists of the following projects as of June 30:

Projects	2014	2013	2012
Wastewater treatment plant upgrade	\$3,834,595	\$879,643	\$7,947,232
Collection system improvements	132,920	1,747,180	2,119,019
Pump station rehabilitation	941,953	785,526	803,188
North Bay Water Reuse Authority	104,650		526,016
Hamilton Wetlands Outfall Monitoring	52,954		
Various other minor projects <\$50,000	149,156	58,667	141,819
Total	<u>\$5,216,228</u>	<u>\$3,471,016</u>	<u>\$11,537,274</u>

NOTE 5 – COMPENSATED ABSENCES

The changes to compensated absences balances at June 30, were as follows:

Balance 2013	Additions	Deletions	Balance 2014	Due Within One Year
<u>\$160,967</u>	<u>\$17,562</u>	<u>(\$18,625)</u>	<u>\$159,904</u>	<u>\$39,976</u>
Balance 2012	Additions	Deletions	Balance 2013	Due Within One Year
<u>\$156,445</u>	<u>\$20,706</u>	<u>(\$16,184)</u>	<u>\$160,967</u>	<u>\$40,242</u>

NOTE 6 – LONG-TERM DEBT

A. Long-Term Debt Activity

Changes in long-term debt amounts for 2013-2014 were as follows:

	Balance June 30, 2013	Deletions	Balance June 30, 2014	Due within one year
Long-term debt:				
2011 Wastewater Revenue				
Certificates of Participation	\$20,950,000	(\$830,000)	\$20,120,000	\$855,000
SRF Loan payable	<u>77,875,980</u>	<u>(3,509,933)</u>	<u>74,366,047</u>	<u>3,594,171</u>
Total long-term debt	<u>\$103,057,947</u>	<u>(\$4,339,933)</u>	<u>\$94,486,047</u>	<u>\$4,449,171</u>

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 6 – LONG-TERM DEBT (Continued)

Changes in long-term debt amounts for 2012-2013 were as follows:

	<u>Balance June 30, 2012</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due within one year</u>
Long-term debt:				
2011 Wastewater Revenue				
Certificates of Participation	\$21,750,000	(\$800,000)	\$20,950,000	\$830,000
SRF Loan payable	<u>81,307,947</u>	<u>(3,431,967)</u>	<u>77,875,980</u>	<u>3,509,933</u>
Total long-term debt	<u>\$103,057,947</u>	<u>(\$4,231,967)</u>	<u>\$98,825,980</u>	<u>\$4,339,933</u>

B. 2011 Wastewater Revenue Certificates of Participation

The District issued \$21,750,000 in Wastewater Revenue Certificates of Participation on September 27, 2011 to finance the construction of wastewater system improvements and pay issuance costs. The Certificates are payable from net revenues of the District and bear interest rates of 3.00%-4.75%. Interest payments are due February 1 and August 1 of each year, commencing on February 1, 2012. Principal payments are due February 1 of each year commencing February 1, 2013 through 2032.

The following table summarizes the debt service maturity of the District for the 2011 Certificates of Participation:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$855,000	\$836,798	\$1,691,798
2016	885,000	811,148	1,696,148
2017	905,000	775,748	1,680,748
2018	925,000	739,548	1,664,548
2019	945,000	702,548	1,647,548
2020-2024	5,175,000	2,922,940	8,097,940
2025-2029	6,195,000	1,803,148	7,998,148
2030-2032	<u>4,235,000</u>	<u>396,906</u>	<u>4,631,906</u>
Total	<u>\$20,120,000</u>	<u>\$8,988,784</u>	<u>\$29,108,784</u>

C. Loan Payable - State Water Resources Control Board Loan

In fiscal year 2008, the District was granted a loan for \$81,329,083 from the California State Water Resources Control Board under the State Revolving Fund (SRF) loan program to upgrade and expand the Novato Treatment Plant to treat the combined flow of the District's wastewater treatment plants. The funds received are Federal funding provided to the State of California under the Federal Clean Water Act.

The District constructed the Ignacio Transfer Pump Station at the site of the Ignacio Treatment Plant along with the Ignacio Conveyance Force Main to convey flow from the Ignacio Transfer Pump Station to the Novato Treatment Plant.

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 6 – LONG-TERM DEBT (Continued)

As of June 30, 2014, the District has received \$81,329,083 from the SRF loan program. Interest accrues on the obligation at a rate of 2.40% compounded annually. The first debt service payment was paid on December 31, 2011 and each December 31st thereafter through fiscal year 2031. The following table summarizes the debt service maturity of the District for this loan as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$3,594,171	\$1,784,785	\$5,378,956
2016	3,680,431	1,698,525	5,378,956
2017	3,768,762	1,610,195	5,378,957
2018	3,859,212	1,519,744	5,378,956
2019	3,951,833	1,427,123	5,378,956
2020-2024	21,228,177	5,666,604	26,894,781
2025-2029	23,900,802	2,993,978	26,894,780
2030-2031	10,382,659	375,253	10,757,912
Total	<u>\$74,366,047</u>	<u>\$17,076,207</u>	<u>\$91,442,254</u>

NOTE 7 – POST EMPLOYMENT BENEFITS PAYABLE

The District follows the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

A. Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Active plan members	14	19	20
Retirees and beneficiaries receiving benefits	22	23	23
Total plan membership	<u>36</u>	<u>42</u>	<u>43</u>

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 7 – POST EMPLOYMENT BENEFITS PAYABLE (Continued)

B. *Single-Employer Plan - Description of Benefits*

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses, surviving spouses and eligible dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical plan. The contribution requirements of Plan members and the District were adopted by the Board of Directors in July 2008 as follows:

The District contributes toward post-retirement benefits for employees who retire after age 50 with at least 5 years of service. For those employed prior to July 1, 2008, who retire after age 55 with at least 10 years of service, the District will pay the full monthly premiums for medical coverage for the retired employee, but not more than the Kaiser Northern California amount. If the retiree is at least age 60 with at least 15 years of service, the premium for the employee's one eligible spouse is paid. Coverage is for the lives of the retired employee and spouse. Medical coverage is provided under any plans offered by CalPERS.

For all other employees, hired on or after July 1, 2008, who retire after age 50 with at least 5 years of service, the District will pay the minimum CalPERS medical benefit. In 2014 and 2013, respectively, this minimum amount was \$119 and \$115 per month. This benefit is paid for as long as the retiree or spouse is living, provided he/she is covered under the CalPERS medical plans.

C. *Funding Policy*

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 15.141% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan for those employees employed prior to July, 1, 2008 and meet the required service years. The District will pay the minimum CalPERS medical benefit for all other employees who do not meet the previously noted service requirements. The District funds the plan on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost.

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 7 – POST EMPLOYMENT BENEFITS PAYABLE (Continued)

D. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2012 actuarial valuation using the entry age normal cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return, (b) 0.0% projected annual salary increase, (c) 4.0% inflation rate and (d) health care cost trend rates from 5.0% to 7.0% for medical benefits. Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-ennially as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year level dollar amortization period on a closed basis.

E. Funding Progress and Funded Status

The District's Net OPEB Obligation (NOO) is recorded in the Statement of Net Position and is calculated as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$413,773	\$402,145	\$458,282
Interest on net OPEB obligation	36,772	29,803	20,777
Adjustment to annual required contribution	<u>(57,519)</u>	<u>(45,628)</u>	<u>(31,172)</u>
Total annual OPEB expense	393,026	386,320	447,887
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(228,301)</u>	<u>(212,088)</u>	<u>(214,864)</u>
Total change in net OPEB payable obligation	164,725	174,232	233,023
OPEB payable - beginning of year	<u>919,311</u>	<u>745,079</u>	<u>512,056</u>
OPEB payable - end of year	<u><u>\$1,084,036</u></u>	<u><u>\$919,311</u></u>	<u><u>\$745,079</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits as of June 30, 2014 amounted to \$5,347,276 per the actuarial study dated July 1, 2012.

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 7 – POST EMPLOYMENT BENEFITS PAYABLE (Continued)

The Plan's annual required contributions and actual contributions for fiscal years ended June 30, is set forth below:

Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2014	\$393,026	\$228,301	58.09%	\$1,084,036
2013	386,320	212,088	54.90%	919,311
2012	447,887	214,864	47.97%	745,079

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the last three actuarial studies are presented below:

Required Supplemental Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$0	\$5,347,276	\$5,347,276	0.00%	\$1,973,900	270.899%
7/1/2010	0	6,112,283	6,112,283	0.00%	2,000,000	305.610%
7/1/2009	0	5,554,000	5,554,000	0.00%	2,350,000	236.340%

NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

NOTE 8 –NET POSITION

Calculation of net position as of June 30, were as follows:

	2014	2013 (As restated)
<i>Net investment in capital assets:</i>		
Capital assets - not being depreciated	\$10,159,610	\$8,362,618
Capital assets, net - being depreciated	174,053,804	178,489,798
SRF Loan Payable	(74,366,047)	(77,875,980)
Certificates of Participation	(20,120,000)	(20,950,000)
Unspent proceeds	4,804,012	9,610,464
Total investment in capital assets	94,531,379	97,636,900
<i>Unrestricted net position:</i>		
Non-spendable net position:		
Prepaid expenses and deposits	55,178	53,581
Total non-spendable net position	55,178	53,581
Spendable net position are designated as follows:		
Undesignated net position reserve	11,997,550	10,232,985
Total spendable net position	11,997,550	10,232,985
Total unrestricted net position	12,052,728	10,286,566
Total net position	\$106,584,107	\$107,923,466

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 9 – DEFERRED COMPENSATION SAVINGS PLAN

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all Program assets held in trust by the District's two deferred compensation programs at June 30, 2014 and 2013 amounted to \$2,628,385 and \$2,277,403, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

The District also offers a 401(a) Plan (Plan) to management and confidential employees. The District contributes 2.5% of base salary for all qualified employees, with the exception of the Manager-Engineer. The District's contribution for the Manager-Engineer is equivalent to the maximum of a 457 plan's annual contribution. Employee contributions to this Plan are mandatory for qualified employees. Market value of all Plan assets held in trust by the District's 401(a) Plan at June 30, 2014 and 2013 amounted to \$661,809 and \$517,284, respectively.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Agency contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the Agency. Copies of CalPERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA, 95814.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Funding Policy

The District has three tiers of employees for determining retirement benefits – Tier I is for those employees hired prior to January 1, 2012, Tier II is for those employees hired between January 1, 2012 through December 31, 2012, and Tier III is for those employees hired on or after January 1, 2013.

The contribution rate for Tier I plan members in the 2.0% at 55 Risk Pool Retirement Plan with CalPERS, is 10.781% of their annual covered salary of which the employee pays 3.5% and the District pays 3.5%. The contribution rate for Tier II plan members in the 2% at 60 Risk Pool Retirement Plan with CalPERS, is 8.049% of their annual covered salary of which the employee pays the entire 8%. The contribution rate for Tier III plan members in the 2% at 62 Risk Pool Retirement Plan with CalPERS, is 6.25% of reportable compensation, of which the employee pays 6.25%. The District makes these contributions required of District employees on their behalf and for their account.

Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013 and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2014, 2013 and 2012, the District's annual contributions for the CalPERS plan were equal to the Agency's required and actual contributions for each fiscal year as follows:

Three Year Trend Information:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2011-2012	\$215,351	100%	\$0	14.028%/10.059% *
2012-2013	316,059	100%	0	10.238%
2013-2014	258,904	100%	0	10.781%/6.25%

* The required contribution percentage for the District was adjusted after the pay-off of the Side Fund.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the California Sanitation Risk Management Authority (CSRMA), an intergovernmental risk sharing joint powers authority currently operating as a common risk management and loss prevention program for sixty California sanitation districts. The District pays an annual premium to CSRMA for its public liability and workers compensation risk coverage. The Agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. At June 30, 2014, the District participated in the self insurance programs of the CSRMA as follows:

- General and automotive liability, including errors and omissions and employment practices liability (EPL): The District is self-insured through the CSRMA up to \$15,000,000 with a \$500,000 deductible (\$25,000 for EPL, \$25,000 for sewer backup, and \$2,500 for E&O) per occurrence. Excess liability insurance is purchased above the \$15,500,000 self-insured layer to \$25,000,000 through CSRMA.
- Workers' compensation and employer's liability: The District is self-insured through the CSRMA up to \$750,000 with a deductible of \$0 per claim. The District purchased through CSRMA, additional excess workers' compensation coverage and excess employer's liability coverage of \$1,000,000.

In addition to the above, the District also has the following insurance coverage:

- Master crime policy coverage up to \$2,000,000 for all lines including \$1,000,000 for public employee dishonesty, forgery or alteration, computer fraud, coverage of up to \$100,000 for faithful performance and coverage up to \$10,000 for theft, with a deductible of \$10,000 per claim.
- Special form property coverage up to \$63,699,518 with a deductible of \$25,000 per claim. Included in this coverage are a public entity pollution liability policy for up to \$25,000,000 and a cyber liability policy for up to \$2,000,000.
- Public entity physical damage up to \$871,767 total value, with a \$2,000/\$5,000 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2014, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2014, 2013 and 2012.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 12 – COMMITMENTS AND CONTINGENCIES
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A. *Local Improvement District Bonds*

Within the District's boundaries, there exists Assessment District No. 2001 (Novato Heights) which was formed for the sole purpose of financing sewer system improvements. The District is not liable for repayment of any bonds issued to finance these local improvements. The District acts as the agent for the property owners within the assessment district by collecting assessments, forwarding collections to bondholders, and initiating foreclosure procedures if appropriate. The outstanding balance on these bonds as of June 30, 2014 and 2013 was \$1,155,000 and \$1,255,000, respectively.

B. *Construction Contracts*

The District has a variety of agreements with developers and private parties relating to the installation, improvement or modification of transmission facilities and distribution systems within its service area. The financing of such improvements is provided primarily from advances for construction and the District's capital replacement reserve. The District has committed to approximately \$232,091 of open construction contracts as of June 30, 2014.

C. *Grant Awards*

Grant funds received by the District are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

D. *Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Required Supplementary Information

Novato Sanitary District
Schedule of Funding Status – Other Post-Employment Benefits Obligation
For the Years Ended June 30, 2014 and 2013

Funded Status and Funding Progress of the Plan

Required Supplemental Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$0	\$5,347,276	\$5,347,276	0.00%	\$1,973,900	270.899%
7/1/2010	0	6,112,283	6,112,283	0.00%	2,000,000	305.610%
7/1/2009	0	5,554,000	5,554,000	0.00%	2,350,000	236.340%

The most recent valuation (dated July 1, 2012) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$5,347,276. There are no plan assets because the District funds on a pay as-you-go basis. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2014 was estimated at \$2,085,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 256.46%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	27 years as of the valuation date
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increase	0.00%
Inflation rate	4.00%
Health care cost trend rates	5.00% - 7.00%

Statistical Information Section

**Novato Sanitary District
Statistical Section**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Table of Contents

	<u>Page No.</u>
<p>Financial Trends These schedules contain information to help the reader understand how the District's Financial performance and well-being have changed over time.</p>	42-44
<p>Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, sewer service charges.</p>	45-50
<p>Debt Capacity These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	51-52
<p>Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	53
<p>Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.</p>	54-55

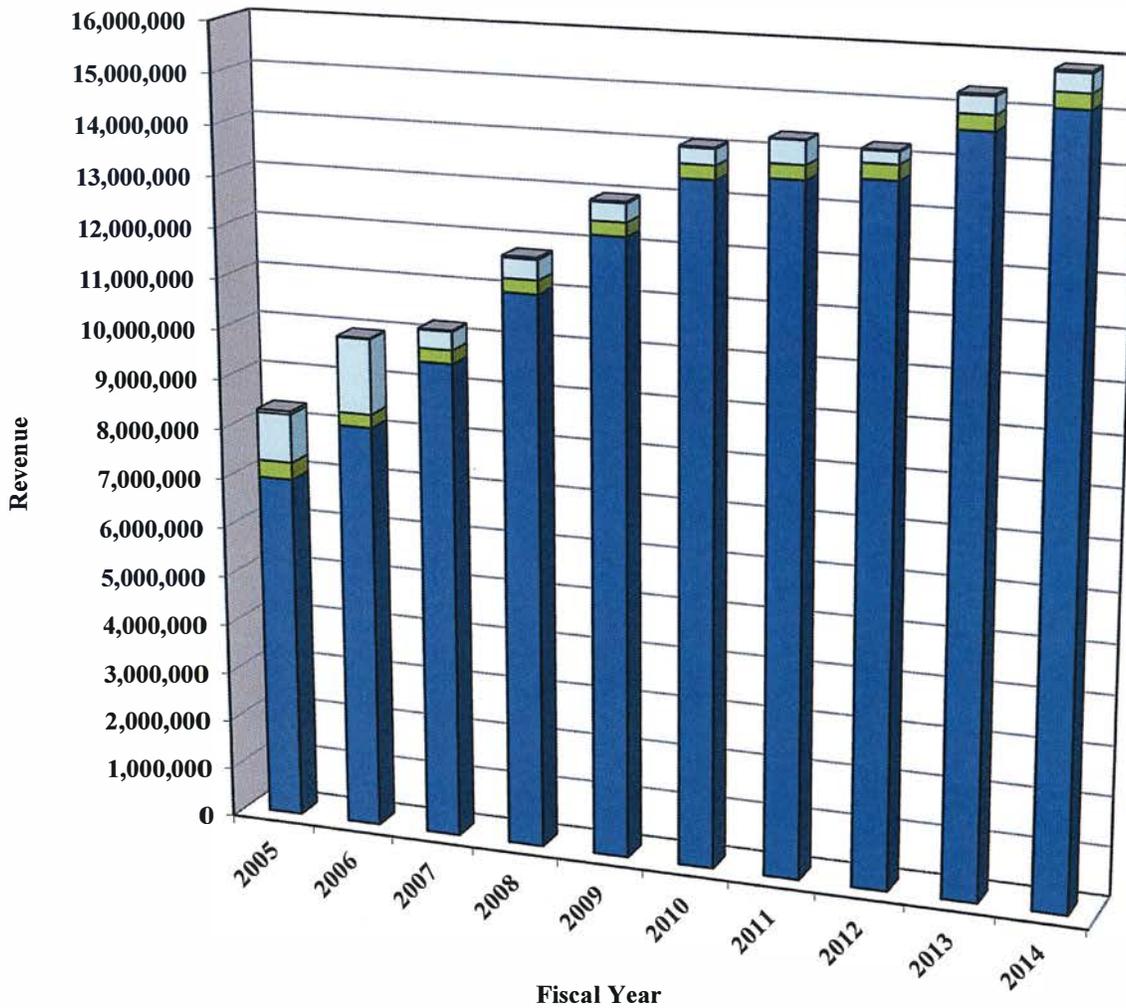
Novato Sanitary District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Changes in net assets:									Restated	
Operating revenues (see Schedule 2)	\$ 8,339,963	9,937,511	10,226,728	11,768,650	12,948,148	14,071,716	14,316,441	14,225,286	15,341,529	15,849,099
Operating expenses (see Schedule 3)	(5,656,823)	(5,848,165)	(6,919,638)	(7,464,243)	(7,685,390)	(9,654,452)	(8,464,043)	(9,766,764)	(8,103,790)	(8,322,651)
Depreciation and amortization	(871,142)	(912,921)	(967,449)	(1,326,027)	(2,227,627)	(2,288,892)	(2,306,550)	(3,238,715)	(4,602,353)	(5,092,355)
Operating income(loss)	1,811,998	3,176,425	2,339,641	2,978,380	3,035,131	2,128,372	3,545,848	1,219,807	2,635,386	2,434,093
Non-operating revenues(expenses)										
Property taxes	1,279,567	1,385,156	1,796,003	1,995,120	1,928,207	1,866,049	1,773,877	1,795,489	1,795,781	1,941,241
Interest	254,031	330,052	657,453	1,081,073	702,002	196,303	30,387	37,129	67,050	45,673
Interest expense	(43,064)	(20,687)	(383,161)	(1,305,067)	(1,302,270)	(1,211,880)	(209,456)	(2,669,346)	(2,712,097)	(2,678,227)
Connection Fees										
Special Equalization Charges	18,339	437	527	2,908	-	-	-	76	-	-
Franchise fees/Rental Income	117,517	122,517	127,517	127,517	127,517	45,000	95,000	26,099	113,416	127,708
Deferred Charges Amortization	-	-	-	-	(18,689)	(18,689)	(16,744)	(10,564)	-	-
Gain/(Loss) on sale/disposition of assets	(111,529)	(101,481)	(453,852)	(221,920)	(83,842)	(909,553)	(6,634,450)	(367,095)	2,529	(3,502,140)
Other revenue/(expense), net	(875)	(11,911)	-	-	(2,022)	(17,644)	42,623	229,306	(339,663)	(270,260)
Total non-operating revenues(expenses), net	1,513,986	1,704,083	1,744,487	1,679,631	1,350,903	(50,414)	(4,918,763)	(958,906)	(1,072,952)	(4,336,005)
Net income before capital contributions	3,325,984	4,880,508	4,084,128	4,658,011	4,386,034	2,077,958	(1,372,915)	260,901	1,562,434	(1,901,912)
Connection Fees	675,451	511,830	2,325,277	316,609	647,101	1,277,790	174,631	880,541	146,949	343,773
Capital contributions	242,866	3,342,124	333,885	338,915	395,702	446,867	101,818	5,732	-	202,530
Capital Grant							221,689	1,433,561	-	16,250
Prior Year restatement(GASB 65)								(64,004)		
Changes in net position	\$ 4,244,301	8,734,462	6,743,290	5,313,535	5,428,837	3,802,615	(874,777)	2,516,731	1,709,383	(1,339,359)
Net position by component:										
Prior Year restatement										
Invested in capital assets, net of related debt	\$ 81,353,813	95,265,483	77,039,741	83,754,794	79,067,990	102,065,015	106,497,126	105,262,788	104,411,068	94,531,379
Unrestricted	11,230,668	6,053,460	31,022,492	29,620,974	28,475,692	9,281,282	3,974,394	7,789,467	10,286,566	12,052,728
Total net position	\$ 92,584,481	101,318,943	108,062,233	113,375,768	107,543,682	111,346,297	110,471,520	112,988,251	107,923,466	106,584,107

Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Operating Revenue By Source
Last Ten Fiscal Years**

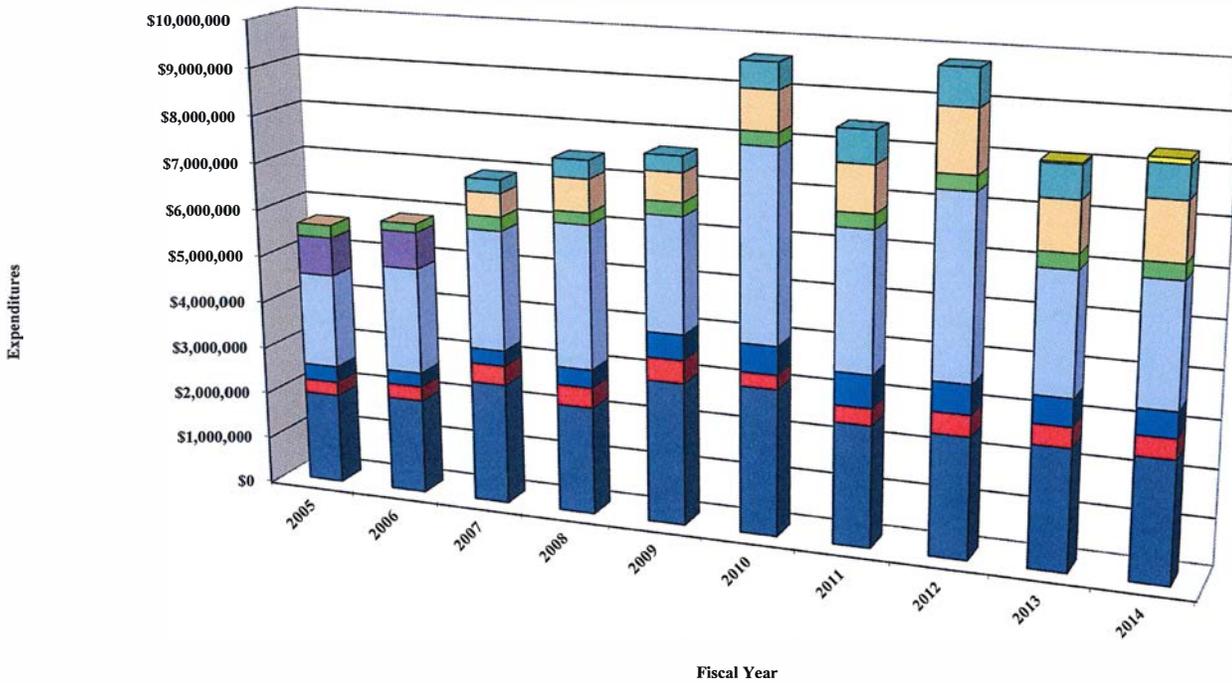
Fiscal Year	Wastewater Service Charges	Permits, Inspections and Other Fees	AB 939 Solid Waste Program	Other Operating Revenue	Total Operating Revenue
2005	\$ 6,961,866	61,562	345,215	971,320	8,339,963
2006	8,161,755	15,146	264,378	1,496,232	9,937,511
2007	9,573,338	20,063	271,378	361,949	10,226,728
2008	11,063,829	39,291	271,862	393,668	11,768,650
2009	12,286,426	27,408	271,862	362,452	12,948,148
2010	13,462,437	23,163	277,299	308,817	14,071,716
2011	13,570,839	9,532	280,493	455,577	14,316,441
2012	13,671,131	21,441	297,586	235,128	14,225,286
2013	14,670,826	34,505	297,586	338,612	15,341,529
2014	15,157,903	39,023	297,586	354,587	15,849,099



Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Operating Expenses by Activity
Last Ten Fiscal Years**

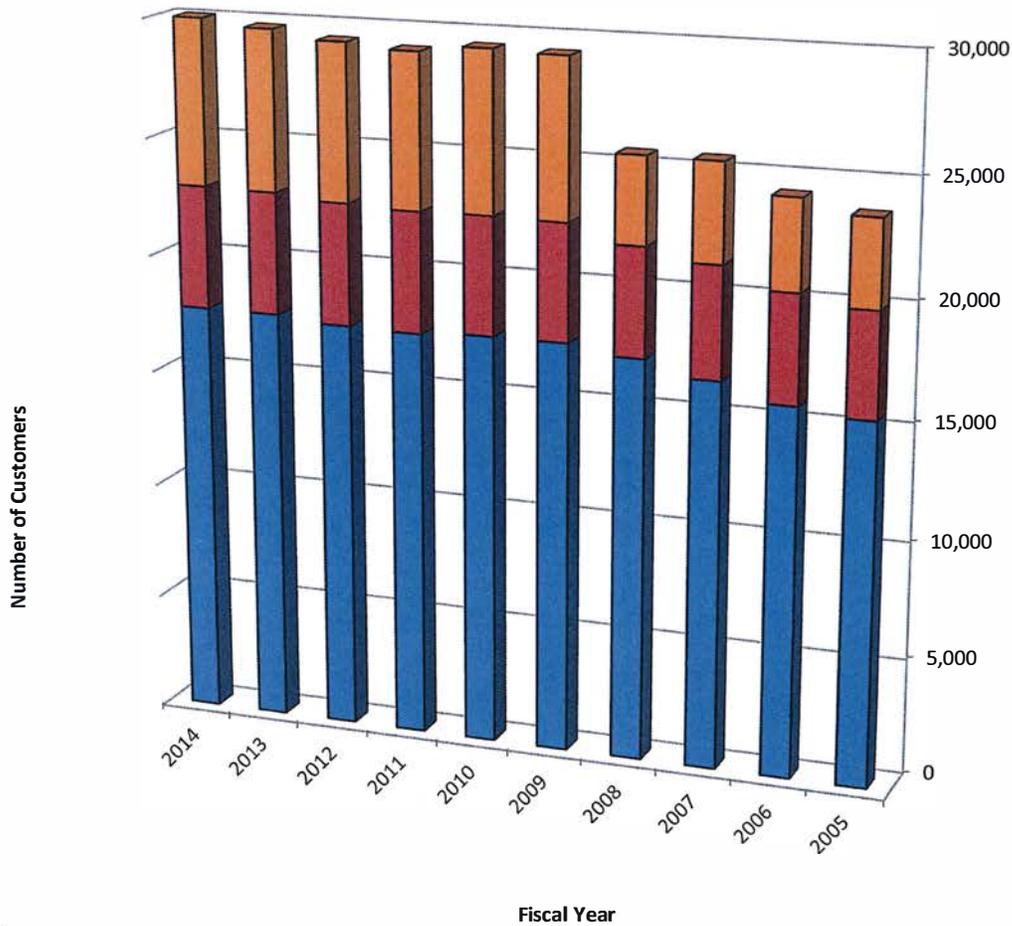
Fiscal Year	Collection System	Wastewater Treatment	Wastewater Reclamation/Disposal	Laboratory & Monitoring	Pump Stations	Sewer and Pump Stations	Recycled Water Facility	AB939-Solid Waste Programs	Administration & Engineering	Total Operating Expenses
2005	\$ -	1,930,880	290,195	350,754		821,807		266,646	1,996,541	5,656,823
2006	-	2,020,955	307,605	303,287		784,996		181,886	2,249,436	5,848,165
2007	493,029	2,569,632	411,564	331,627	280,028			297,396	2,536,362	6,919,638
2008	694,147	2,289,718	426,492	389,036	383,503			249,797	3,031,550	7,464,243
2009	599,787	3,017,245	486,514	537,069	332,808			286,682	2,425,285	7,685,390
2010	828,832	3,102,119	296,268	597,743	540,641			284,999	4,003,850	9,654,452
2011	963,487	2,566,139	355,218	688,238	673,344			307,137	2,910,480	8,464,043
2012	1,283,228	2,560,633	442,266	621,758	758,564			310,890	3,789,425	9,766,764
2013	1,022,006	2,561,301	423,670	572,718	668,427		31,301	318,616	2,505,751	8,103,790
2014	1,188,408	2,562,314	418,748	534,959	668,841		104,837	320,938	2,523,606	8,322,651



Notes:
Beginning in 2007, Collection and Pump Stations were separate departments previously classified under the Sewer and Pump Stations department.
Beginning in 2012, the Recycled Water Facility began operations.

Source: Novato Sanitary District Accounting Department

Novato Sanitary District Equivalent Dwelling Units by Customer Type at Fiscal Year-End ⁽¹⁾ Last Ten Fiscal Years ⁽²⁾				
Fiscal Year	Single Family Residential	Multi family Residential	Commercial	Total
2005	15,519.20	4,457.00	3,690.88	23,667.08
2006	15,816.80	4,598.60	3,820.10	24,235.50
2007	16,559.00	4,735.60	4,165.15	25,459.75
2008	17,193.00	4,608.20	3,681.99	25,483.19
2009	17,572.20	4,969.60	6,745.96	29,287.76
2010	17,568.60	5,016.80	6,811.97	29,397.37
2011	17,407.40	5,130.40	6,576.55	29,114.35
2012	17,474.40	5,182.60	6,677.08	29,334.08
2013	17,705.80	5,184.20	6,814.04	29,704.04
2014	17,717.00	5,220.20	7,101.90	30,039.10



Notes:

The District charges its customers a flat rate per equivalent dwelling unit (EDU) and the fee appears on the customers' annual property tax bills.

Number of customers as of June 30 of fiscal year.

Multi family residential includes apartments and condominiums.

Source: Novato Sanitary District Operations Department

**Novato Sanitary District
Wastewater Service Charges
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Price per EDU per year	\$ 302	\$ 342	\$ 382	\$ 422	\$ 462	\$ 462	\$ 462	\$ 462	\$ 493	\$ 512
Price per EDU per month	\$ 25.17	\$ 28.50	\$ 31.83	\$ 35.17	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 41.08	\$ 42.67

EDUs**EDU Factors**

Single Family	1
Apartments, Condominiums, Duplexes and Town	1 per living unit
Motor Home or Trailer Park	1 per space
Guest House with kitchen and bedroom	1 per living unit
Guest House without kitchen	0 per living unit

Non Residential*Charge per square
foot**Charge per HCF
water use*

Base Charge/ Unspecified	\$ 0.21	\$ 2.79
Auditoriums theaters	\$ 0.21	\$ 2.79
Auto service stations	\$ 0.21	\$ 2.79
Churches	\$ 0.21	\$ 2.79
Gymnasium w/ showers	\$ 0.21	\$ 2.79
Office	\$ 0.21	\$ 2.79
Public office	\$ 0.21	\$ 2.79
Retail	\$ 0.21	\$ 2.79
School classrooms/administration	\$ 0.21	\$ 2.79
Meeting halls with kitchens	\$ 0.21	\$ 3.91
Mortuary	\$ 0.21	\$ 6.07
Supermarkets	\$ 0.21	\$ 6.07
Dental offices	\$ 0.28	\$ 2.79
Hospitals	\$ 0.28	\$ 2.79
Medical offices	\$ 0.28	\$ 2.79
Veterinary offices	\$ 0.28	\$ 2.79
Bakeries	\$ 0.42	\$ 6.07
Cafeteria/dining area	\$ 0.42	\$ 6.07
Delicatessens	\$ 0.42	\$ 6.07
Ice Cream/yogurt shops	\$ 0.42	\$ 6.07
Restaurants cafes	\$ 0.42	\$ 6.07
Laundry and Laundromats	\$ 0.63	\$ 3.91
Warehouse or Storage not live/work	\$ -00	\$ -00

Notes:

Rates as of July 1 of each year

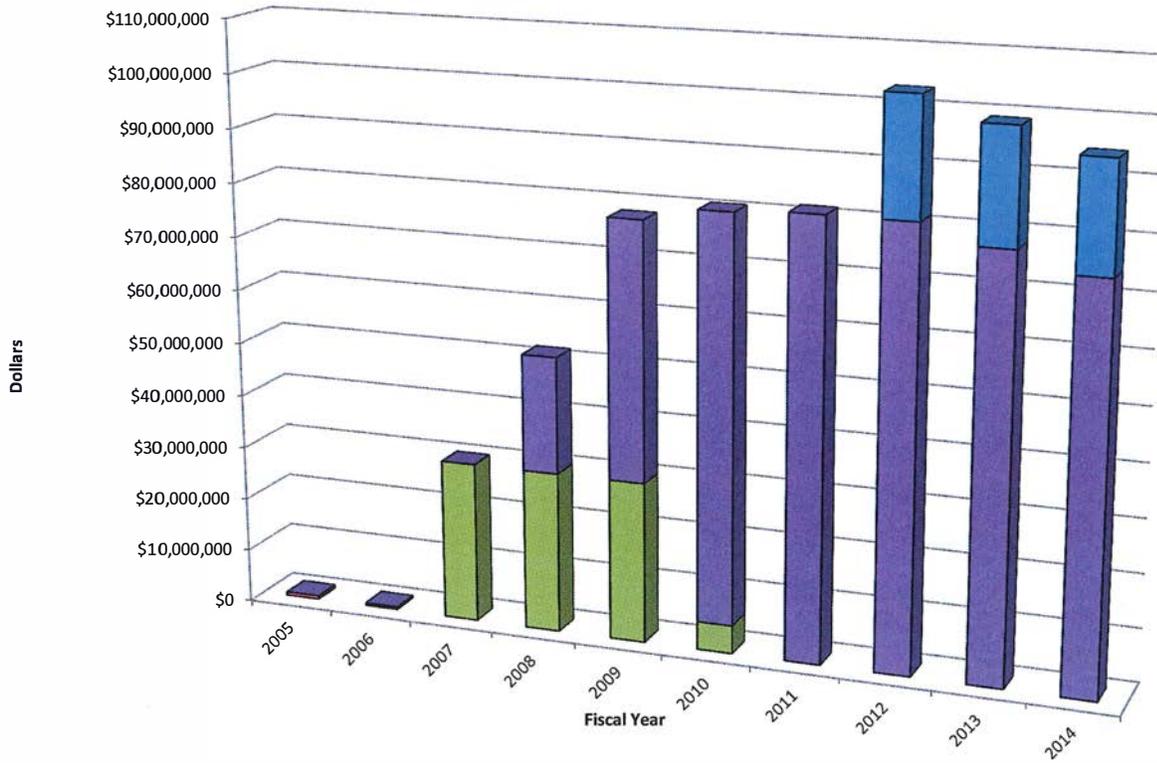
Source: Novato Sanitary District Engineering Department

Novato Sanitary District Principal Customers Current Fiscal Year and Ten Years Ago				
Customer	2014		2005	
	EDU's	Percentage of Total	EDU's	Percentage of Total
Fireman's Fund	434	1.45%	143	0.61%
Novato Unified School District	485	1.61%	170	0.72%
Vintage Oaks Shopping Center (not including Costco or Target	304	1.01%	165	0.70%
BioMarin	269	0.90%	81	0.34%
Hamilton Hangars (3-10)	176	0.59%	59	0.25%
Nave Bros	171	0.57%	88	0.37%
Novato Community Hospital	105	0.35%	41	0.17%
City Of Novato	65	0.22%	37	0.16%
Condiotti Enterprises Inc.	123	0.41%	18	0.07%
Novato Fair Shopping Center	126	0.42%	74	0.31%
Total EDUs: Principal customers	2,260	7.52%	877	3.69%
Total Equivalent Dwelling Units (EDUs)	30,039	100.00%	23,667	100.00%

Source: Novato Sanitary District Engineering Department

**Novato Sanitary District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds Payable	Credit Line	SRF Loan Payable	Certificates of Participation Bond Payable	Debt	Total Per Capita	As a Share of Personal Income
2005	\$ 625,000	-	-	-	625,000	12.39	0.02%
2006	325,000	191,500	-	-	516,500	10.12	0.01%
2007	-	30,006,231	-	-	30,006,231	575.66	0.65%
2008	-	30,006,231	21,691,826	-	51,698,057	983.75	1.09%
2009	-	30,006,231	47,989,587	-	77,995,818	1,473.82	1.65%
2010	-	5,233,207	75,348,207	-	80,581,414	1,552.51	1.72%
2011	-	-	81,329,083	-	81,329,083	1,550.42	1.63%
2012	-	-	81,307,947	21,750,000	103,057,947	1,964.66	2.09%
2013	-	-	77,878,980	20,950,000	98,828,980	1,873.54	1.97%
2014	-	-	74,366,047	20,120,000	94,486,047	1,783.87	1.80%



Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Debt Coverage
Last Ten Fiscal Years**

Fiscal Year	Net Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2005	\$ 10,572,464	(5,656,823)	4,915,641	300,000	43,064	343,064	14.33
2006	12,174,111	(5,848,165)	6,325,946	300,000	20,687	320,687	19.73
2007	14,679,653	(6,919,638)	7,760,015	325,000	383,161	708,161	10.96
2008	15,069,957	(7,464,243)	7,605,714	-	1,305,067	1,305,067	5.83
2009	16,248,422	(7,685,390)	8,563,032	-	1,302,270	1,302,270	6.58
2010	16,510,972	(9,654,452)	6,856,520	24,773,024	1,211,880	25,984,904	0.264
2011	10,003,454	(8,464,043)	1,539,411	5,233,207	209,456	5,442,663	0.283
2012	16,736,285	(9,766,764)	6,969,521	21,136	2,669,346	2,690,482	2.590
2013	19,763,009	(8,103,790)	11,659,219	4,231,967	2,712,097	6,944,064	1.679
2014	17,171,717	(8,322,651)	8,849,066	4,339,933	2,678,227	7,018,160	1.261

Notes:

Operating expenses exclude depreciation expense.

Source: Novato Sanitary District Accounting Department

Novato Sanitary District Property Tax Levies and Collections Last Ten Fiscal Years							
Year	Total	Tax Levy		Tax Collections			Current Year % Collected
		Prior Year	Current Year	Total	Prior Year	Current Year	
2005	\$ 1,277,062	2,460	1,274,602	1,277,062	2,460	1,274,602	100.0%
2006	1,437,714	1,096	1,436,617	1,437,713	1,096	1,436,617	100.0%
2007	1,762,233	1,745	1,760,488	1,762,233	1,745	1,760,488	100.0%
2008	2,002,026	2,202	1,999,824	2,002,026	2,202	1,999,824	100.0%
2009	1,928,207	1,701	1,926,506	1,928,207	1,701	1,926,506	100.0%
2010	1,725,949	1,752	1,724,197	1,725,949	1,752	1,724,197	100.0%
2011	1,773,877	2,696	1,771,181	1,773,877	2,696	1,771,181	100.0%
2012	1,795,167	2,066	1,793,101	1,795,167	2,066	1,793,101	100.0%
2013	1,795,782	1,562	1,794,220	1,795,765	1,545	1,794,220	100.0%
2014	1,941,094	1,321	1,939,773	1,941,094	1,321	1,939,773	100.0%

Source: Novato Sanitary District

Novato Sanitary District Property Tax Levies and Collections Last Ten Fiscal Years						
Fiscal Year	Current Tax Levy	Current Tax Collections	Percent of Current Taxes	Prior Year Tax Collections,	Percent of Current Taxes	Net Collections
2005	1,274,602	1,274,602	100.0%	2,460	0.2%	\$ 1,277,062
2006	1,436,617	1,436,617	100.0%	1,096	0.1%	1,437,713
2007	1,760,488	1,760,488	100.0%	1,745	0.1%	1,762,233
2008	1,999,824	1,999,824	100.0%	2,202	0.1%	2,002,026
2009	1,926,506	1,926,506	100.0%	1,701	0.1%	1,928,207
2010	1,724,197	1,724,197	100.0%	1,752	0.1%	1,725,949
2011	1,773,877	1,771,181	99.8%	2,696	0.2%	1,773,877
2012	1,793,101	1,793,101	100.0%	2,066	0.1%	1,795,167
2013	1,794,220	1,794,220	100.0%	1,562	0.1%	1,795,782
2014	1,939,773	1,939,773	100.0%	1,321	0.1%	1,941,094

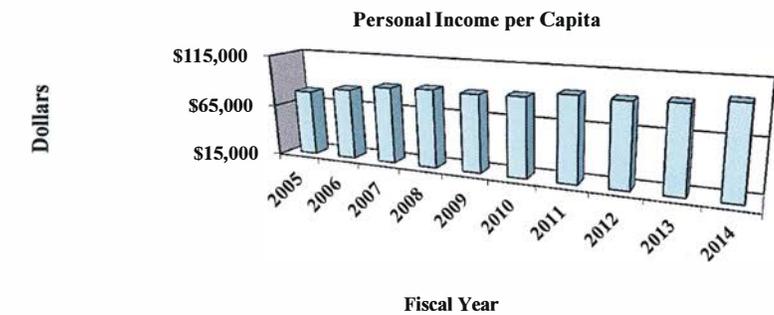
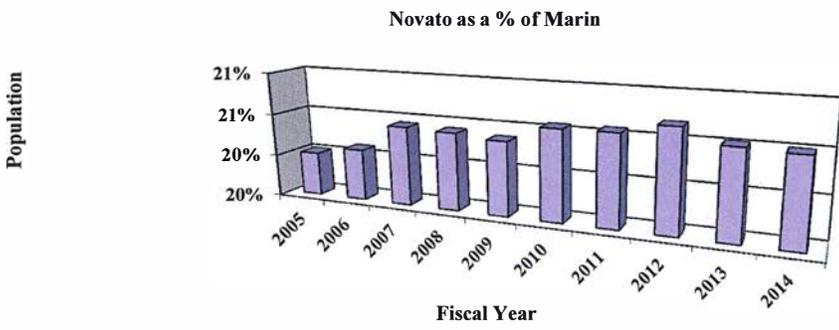
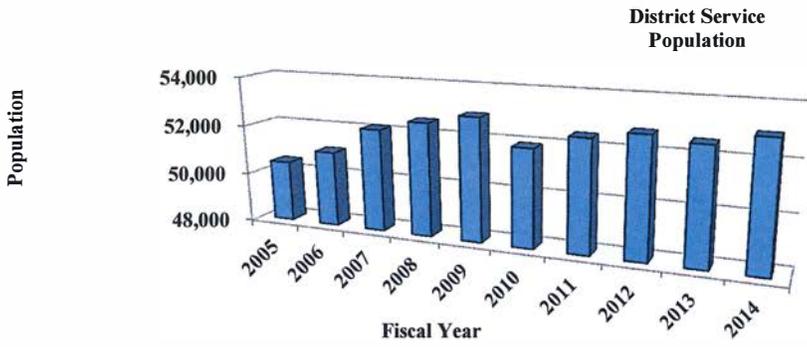
Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Assessed Value of Taxable Property
Last Ten Years**

Fiscal Year	Assessed Value	Percent Change
2005	\$ 7,910,248,923	-10.51%
2006	8,838,973,455	11.74%
2007	9,491,627,231	7.38%
2008	9,829,812,081	3.56%
2009	9,580,325,664	-2.54%
2010	9,432,410,765	-1.54%
2011	9,349,746,271	-0.88%
2012	9,248,463,186	-1.95%
2013	9,618,666,723	2.88%
2014	10,093,202,565	7.95%

Source: County of Marin Tax Assessor

Novato Sanitary District Demographics and Economic Statistics Last Ten Calendar Years						
County of Marin ⁽²⁾						
Year	District Service Population	(1) Novato as a % of Marin	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2005	50,464	20%	4.0%	252,116	\$ 19,763,926	\$ 78,392
2006	51,037	20%	4.6%	253,818	21,184,396	83,463
2007	52,125	20%	4.4%	255,080	22,600,000	88,600
2008	52,552	20%	5.5%	257,406	23,200,000	90,130
2009	52,921	20%	9.4%	259,772	23,156,000	89,140
2010	51,904	21%	9.8%	252,409	22,800,000	90,330
2011	52,456	21%	9.5%	255,015	24,300,000	95,289
2012	52,750	21%	7.9%	255,031	23,920,000	93,793
2013	52,554	21%	6.0%	256,069	24,382,800	95,220
2014	52,967	21%	4.8%	258,365	25,645,400	99,260



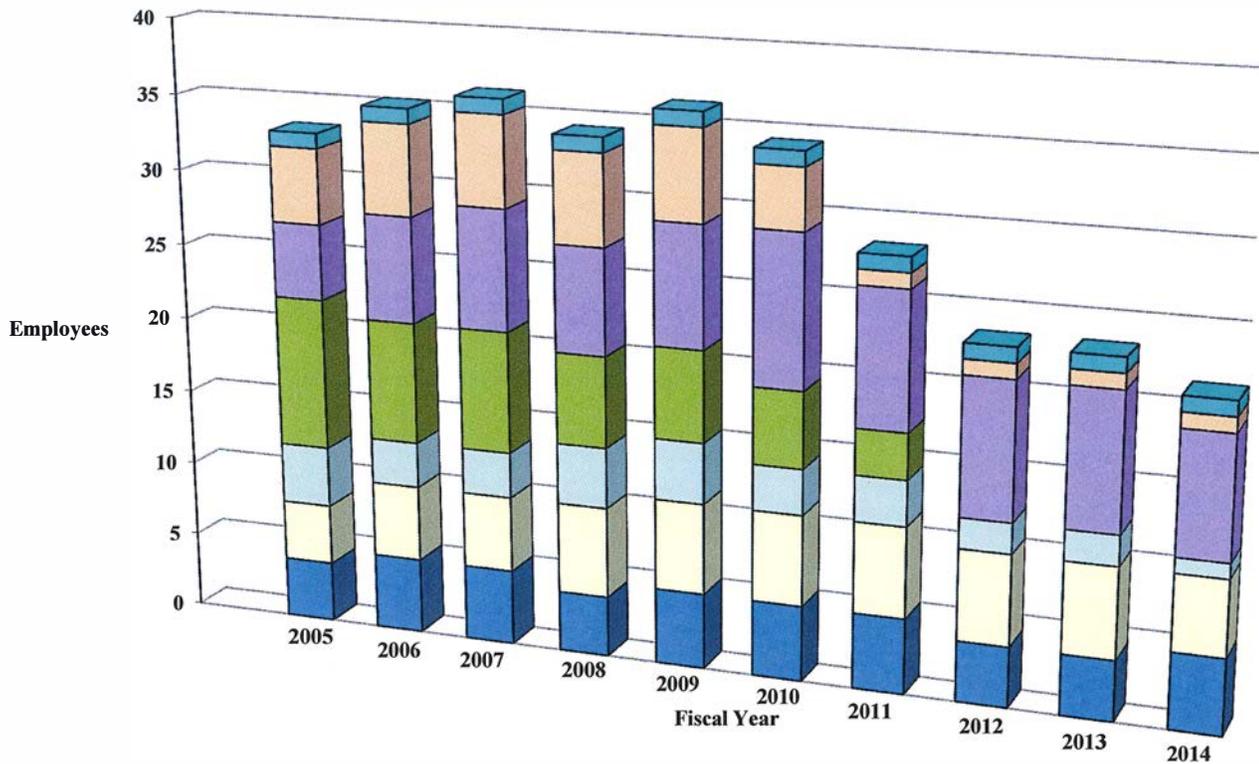
Notes:
 Approximate population of Novato Sanitary District
 Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

Sources: California Department of Finance, County of Marin, quickfacts.census.gov, North Marin Water District, Google Public Data, Real Estate Center demographics.

**Novato Sanitary District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Employees

Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	4	5	5	4	5	5	5	4	4	5
Engineering	4	5	5	6	6	6	6	6	6	5
Lab Services	4	3	3	4	4	3	3	2	2	1
Operations	10	8	8	6	6	5	3	0	0	0
Collections	5	7	8	7	8	10	9	9	9	8
Maintenance	5	6	6	6	6	4	1	1	1	1
Safety	1	1	1	1	1	1	1	1	1	1
Total	33	35	36	34	36	34	28	23	23	21



Notes:

The decrease in operators in 10/11 due to Treatment Plant Operations contract with Veolia Water.

The three employees were only NSD employees for 1 month of 2010/11.

The Safety resource is a Central Marin Sanitation Employee and is a shared service position among several public utilities.

Source: Novato Sanitary District Records

Novato Sanitary District Operating and Capacity Indicators Last Ten Fiscal Years							
Other Operating and Capacity Indicators							
Fiscal Year	Miles of Sewer Lines	Number of Pump Stations	Average Dry Weather Flow (MGD)		Treatment Capacity (MGD)		Total Annual Treatment (MG)
			Novato	Ignacio	Novato	Ignacio	
2005	220	40	3.55	1.64	4.53	2.02	1,894
2006	222	41	3.54	1.470	4.53	2.02	1,829
2007	225	42	3.47	1.340	4.53	2.02	1,756
2008 *	225	42	4.04	0.000	6.55	0	1,475
2009	225	42	4.89	0.000	6.55	0	1,785
2010	226	42	4.23	0.000	7.05	0	1,789
2011	226	42	4.20	0.000	7.05	0	2,069
2012	226	42	4.00	0.000	7.05	0	1,709
2013	229	42	3.88	0.000	7.05	0	1,788
2014	229	42	3.45	0.000	7.05	0	1,501

Notes:

N/A - Data not available for these years

MG - Millions of Gallons

MGD - Millions of Gallons per Day

*In 2008, all waste water was transferred from our new Ignacio Pump Transfer Station to the Novato Treatment Plant where it was treated. All waste water is treated solely at the Novato site as of completion of the Ignacio Pump Transfer Station in 2009.

Source: Novato Sanitary District Operations and Accounting Departments

NOVATO SANITARY DISTRICT FINANCE COMMITTEE AGENDA ITEM SUMMARY

TITLE: District Statement of Investment Policy, Policy 3120 – Investment of Public Funds	MEETING DATE: December 16, 2014 AGENDA ITEM NO.: 5.a.
RECOMMENDED ACTION: Review and recommend ratification by the District Board of the District’s Statement of Investment Policy, District Policy 3120 – Investment of Public Funds.	
SUMMARY AND DISCUSSION: The District Board periodically reviews and adopts or ratifies the District's Statement of Investment Policy in accordance with Government Code Section 53600. The policy was adopted in its current form as Policy 3120 – Investment of Public Funds, in December 2012, and updated in April 2014. There is no proposed change to the Policy at this time. It is recommended that the Committee review the document and forward it for ratification by the District Board.	
BUDGET INFORMATION: No impact to District budget.	
DEPT. MGR.:	MANAGER-ENGINEER: