

NOVATO SANITARY DISTRICT

Meeting Date: December 12, 2016

The Board of Directors of Novato Sanitary District will hold a regular meeting at 6:00 p.m., Monday, December 12, 2016, at the District Offices, 500 Davidson Street, Novato.

Materials related to items on this agenda are available for public inspection in the District Office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com.

AGENDA

1. PLEDGE OF ALLEGIANCE:

2. AGENDA APPROVAL:

3. 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 Board at this time as a result of any public comments made.

4. REVIEW OF MINUTES:

- a. Approve minutes of the November 14, 2016 meeting.

5. CONSENT CALENDAR:

The General Manager-Chief Engineer has reviewed the following item(s). To his knowledge, there is no opposition to the action. The item(s) can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.

- a. Approve regular disbursements, November 14 – December 12, 2016.
- b. Ratify payroll and payroll related disbursements, November 2016.
- c. Receive Deposit Summary, November 2016.
- d. Cancel Board meeting of January 23, 2017.
- e. Authorize General Manager-Chief Engineer to approve a holiday schedule with closure of District offices on Friday, December 23, 2016, and Friday, December 30, 2016.
- f. Approve Director Long and the General Manager-Chief Engineer to attend the California Association of Sanitation Agencies (CASA) Annual Washington DC conference, February 27 - March 1, 2017.
- g. Re-adopt District Policy Regarding the Provision of Service to Residential Developments with Affordable Housing Units, and ratify District Resolution No. 2951 which adopted the policy.
- h. Approve the Household Hazardous Waste Grant Agreement with the Marin County Hazardous & Solid Waste Joint Powers Authority (JPA) for Fiscal Year FY16-17.

- i. Receive Fixed Asset Deletion Report for Fiscal Year (FY) 2015-16.

6. FINANCE COMMITTEE:

- a. Receive report from the District's independent external auditor, Maze and Associates.
- b. Receive Finance Committee report and recommendation, and accept the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2016 and 2015, including: Fiscal Year FY15-16 audit, and audited financial statements for the years ended June 30, 2016 and 2015.
- c. Receive and accept "Memorandum on Internal Control and Required Communications for Year ended June 30, 2016" from the District's independent outside auditor, Maze and Associates.
- d. Authorize staff to submit the District's CAFR to the Government Finance Officers Association (GFOA) for consideration of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- e. Receive update on implementation of the combined Post-Employment Benefits Trust to address the District's liabilities related to Governmental Accounting Standards Board Statement No. 45 ("GASB 45") for Post-Employment Benefits Other than Pensions, and GASB 68 for Net Pension Liability (NPL), and provide further direction, if any.

7. WASTEWATER OPERATIONS:

- a. Receive Wastewater Operations Report, November 2016.

8. BOARD MEMBER REPORTS AND REQUESTS:

9. GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

Next Resolution No. 3105.

Next regular meeting date: Monday, January 9, 2017, 6:00 PM at the Novato Sanitary District office, 500 Davidson Street, Novato, CA

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.

NOVATO SANITARY DISTRICT

Board Meeting Minutes

Meeting Date: November 14, 2016

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:00 p.m., Monday, November 14, 2016, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Jerry Peters, Directors Carole Dillon-Knutson, Jean Mariani, William Long, and Brant Miller.

STAFF PRESENT: General Manager-Secretary Sandeep Karkal and Administrative Secretary Julie Hoover.

ALSO PRESENT: John Bailey, Project Manager, Veolia Water
John O'Hare, Pretreatment Programs Manager, Veolia Water
Brian Exberger, Assistant Project Manager, Veolia Water
Erik Brown, Technical Services Manager, Novato Sanitary District
Steve Krautheim, Field Services Manager, Novato Sanitary District
Laura Creamer, Finance Officer, Novato Sanitary District
Mitch Barker, Executive Vice President, PARS
Fred Hurst, Director, HighMark Capital Management

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

REVIEW OF MINUTES:

Consider approval of minutes of the October 24, 2016 meeting.

On motion of Director Mariani, seconded by Director Dillon-Knutson, and carried unanimously, the Board meeting minutes of October 24, 2016, were approved.

CONSENT CALENDAR:

President Peters called for a motion on the Consent Calendar items as follows:

- a. Approve Board disbursements in the amount of \$1,172.84, capital project disbursements in the amount of \$21,500.56, and regular disbursements in the amount of \$388,042.37.
- b. Receive Deposit Summary, October 2016.
- c. Receive 1st Quarter Investment Report, Fiscal Year (FY) 16-17.
- d. Receive Summary 1st Quarter Financial Report, FY 16-17.
- e. Approve Technical Services Manager's attendance at the American Water Works Association (AWWA) and Water Environment Federation (WEF) joint Utility Management 2017 training conference in Tampa, Florida.

On motion of Director Mariani, seconded by Director Long, and carried unanimously, the above listed Consent Calendar items were approved.

ADMINISTRATION/FINANCE:

- Receive memorandum/staff report titled “Establishment of Post-Employment Benefits Trust”, and its recommendations summarized as Agenda Items 6.b.-6.f. The General Manager noted that Mitch Barker, Executive Vice President, Public Agency Retirement Services (PARS), and Fred Hurst, Director, HighMark Capital Management, were in attendance at the meeting.

The General Manager stated that the Board Finance Committee and the Board had previously received multiple staff and consultant presentations on the subject of Other Post-Employment Benefits (OPEB), and Net Pension Liability (NPL), under Government Accounting Standards Board (GASB) Statement 45 (OPEB), and GASB Statement 68 (NPL). He stated that the Committee and Board have also received presentations from representatives of the entities that typically provide investment and management/trust services on these liabilities for agencies such as the District, i.e. Public Agency Retirement Services (PARS) of Irvine, CA, and the CalPERS California Employers Retiree Benefit Trust Fund (CERBT) program. He noted that the most recent GASB 45 actuarial report for the District, as prepared by Mr. Franceschine of North Bay Pensions, showed that as of June 30, 2015, the District’s unfunded liability was \$6.52 million, which includes the value of “subsidized premiums”.

Further, the General Manager stated that CALPERS had established the District’s total NPL as of June 30, 2016 at about \$3.5 million, which is up from about \$3.3 million a year ago, as CalPERS continues to refine its NPL calculation methodology. Based on its NPL calculations, CalPERS has established the District’s pension Annual Required Contribution (ARC) amounts at \$177,747 for FY16-17, \$223,168 for FY17-18, and \$290,119 (projected) for FY18-19. CalPERS includes these amounts in the District’s annual Employer Required Contribution (ERC) payments, and the District budgets them in its annual Operating Budget.

Until recently, the District’s only option for addressing the NPL (other than the provisions of the ERC payments), was to commit additional funds over and above the ARC amounts included in the ERC payments to CalPERS. However, these additional funds would also: (a) be subject to the same market volatility risk as the CalPERS investment policy target of 7.5%, and (b) not be accessible to the District for other CalPERS pension expenses. He noted that for informational purposes, CalPERS investment performance for the last four years as listed on its website was 13.2% for FY12-13, 18.4% for FY13-14, 2.4% for FY14-15, and 0.6% for FY15-16.

He noted that more detailed information was available in the Board Packet as the memorandum/staff report titled “Establishment of Post-Employment Benefits Trust, Prefunding of Government Accounting Standards Board (GASB) Statements 45 and 68 Related Liabilities”, and presented as Attachment 1 to Agenda Item 6.

The General Manager then provided an overview of three “prefunding” scenarios, as discussed in the memorandum/staff report. He stated that staff recommends the District implement the PARS offering of a combined OPEB/Pension Rate Stabilization Program, or

Post-Employment Benefits Trust program. It would require that the District establish an irrevocable trust and partially prefund it with an initial discretionary amount, with potential optional future prefunding payments at the Board's discretion. He noted that retiree benefits may be paid from the trust to the extent the trust is funded. He stated that the District currently projects an estimated unencumbered available cash balance of about \$2.0 million (as of July 1, 2017) in the Operating Fund, which could potentially provide the initial partial discretionary prefunding to a combined GASB 45/68 Post-Employment Benefits Trust Fund.

Referencing the Board Agenda Item Summary and the memorandum/staff report presented as Attachment 1 to Agenda Item 6, the General Manager summarized the following recommendations for Board approval:

- Fund the GASB 45 portion of the combined trust fund with an initial partial discretionary contribution of \$700,000, consistent with the amount that has "accumulated" for this purpose in the Operating Fund over the period of FY13-14 to FY16-17 (see Table 1 on page 37 of Board Agenda Packet). Also, for each future year, subject to Board adoption of authorized amounts in the Annual Budget for that year, contribute an amount up to the District's full GASB 45 Annual Required Contribution (ARC) for that year, as established by the District's periodic GASB 45 valuation reports.

- Utilize a further portion of the remaining unencumbered available cash balance in the Operating Fund to prefund the GASB 68 portion of the PARS combined trust fund with an initial partial discretionary contribution of \$200,000. Also, each future year, subject to Board adoption of authorized amounts in the Annual Budget for that year, contribute an amount of up to the full GASB 68 ARC amount for that year, as established by CalPERS' periodic valuations of the District's pension liability.

- Set up and implement a combined GASB 45/68 Post-Employment Benefits Trust Fund program to be managed by PARS, an outside trust services provider, to be funded as outlined above.

- The District has also historically adopted conservative investment strategies in its role as a good steward of the public funds that it oversees. Therefore, it is recommended that the District affirm and convey its "conservative" investment philosophy to the PARS team for investment strategies adopted and asset allocations made on the District's behalf. Further, it is recommended that the District inform the PARS team of a desired average long term investment performance goal of 3%-5% for its combined GASB 45/68 trust fund.

- Authorize the General Manager to serve as the District's combined Trust Plan Administrator by adopting the attached District Resolution No. 3104 - Adoption Of The Public Agencies Post-Employment Benefits Trust Administered by Public Agency Retirement Services (PARS). This is consistent with District practice where the General Manager currently serves as the District's Plan Administrator for the District's deferred compensation plan ("457 Plan") and defined contribution plan ("401a Plan").

Director Dillon-Knutson requested clarification on anticipated administrative fees for the PARS program vs. the CalPERS CERBT program. The General Manager explained that as discussed in the staff report, although the CERBT program has lower management fees (ten basis points versus about fifty basis points for PARS), the two entities appear to have comparable performance, net of fees, with PARS perhaps having a slight performance

edge. He also noted that, as discussed in the staff report, the asset allocation mix used by PARS to meet its performance objectives in its conservative strategy is more attuned to the District's historically conservative investment philosophy.

Director Dillon-Knutson asked about the investment strategy and how that strategy would be determined. The General Manager stated that, as discussed in the staff report, there are five different available strategies within PARS program, ranging from conservative to moderate to aggressive, and that any District investments should remain on the conservative side consistent with its conservative philosophy for investing public funds.

Director Miller questioned how the funding accounts would be set up within the proposed combined GASB 45/68 Post-Employment Benefits Trust fund. He asked if two separate sub-accounts would be established, or if one account would be established which would fund both liabilities. The General Manager replied that even though the program is a combined trust account, the District's GASB 45 and 68 obligations will be set up as separate sub-accounts within the combined trust and tracked individually for GASB reporting purposes.

Director Miller asked what the terms closed and open amortization periods referred to in the staff report meant within the current discussion. The General Manager responded that they are actuarial terms generally used in the calculation of liabilities such as the District's GASB 45 OPEB liabilities, and provided a brief overview of the terms.

Director Miller stated that he agrees with the prefunding recommendations, but questioned if it was necessary for the Board to instruct/direct the Plan Administrator (General Manager) on specific prefunding amounts. The General Manager explained that, as discussed in the staff report: (a) annual contributions to the proposed trust fund would have to be authorized by Board approval and adoption within each year's Annual Budget, (b) these annual contributions would be discretionary, and (c) the annual authorized contribution amounts could be up to the full Annual Required Contributions (or ARCs) for that year, as established by the periodic valuations of the District's GASB 45/68 liabilities. He noted that this process would give current and future District Boards of Directors the ability to adjust the range of authorized annual contribution amounts up to the full ARCs each year depending on the District's financial outlook for that year.

Director Miller questioned if annual expenses will be paid out of this fund or separately. The General Manager stated that the expenses can be paid either way, but would generally be from invested amounts.

Separately, the General Manager noted that the staff report also recommends that District contributions to the proposed trust fund be made on a periodic (monthly), dollar-cost-averaging basis, consistent with conservative, generally accepted long term investment practices, and in keeping with the District's conservative investment philosophy.

Director Long questioned if the contract with PARS had been reviewed by District Counsel. The General Manager responded that preliminary legal and administrative documents from PARS had been provided to District Counsel. He noted that pending Board approval, PARS will provide final legal and administrative documents, which will be reviewed by District Counsel prior to their execution and the set-up of a District trust program.

Director Long asked the PARS/Highmark Capital representatives present as to who is the trustee for PARS. They responded that the fiduciary responsibility and liability for the program is with U.S. Bank as the fund trustee.

Director Dillon Knutson stated that for the benefit of future Boards of Directors, the District's annual budgets could note that the contributions to fund the District's GASB 45/68 Post-Employment Benefits Trust fund are discretionary.

On motion of Director Mariani, seconded by Director Dillon-Knutson, and carried unanimously, the Board adopted the following as one consolidated motion:

- Approve funding the GASB 45 (Other Post-Employment Benefits or OPEB) portion of the PARS combined trust fund with an initial partial discretionary contribution of \$700,000 from the unencumbered available cash balance in the Operating Fund; and each future year, subject to Board adoption of authorized amounts in the annual budget for that year, contribute an amount up to the full GASB 45 Annual Required Contribution (ARC) for that year, as established by the District's periodic GASB 45 valuation reports.

- Approve utilizing a further portion of the remaining unencumbered available cash balance in the Operating Fund to fund the GASB 68 (Net Pension Liability) portion of the combined trust fund with an initial partial discretionary contribution of \$200,000; and each future year, subject to Board adoption of authorized amounts in the annual budget for that year, contribute an amount up to the full GASB 68 ARC amount for that year, as established by CalPERS' periodic valuations of the District's GASB 68 pension liability.

- Authorize the General Manager to affirm the District's "conservative" investment philosophy to the PARS team for investment strategies adopted and asset allocations made on the District's behalf, and inform the PARS team of a desired average long term investment goal of 3%-5% for the District's combined GASB 45/68 trust fund.

- Adopt District Resolution No. 3104 – "Adoption Of The Public Agencies Post-Employment Benefits Trust Administered By Public Agency Retirement Services (PARS)", subject to minor changes, whereby the District adopts the PARS Public Agencies Post-Employment Benefits Trust, authorizes the General Manager to serve as the District's Combined Trust Plan Administrator, and subject to District Counsel review, authorizes him (as Plan Administrator) to execute all required legal and administrative documents on the District's behalf.

Mr. Barker and Mr. Hurst left the meeting at 6:50 p.m.

WASTEWATER OPERATIONS:

- Receive Wastewater Operations Report, October 2016. The General Manager introduced Veolia Project Manager John Bailey who provided an overview of the Treatment Facilities Monthly Operations Report for October. The Project Manager reviewed the treatment plant performance summary and noted that there were no excursions or violations for the month. He outlined the safety training that was completed in October, and stated that safety

performance was excellent with a total of 2,351 accident-free days. He reported that the treatment facility transitioned from reclamation discharge to Bay discharge on October 26th.

The Project Manager discussed the period's key events and stated that Veolia participated in the North Bay Science Discovery Day educational outreach event in Santa Rosa on Saturday, October 29th. He noted that Liz Falejczyk, Brian Exberger, John O'Hare, and himself worked at the booth.

Field Services Manager Steve Krautheim summarized the Collection System Operations report for October 2016. He stated that the Collections department cleaned 34,913 lineal feet of sewers and conducted smoke testing of approximately 23,053 feet of sewer mains in the Loma Verde area. He provided a further overview of operational and maintenance activities, and stated that there were no lost time accidents in October for a total of 2,059 accident-free days. He stated that there was one Category I sanitary sewer overflow (SSO) in October, resulting in a discharge of approximately 7,900 gallons. The stoppage was attributed to an accumulation of grease and wipes. The Field Services Manager reported that "What not to Flush" informational packets will be distributed to residents in the upstream vicinity of the blockage location.

The Field Services Manager then summarized the Reclamation Facilities report for October 2016. He stated the rancher installed District furnished impact sprinklers in a test area on Site 7. He noted that irrigation was disabled at all sites in October due to early rains. He also stated that about 66.2 million gallons (MG) of treated water was used for irrigation, and that approximately 124.14 MG was delivered from the Novato Treatment Plant to the storage ponds.

BOARD MEMBER REPORTS AND REQUESTS:

Director Miller commented on his attendance at the North Bay Watershed Association meeting which was held on November 4th at the District office. He discussed a presentation that was given by Mr. Bruce Wolfe, Executive Officer, San Francisco Bay Regional Water Quality Control Board.

GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

The General Manager reported that the North Bay Water Reuse Authority (NBWRA) Technical Advisory Committee (TAC) meeting was held at the District office on November 14, 2016. The meeting was facilitated by NBWRA's Outreach Consultant, Mark Millan of Data Instincts. NBWRA Chair David Rabbit attended for about 2/3rds of the meeting. The main topic of discussion was in regards to cost-sharing of the Phase 2 EIR/EIS work and NBWRA's FY2016/17 budget. Program Manager Chuck Weir and Mark Millan will work to further refine budget numbers, and a TAC conference call is planned to reach agreement between the NBWRA agencies prior to the NBWRA Board meeting of December 19th.

The General Manager announced the following:

- He will be on vacation November 17th through November 28th, but will have access to email and urgent phone calls.

- A Finance Committee meeting will be scheduled for Monday, December 5th at 3:00 p.m. The Committee will receive and review the draft FY15/16 financial audit by Maze & Associates, the District's independent outside auditor.
- The District will be closed on Thursday, November 23rd and Friday, November 24th, both District holidays.
- The next Board meeting is December 12th at 6:00 p.m.
- As in prior years, there are no Board meetings in the second half of November and December.

ADJOURNMENT: There being no further business to come before the Board, President Peters adjourned the meeting at 7:36 p.m.

Respectfully submitted,

Sandeep Karkal
Secretary

Julie Hoover, Recording

Novato Sanitary District Board Fees Check Register

For November 2016

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Credit</u>
Dec 8, 16			
12/08/2016	4730	Long, William C	367.69
12/08/2016	3216	Dillon-Knutson-, Carole	207.79
12/08/2016	4733	Peters, Arthur Gerald	203.78
12/08/2016	4731	Mariani, Jean M	
12/08/2016	4732	Miller, Brant	
Dec 8, 16			<u><u>779.26</u></u>

Novato Sanitary District Operating Check Register

November 28, 2016

Date	Num	Name	Credit
Nov 28, 16			
11/28/2016	60034	Rauch Communication Consultants...	8,318.06
11/28/2016	60033	Pacific, Gas & Electric	5,018.89
11/28/2016	60035	Shape Incorporated	3,223.31
11/28/2016	60017	E & M Wonderware, Inc.	3,200.41
11/28/2016	60028	Meyers, Nave, Riback, Silver & Wil...	2,217.61
11/28/2016	60010	American Express-21007	1,774.19
11/28/2016	60021	Frontier Communications of CA	1,729.58
11/28/2016	60030	North Marin Water District - Lab	1,540.00
11/28/2016	60031	North Marin Water District Payroll	1,164.25
11/28/2016	60020	Frontier California Inc EQ	1,135.50
11/28/2016	60014	CDW Government, Inc.	1,076.00
11/28/2016	60024	Irvine Consulting Services Inc.	900.00
11/28/2016	60009	Able Tire & Brake Inc.	721.54
11/28/2016	60026	Marin Independent Journal	672.00
11/28/2016	60022	Grainger	549.93
11/28/2016	60027	Marin/Sonoma Mosquito Dist	540.90
11/28/2016	60038	VWR International Inc.	538.35
11/28/2016	60012	Cagwin & Dorward Inc.	448.00
11/28/2016	60039	WECO	418.90
11/28/2016	60018	Environmental Products and Acces...	319.26
11/28/2016	60037	Steven Engineering Inc.	251.01
11/28/2016	60015	Claremont EAP, Inc.	250.00
11/28/2016	60016	CWEAmembers	172.00
11/28/2016	60032	Orkin Pest Control, Inc.	144.56
11/28/2016	60036	Staples Advantage	141.71
11/28/2016	60013	California Board of Accountancy	120.00
11/28/2016	60029	North Marin Water District	116.00
11/28/2016	60025	Leonardi Automotive & Electric, Inc.	93.20
11/28/2016	60023	Honey Bucket	88.20
11/28/2016	60019	First Alarm	39.91
11/28/2016	60011	Buck's Saw Service, Inc.	28.22
Nov 28, 16			36,951.49

Novato Sanitary District Operating Check Register

December 12, 2016

Date	Num	Name	Credit
Dec 12, 16			
12/12/2016	60082	Veolia Water North America, Inc.	169,760.32
12/12/2016	60074	Pacific, Gas & Electric	74,130.92
12/12/2016	60077	Shape Incorporated	58,101.86
12/12/2016	60083	Veolia Water North America, Lab	28,259.47
12/12/2016	60076	RedZone Robotics Inc	17,000.00
12/12/2016	60052	CASA	12,855.00
12/12/2016	60049	Cagwin & Dorward Inc.	7,800.00
12/12/2016	60055	CSDA-	6,485.00
12/12/2016	60043	Aqua Science	5,650.00
12/12/2016	60062	Johnson, Dee	5,220.00
12/12/2016	60056	E & M Wonderware, Inc.	5,029.69
12/12/2016	60050	Calcon Systems, Inc.	4,139.73
12/12/2016	60081	U.S. Bank Card (3)Craig	3,892.52
12/12/2016	60054	County of Marin-public works	2,363.00
12/12/2016	60051	Caltest Analytical Lab Inc.	2,010.20
12/12/2016	60069	North Marin Water District	1,847.86
12/12/2016	60068	Monterey Mechanical, Inc.	1,800.00
12/12/2016	3217	Dillon-Knutson, Carole.	1,624.31
12/12/2016	60053	Cintas Corporation	1,438.47
12/12/2016	60060	IEDA, INC	1,143.00
12/12/2016	60061	Jan-Pro Cleaning Systems	1,005.00
12/12/2016	60057	Frontier Analytical Laboratory, Inc.	800.00
12/12/2016	60048	BoundTree Medical, LLC	749.73
12/12/2016	60041	Alpha Analytical Lab, Inc.	702.00
12/12/2016	60047	Beecher Engineering, Inc	555.00
12/12/2016	60063	Lancer Sales USA, Inc.	506.50
12/12/2016	60075	Pini Hardware	435.45
12/12/2016	60080	Thomas & Associates, Inc.	426.01
12/12/2016	60070	Novato Disposal-	303.27
12/12/2016	60072	Occumetric Inc.	275.00
12/12/2016	60045	Barnett Medical LLC	180.00
12/12/2016	60042	American Messaging	170.46
12/12/2016	60058	Frontier Communications of CA	154.92
12/12/2016	60073	Orkin Pest Control, Inc.	144.56
12/12/2016	60079	Staples Advantage	128.50
12/12/2016	60078	SRS Private Investigations, Inc	120.00
12/12/2016	60044	AT&T Mobility	103.56
12/12/2016	60067	Marin County Ford	101.59
12/12/2016	60066	Lincoln Financial Group	100.00
12/12/2016	60064	Lawson Products, Inc.	77.96
12/12/2016	60065	Leonardi Automotive & Electric, Inc.	66.55
12/12/2016	60046	Batteries Plus Inc	34.85
12/12/2016	60059	HCD	28.00
12/12/2016	60071	O'Reilly Auto Parts	14.54
Dec 12, 16			<u>417,734.80</u>

Novato Sanitary District Capital Projects Check Register

November 28, 2016

Date	Num	Name	Credit
Nov 28, 16			
11/28/2016	3106	RMC Water & Environment, Inc.	45,006.33
11/28/2016	3102	GHD Inc.	5,031.75
11/28/2016	3103	Lateral-Caplan, Irwin	2,000.00
11/28/2016	3104	Lateral - Jean Ghareeb Managem...	1,500.00
11/28/2016	3105	Meyers, Nave, Riback, Silver & W...	1,275.07
Nov 28, 16			54,813.15

Novato Sanitary District Capital Projects Check Register

December 12, 2016

Date	Num	Name	Credit
Dec 12, 16			
12/12/2016	3114	State Water Resources Control B...	5,378,956.19
12/12/2016	3113	RMC Water & Environment, Inc.	44,664.03
12/12/2016	3107	GHD Inc.	11,205.75
12/12/2016	3108	Lateral-Cohen	1,500.00
12/12/2016	3109	Lateral-Deerfield Homeowners	1,500.00
12/12/2016	3110	Lateral-Hansen	1,500.00
12/12/2016	3111	Lateral-Parnell	1,500.00
12/12/2016	3112	Nute Engineering Inc.	505.75
Dec 12, 16			<u>5,441,331.72</u>

**Novato Sanitary District
Payroll and Payroll Related Check Register
November - 2016**

Date	Description	Amount
11/30/2016	November Payroll	105,726.02
11/30/2016	November - Retirees Health Benefits	11,953.00
11/22/2016	CALPERS Retirement	9,467.88
11/30/2016	United States Treasury	22,844.48
11/22/2016	CalPers Supplemental Income Plan	2,500.00
11/30/2016	EDD	6,946.25
11/22/2016	Lincoln Financial Group 457	7,759.90
11/22/2016	Lincoln Financial Group 457 Roth	250.00
11/22/2016	Lincoln Financial Group-401a Plan	3,623.55
11/22/2016	Lincoln Financial Group-401a Plan	3,604.43
11/22/2016	CALPERS Retirement	12,824.38
11/22/2016	CalPERS Health	30,690.61
11/22/2016	Local Union 315	460.00
11/22/2016	Operating Engineers Trust	590.20
11/22/2016	Delta Dental	2,672.72
11/22/2016	Dearborne	2,434.52
11/22/2016	Vision Service Plan	547.60
		224,347.94

**Novato Sanitary District
Deposit Detail
November 2016**

Type	Date	Name	Account	Amount
Deposit	11/02/2016		11113 · Westamerica - Operations	
		USCG-Finance Center	11200 - Accounts Receivable	190.35
TOTAL				190.35
Deposit	11/14/2016		11113 · Westamerica - Operations	
		USCG	11200 - Accounts Receivable	14,608.10
		USCG-Finance Center	11200 - Accounts Receivable	190.35
TOTAL				14,798.45
Deposit	11/15/2016		11113 · Westamerica - Operations	
		Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
		TJ Built Construction	41040 · Permit & Inspection Fee	60.00
		Arntz Builders, Inc.	41040 · Permit & Inspection Fee	60.00
		Arntz Builders, Inc.	51020 · Connection Charges	2,172.00
		P,G & E1	11200 - Accounts Receivable	1,136.64
		Marin County Free Library	11200 - Accounts Receivable	1,736.19
		Novato Unified School District	11200 - Accounts Receivable	97,375.62
		North Marin Water District-	11200 - Accounts Receivable	2,277.68
		Marin Municipal Water District-	11200 - Accounts Receivable	4,965.05
		Central Marin Sanitation District-	11200 - Accounts Receivable	946.24
		Veolia Water	11200 - Accounts Receivable	4,368.95
TOTAL				115,138.37
Deposit	11/22/2016		11113 · Westamerica - Operations	
		Meyer, Robert	41040 · Permit & Inspection Fee	60.00
		County of Marin	51015 · Property Taxes	401.04
		Taylor, Bruce	41040 · Permit & Inspection Fee	15.00
		Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
		Gopher It	41040 · Permit & Inspection Fee	80.00
		County of Marin	51015 · Property Taxes	35,156.41
		Petaluma Septic	41040 · Permit & Inspection Fee	85.00
		Roy's Sewer Service, Inc.-	11200 - Accounts Receivable	167.51
		Roto Rooter	11200 - Accounts Receivable	851.40
TOTAL				36,856.36
Deposit	11/29/2016		11113 · Westamerica - Operations	
		Nunez, Liz	41040 · Permit & Inspection Fee	40.00
		Rios, Joshua	41040 · Permit & Inspection Fee	15.00
		Novato Disposal	11200 - Accounts Receivable	88,533.50
TOTAL				88,588.50
			Total November Deposits	255,572.03

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Holiday Schedule.	MEETING DATE: December 12, 2016 AGENDA ITEM NO.: 5.e.
RECOMMENDED ACTION: Authorize General Manager-Chief Engineer to approve a holiday schedule with closure of District offices on Friday, December 23, 2016, and Friday, December 30, 2016.	
SUMMARY AND DISCUSSION: <p>The District provides holidays of December 25th and January 1st, along with a half-day (4-hours) holiday on Christmas Eve (December 24th) and New Year's Eve (December 31st), for a total of three paid holidays. The District has allowed employees to combine the half-day holidays for a full day off on either Christmas Eve or New Year's Eve.</p> <p>This year, Christmas and New Year's Day fall on Sunday, and staff recommends closure of District offices on:</p> <ul style="list-style-type: none"> • Friday, December 23, 2016 • Friday, December 30, 2016 <p>Employees working a regular 40-hour work week will have the opportunity to use their two combined half-day holidays (total eight hours) on one closure day, and accrued leave to cover the additional closure day. Employees working a 9/80 schedule will use their regularly scheduled Friday off, and their combined half-day (total eight hours) holiday on the Friday they would normally work, along with any accrued leave if needed. There will be no fiscal impact to the District.</p> <p>Employees will be scheduled as usual to provide standby duty to respond to any emergencies that may arise over the holiday season.</p> <p>If approved, notice of the holiday schedule will be posted on the District's website and announced on the District's phone answering system.</p>	
BUDGET INFORMATION: No impact to District budget.	
DEPT. MGR.: ssk	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: CASA Washington DC conference	MEETING DATE: December 12, 2016 AGENDA ITEM NO.: 5.f.
RECOMMENDED ACTION: Approve Director Long and the General Manager-Chief Engineer to attend the California Association of Sanitation Agencies (CASA) Annual Washington DC conference, February 27 - March 1, 2017.	
SUMMARY AND DISCUSSION: <p>The next California Association of Sanitation Agencies (CASA) Annual Washington DC Conference will be held from February 27-March 1, 2017. Out-of-state travel requires pre-approval by the District Board of Directors.</p> <p>Director William Long is a member of the CASA Board of Directors, and also currently serves on CASA's Executive Board.</p> <p>It is recommended that the Board approve Director Long and the General Manager-Chief Engineer to attend the CASA Washington DC conference, February 27 - March 1, 2017.</p>	
BUDGET INFORMATION: The costs for attendance would be funded from Account No. 66170 – Travel, Meetings and Training, which has a current balance of \$38,054.35, with no outstanding encumbrances.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: ssk	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: District Statement of Affordable Housing Policy	MEETING DATE: December 12, 2016 AGENDA ITEM NO.: 5.g.
RECOMMENDED ACTION: Re-adopt District Policy Regarding the Provision of Service to Residential Developments with Affordable Housing Units, and ratify District Resolution No. 2951 which adopted the policy.	
SUMMARY AND DISCUSSION: <p>In November 2006, per Government Code Section 65589.7, the District Board adopted a policy regarding the provision of wastewater collection, treatment and disposal services for residential units with affordable housing components. The legislation required agencies that provide water or sewer services to adopt written policies and procedures providing priority service to proposed housing developments that help meet the need for lower income housing. In addition, the legislation bars the denial or conditioning of approval of an application for services, or reducing the amount of the services applied for, solely because a proposed development includes affordable housing components, except in limited circumstances. The policy adopted by the District Board conforms to these mandates.</p> <p>Government Code Section 65589.7 requires the written policy to be adopted every five (5) years with specific standards, as discussed below:</p> <p>a) <i>Available collection, treatment and disposal capacity.</i> The District's available collection, treatment and disposal capacity is adequate to meet anticipated demands for the foreseeable future.</p> <p>b) <i>The anticipated demand for wastewater utility service by planned housing units affordable to lower income households.</i> The District currently has no requests for wastewater utility service by planned housing units. District policies and procedures for granting service are not discriminatory with regard to any entity requesting service.</p> <p>c) <i>Any public or private action steps necessary to accommodate such demand if adequate capacity is unavailable.</i> In the event of service limitations due to capacity or regulatory constraints, sewer service priority shall be given to planned developments that include housing units affordable to lower income households in accordance with Government Code Section 65589.7 (SB 1087, 2005), and the limitations set therein. At this time, the District anticipates that its capacity is adequate.</p> <p>d) <i>Any changes to these policies or procedures necessary for implementing this service requirement.</i> The District will continue to review and update this Policy as mandated by law. The next anticipated update year is 2021.</p> <p>Since no changes are proposed at this time and the District's standards for provision of service are in conformance with legislative mandates, it is recommended that the Board re-adopt the "District Policy Regarding the Provision of Service to Residential Developments with Affordable Housing Units", and ratify Resolution No. 2951 originally adopted November 13, 2006. A copy of the Policy and Resolution No. 2951 are attached.</p>	
ATTACHMENTS: 1. Copy of "District Policy Regarding the Provision of Service to Residential Developments with Affordable Housing Units". 2. Copy of District Resolution No. 2951 originally adopted November 13, 2006.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: eb, ssk	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT POLICY REGARDING THE PROVISION OF SERVICE TO
RESIDENTIAL DEVELOPMENTS WITH AFFORDABLE HOUSING UNITS

1. *Policy Background:* Pursuant to Government Code Section 65589.7, the District is required to adopt a written policy (i) granting or providing priority for the provision of public sewer services to proposed housing developments that help meet the regional need for lower income housing and (ii) barring the denial or the conditioning of approval of an application for services, or reducing the amount of the services applied for, merely because a proposed development includes affordable housing components, except in limited circumstances. The Policy set forth herein conforms with this mandate.
2. *General Service Policy:* To the extent practical, the District shall provide or allow to be provided wastewater collection, treatment, and disposal facilities that:
 - a) have sufficient capacity to accommodate the demand from land uses approved in the General Plans of the land use planning jurisdictions within the District, and
 - b) are located so as to serve all existing or approved development within the District and all customers contracting with the District for service, provided gravity service is feasible. Collection service by gravity sewers is preferred to community pumping systems for financial and environmental quality reasons. Board approval is required to establish a community pumping system and such approval shall not be based on the presence or absence of housing affordable to low income households. The Board may condition its approval by requiring a community pumping system to be temporary and mandating connection to a gravity sewer when later available.
3. *Provision of Service During Times of Excess Capacity:* In times of excess wastewater collection, treatment and disposal capacity, the District shall review and provide, or permit the provision of, public sewer service to residential housing developments on an income neutral basis. Upon an applicant's payment of applicable fees or the execution of a contract to that effect with the District, the District shall permit public sewer service to eligible customers in the order of an application's submission, subject to the general restrictions set forth herein and the income neutral requirements of the District Code.
4. *Provision of Service During Times of Limited Capacity or Ability to Provide Service:* In the event of service limitations due to capacity or regulatory constraints, service priority shall be given to planned

developments that include housing units affordable to lower income households in accordance with Government Code Section 65589.7 (SB 1087, 2005) and the limitations set herein.

5. *Service Approval and Application Review:* The District shall not deny or condition the approval of an application for services to, or reduce the amount of services applied for by, a proposed development that includes housing units affordable to lower income households unless the District makes specific written findings that the denial, condition, or reduction is necessary due to the existence of one or more of the following:
 - (a) The District does not have sufficient treatment or collection capacity, as demonstrated by a written engineering analysis and report on the condition of the treatment or collection works, to serve the needs of the proposed development.
 - (b) The District is under an order issued by a regional water quality control board that prohibits new sewer connections.
 - (c) The applicant has failed to agree to reasonable terms and conditions relating to the provision of service generally applicable to development projects seeking service from District, but not limited to, the requirements of local, state, or federal laws and regulations or payment of a fee or charge imposed pursuant to Government Code Section 66013.

4. *Required Reports:* Within six month of the initial approval of this policy and at least once every five years thereafter, the District shall prepare a report for acceptance by the Board of Directors identifying:
 - a) available collection, treatment and disposal capacity;
 - b) the anticipated demand for wastewater utility service by planned housing units affordable to lower income households;
 - c) any public or private action steps necessary to accommodate such demand if adequate capacity is unavailable; and
 - d) any changes to these policies or procedures necessary for implementing this service requirement.

Preparation of this report shall take into account information available in the General Plans of the land use planning jurisdictions within the District and pertinent District plans and documents, such as the Collection System Master Plan, the Treatment Plant Master Plan, the District's NPDES Permit, collection system capacity model, and treatment plant operational statistics and analyses.

NOVATO SANITARY DISTRICT

RESOLUTION NO. 2991

A RESOLUTION ADOPTING A POLICY REGARDING THE PROVISION OF WASTEWATER COLLECTION, TREATMENT AND DISPOSAL SERVICES TO RESIDENTIAL UNITS WITH AFFORDABLE HOUSING COMPONENTS

WHEREAS, the Novato Sanitary District (“District”) is committed to the fair and equitable provision of wastewater collection, treatment and disposal services to persons and entities within its jurisdiction, in conformity with state law and the District Code; and

WHEREAS, Government Code Section 65589.7 requires the District to adopt a written policy (i) granting or providing priority for the provision of public sewer services to proposed housing developments that help meet the regional need for lower income housing and (ii) barring the denial or the conditioning of approval of an application for services, or reducing the amount of the services applied for, solely because a proposed development includes affordable housing components, except in limited circumstances.

BE IT RESOLVED by the Board of Directors of the Novato Sanitary District as follows:

1. That the “District Policy Regarding the Provision of Service to Residential Developments with Affordable Housing Units,” a copy of which is attached hereto, is hereby approved and adopted.
2. That the District Policy shall govern the manner in which wastewater collection, treatment and disposal services are provided to proposed residential housing developments within the District’s jurisdiction that address the needs of lower income households.
3. That within six months of the initial approval of this policy and at least once every five years thereafter, the District shall prepare a report for acceptance by the Board of Directors identifying such things as the available collection, treatment and disposal capacity, anticipated demand for sewer services from lower income households, the necessary steps needed to address capacity shortfalls, and any necessary changes to the policy adopted by this resolution.
4. That each portion of this resolution is severable. Should any portion of this resolution be adjudged to be invalid and unenforceable by a body of competent jurisdiction, then the remaining resolution portions shall be and continue in full force and effect.

* * * * *

PASSED AND ADOPTED this 13th day of Nov, 2006, by the following vote:

AYES: Members: DGiorgio, Fritz, Knutson, Long, Quesada

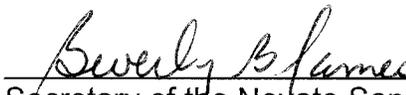
NOES: Members: None

ABSENT: Members: None



President of the Board of Directors of the
Novato Sanitary District,
County of Marin, State of California

COUNTERSIGNED:



Secretary of the Novato Sanitary District,
County of Marin, State of California

Approved as to Form: _____
Kenton L. Alm
District Counsel

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DISTRICT POLICY REGARDING THE PROVISION OF SERVICE TO RESIDENTIAL DEVELOPMENTS
WITH AFFORDABLE HOUSING UNITS

1. *Policy Background:* Pursuant to Government Code Section 65589.7, the District is required to adopt a written policy (i) granting or providing priority for the provision of public sewer services to proposed housing developments that help meet the regional need for lower income housing and (ii) barring the denial or the conditioning of approval of an application for services, or reducing the amount of the services applied for, merely because a proposed development includes affordable housing components, except in limited circumstances. The Policy set forth herein conforms with this mandate.

2. *General Service Policy:* To the extent practical, the District shall provide or allow to be provided wastewater collection, treatment, and disposal facilities that:
 - a) have sufficient capacity to accommodate the demand from land uses approved in the General Plans of the land use planning jurisdictions within the District, and

 - b) are located so as to serve all existing or approved development within the District and all customers contracting with the District for service, provided gravity service is feasible. Collection service by gravity sewers is preferred to community pumping systems for financial and environmental quality reasons. Board approval is required to establish a community pumping system and such approval shall not be based on the presence or absence of housing affordable to low income households. The Board may condition its approval by requiring a community pumping system to be temporary and mandating connection to a gravity sewer when later available.

3. *Provision of Service During Times of Excess Capacity:* In times of excess wastewater collection, treatment and disposal capacity, the District shall review and provide, or permit the provision of, public sewer service to residential housing developments on an income neutral basis. Upon an applicant's payment of applicable fees or the execution of a contract to that effect with the District, the District shall permit public sewer service to eligible customers in the order of an application's submission, subject to the general restrictions set forth herein and the income neutral requirements of the District Code.

4. *Provision of Service During Times of Limited Capacity or Ability to Provide Service:* In the event of service limitations due to capacity or regulatory constraints, service priority shall be given to planned

developments that include housing units affordable to lower income households in accordance with Government Code Section 65589.7 (SB 1087, 2005) and the limitations set herein.

5. *Service Approval and Application Review:* The District shall not deny or condition the approval of an application for services to, or reduce the amount of services applied for by, a proposed development that includes housing units affordable to lower income households unless the District makes specific written findings that the denial, condition, or reduction is necessary due to the existence of one or more of the following:
 - (a) The District does not have sufficient treatment or collection capacity, as demonstrated by a written engineering analysis and report on the condition of the treatment or collection works, to serve the needs of the proposed development.
 - (b) The District is under an order issued by a regional water quality control board that prohibits new sewer connections.
 - (c) The applicant has failed to agree to reasonable terms and conditions relating to the provision of service generally applicable to development projects seeking service from District, but not limited to, the requirements of local, state, or federal laws and regulations or payment of a fee or charge imposed pursuant to Government Code Section 66013.

4. *Required Reports:* Within six month of the initial approval of this policy and at least once every five years thereafter, the District shall prepare a report for acceptance by the Board of Directors identifying:
 - a) available collection, treatment and disposal capacity;
 - b) the anticipated demand for wastewater utility service by planned housing units affordable to lower income households;
 - c) any public or private action steps necessary to accommodate such demand if adequate capacity is unavailable; and
 - d) any changes to these policies or procedures necessary for implementing this service requirement.

Preparation of this report shall take into account information available in the General Plans of the land use planning jurisdictions within the District and pertinent District plans and documents, such

as the Collection System Master Plan, the Treatment Plant Master Plan, the District's NPDES Permit, collection system capacity model, and treatment plant operational statistics and analyses.

**NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY**

TITLE: Consent Calendar: Household Hazardous Waste Grant Agreement.	MEETING DATE: December 12, 2016 AGENDA ITEM NO.: 5.h.
RECOMMENDED ACTION: Approve the Household Hazardous Waste Grant Agreement with the Marin County Hazardous & Solid Waste Joint Powers Authority (JPA) for Fiscal Year FY16-17.	
SUMMARY AND DISCUSSION: <p>This agreement is the result of discussions with the Marin County Hazardous and Solid Waste Joint Powers Agreement to convey to the District the funds collected by the JPA for the household hazardous and solid waste program from Novato residents who self-haul to the landfill. Self-haul materials include household recycling materials, construction debris, and green waste. The JPA has committed \$32,575.00 for Fiscal Year FY16-17, based on 3,877 tons with an assessed tonnage fee of \$8.40.</p> <p>This represents the 14th year the District will enter into an agreement with the County. Previous payments are as follows:</p> <p>2003-04: <u>\$46,455.00</u> - (\$31,452.00 current year fees + \$15,003.00 portion of prior years' fees) 2004-05: <u>\$51,993.00</u> - (\$36,990.00 current year fees + \$15,003.00 portion of prior years' fees) 2005-06: <u>\$42,934.00</u> - (\$27,931.00 current year fees + \$15,003.00 portion of prior years' fees) 2006-07: <u>\$32,962.00</u> - (\$17,959.00 current year fees + \$15,003.00 portion of prior years' fees) 2007-08: <u>\$32,628.20</u> - (\$17,625.20 current year fees + \$15,003.00 portion of prior years' fees) 2008-09: <u>\$33,503.00</u> - (\$18,500.00 current year fees + \$15,003.00 portion of prior years' fees) 2009-10: <u>\$40,355.00</u> - (\$25,352.00 current year fees + \$15,003.00 portion of prior years' fees) 2010-11: <u>\$32,463.00</u> - (\$17,460.00 current year fees + \$15,003.00 portion of prior years' fees) 2011-12: <u>\$38,283.00</u> - (\$23,280.00 current year fees + \$15,003.00 portion of prior years' fees) 2012-13: <u>\$50,639.00</u> - (\$35,636.00 current year fees + \$15,003.00 portion of prior years' fees) 2013-14: <u>\$27,792.00</u> <i>Current year fees only. The \$15,003 annual payment for a 10-year reimbursement plan for Novato self-haul fees collected by the JPA prior to 2003-04 was satisfied in 2012-13.</i></p> <p>2014-15: <u>\$30,984.00</u> Current year fees. 2015-16: <u>\$27,838.00</u> Current year fees.</p> <p>2016-17: <u>\$32,575.00</u> Current year fees.</p>	
BUDGET INFORMATION: The District's FY16-17 budget includes an anticipated JPA reimbursement fee of \$30,984.00. However, the assessed tonnage fee increased from \$8.14 to \$8.40, resulting in an actual current year fee to the District of \$32,575.00, an increase of \$4,737.00 over the prior year.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 4 (Well Planned Finances with a Long Range Outlook) of the latest Strategic Plan Update.	
DEPT.MGR.: dlj, ssk	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Fixed Asset Deletion Report for Fiscal Year (FY) 2015-16.

MEETING DATE: December 12, 2016

AGENDA ITEM NO.: 5.i.

RECOMMENDED ACTION: Receive Fixed Asset Deletion Report for Fiscal Year (FY) 2015-16.

SUMMARY AND DISCUSSION:

As part of the District's annual audit process, staff prepares fixed asset reports including reports of items added or deleted during the fiscal year. The attached fixed asset deletion detail report for fiscal year (FY) 2015-16 being presented for the Board's consideration, lists the items deleted between July 1, 2015 and June 30, 2016.

ATTACHMENTS:

1. Fixed Asset Deletion Detail Report, FY 2015-16.

STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence), and Goal 4 (Well Planned Finances with a Long Range Outlook), of the latest Strategic Plan Update.

DEPT.MGR.: lc, ssk

GENERAL MANAGER: SSK

**Novato Sanitary District
Fixed Assets Disposed of In Fiscal Year 2015/16**

Detail of Disposed of Assets:				
		Cost	Accum Depr	Gain/(Loss)
Equipment - Admin/Engineering				
07/01/10	Computer-SCADA	2,314.00	2,314.00	-
07/01/09	Computer-HR	865.00	865.00	-
07/01/05	Computer-IT	1,707.00	1,707.00	-
07/01/07	Dell Computer/Screen	1,887.00	1,887.00	-
07/01/08	Dell Computer	720.00	720.00	-
07/01/09	Computer-Admin	1,902.00	1,902.00	-
	Subtotal -Admin/Engineering	9,395.00	9,395.00	
Equipment - Treatment Plant				
Plant - Generator Building				
07/01/87	Chain Hoist	9,588.00	9,588.00	-
07/01/87	Chain Hoist	9,588.00	9,588.00	-
	Subtotal -Treatment	19,176.00	19,176.00	-
Total		28,571.00	28,571.00	-

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Comprehensive Annual Financial Report (CAFR) for the Years Ended June 30, 2016 and 2015, including Audited Financial Statements.	MEETING DATE: December 12, 2016. AGENDA ITEM NO.: 6.a.,b.,c., & d.
RECOMMENDED ACTIONS: <ul style="list-style-type: none"> a. Receive report from the District's independent external auditor, Maze and Associates. b. Receive Finance Committee report and recommendation, and accept the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2016 and 2015, including: Fiscal Year FY15-16 audit, and audited financial statements for the years ended June 30, 2016 and 2015. c. Receive and accept "Memorandum on Internal Control and Required Communications for Year ended June 30, 2016" from the District's independent outside auditor, Maze and Associates. d. Authorize staff to submit the District's CAFR to the Government Finance Officers Association (GFOA) for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. 	
SUMMARY AND DISCUSSION: <p>The District's annual financial audit for the year ended June 30, 2016, has been completed by the District's independent external auditors, Maze and Associates.</p> <p>Maze and Associates presented their report to the District's Finance Committee at its December 5, 2016 meeting. Ms. Vikki Rodriguez, CPA, with Maze and Associates, attended the Committee meeting, and presented the audit findings and opinion to the Committee.</p> <p>In summary, the auditors have issued an unmodified opinion (cleanest possible opinion) on the District's audited financial report for the fiscal years ended June 30, 2016 and 2015.</p> <p>A copy of the CAFR including the audited financial statements is attached. The CAFR also provides statistical information on the District and its operations over the past ten years including financial trends and demographic data. Ms. Rodriguez (Maze and Associates) will also be at the Board meeting, and present the audit findings and opinion to the Board.</p> <p>The Finance Committee recommends that, subject to minor edits, the Board receive and accept the CAFR including: the FY15-16 annual audit, and audited financial statements for the fiscal years ended June 30, 2016 and 2015. It is also recommended that the Board receive and accept the "Memorandum on Internal Control and Required Communications for Year ended June 30, 2016" from the District's independent outside auditor, Maze and Associates.</p> <p>Additionally, it is recommended that the Board authorize staff to submit the District CAFR to the Government of Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting (CAFR Award). If approved, this will be the sixth year in a row that the District will have submitted its CAFR to the GFOA. The District has received this recognition from the GFOA for the last five years.</p>	
ATTACHMENTS: <ul style="list-style-type: none"> 1. CAFR (including FY15-16 annual audit, and audited financial statements for fiscal years ended June 30, 2016 and 2015). 2. "Memorandum on Internal Control and Required Communications for Year Ended June 30, 2016" from the District's independent external auditor, Maze and Associates. 	
STRATEGIC PLAN INFORMATION: This item addresses Goal 4 (Well Planned Finances with a Long Range Outlook) of the latest Strategic Plan Update. The item also addressess other goals of the Strategic Plan including Goal 1 (Operational Excellence), and Goal 3 (Alignment and Communications).	
DEPT. MGR.: lc, ssk	GENERAL MANAGER: SSK



Novato Sanitary District
Novato, CA



Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2016
and
June 30, 2015

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**NOVATO SANITARY DISTRICT, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

Prepared by:

*Sandeep Karkal, General Manager – Chief Engineer
Laura Creamer, Finance Officer*

REVIEW DRAFT

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Introductory Section

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NOVATO SANITARY DISTRICT
Comprehensive Annual Financial Report
For the Years Ended June 30, 2016 and 2015

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NOVATO SANITARY DISTRICT
Comprehensive Annual Financial Report
For the Years Ended June 30, 2016 and 2015

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December 1, 2016

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, 2016 is hereby submitted as required. Maze & Associates, a firm of licensed certified public accountants, has audited the 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 relevant to the District's operations.

Generally Accepted Accounting Principles (GAAP) require 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, 2016 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, 2016 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 currently permitted for an 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 a population of approximately 60,000. Wastewater from the District's service area is transported to the Novato Wastewater Treatment Plant where it is treated to federally and state mandated standards to protect the public health.

The District also operates a Wastewater Reclamation Facility consisting of some 820 acres of pastures 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 biosolids storage ponds and 15 acres of dedicated disposal site.

Separately, in cooperation with the North Marin Water District, up to 1.7 million gallons per day of Title 22 recycled water can be 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.

REVIEW DRAFT

Governance

The affairs of the District are directed by a five member Board of Directors elected at large by registered voters in the District. The Directors are residents of the District and have the same concerns as their constituents. The Directors, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the annual budget, and hiring the District's General Manager-Chief Engineer. The General Manager-Chief 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 generally zoned very low density residential, although this is always subject to change by the planning agencies, i.e. City of Novato and County of Marin.

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 strong revenues from capacity fees. It is anticipated that capacity fee revenues will slow dramatically as the District approaches build out, absent significant densification or zoning changes.

Property taxes accounted for approximately 10.4% and 11.0% of the District's total revenue (including capital contributions) for FYE 2015 and 2016, respectively. Under current conditions in the housing market, property tax revenues are expected to increase moderately in the near future with increases 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 financial policies and planning documents to effectively meet the District's anticipated future needs. The District utilizes the information of these policies and planning documents to anticipate future expense obligations and to develop programs to ensure these expense obligations are fully funded. For example, the District's 2011 Comprehensive Financial Plan has guided the District's expenditures and revenue needs through the 2015-16 fiscal year. In FYE 16, the District updated a portion of this plan by commissioning its financial consultant, Bartle Wells Associates to initiate and complete the 2016 Wastewater Capacity Fee Study. It is anticipated that future updates will be forthcoming.

RELEVANT FINANCIAL POLICIES

Reserve Policy

The District has established a Reserves Policy (Policy No. 3500) 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 Policy No. 3510 for Capital and Operating Fund targets and minimum fund balances as of July 1st each year 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 upgraded 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 will be 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 and pump stations 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 continue for the foreseeable future.
- 3) The District initiated a Sewer System Plan more than a decade ago. Since then much progress has been made. With about 250 miles of sewer pipelines, over 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 annually invested between \$1 million to \$5 million in sewer upgrades to repair the wear and tear from past decades.
- 4) 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 replace their private laterals. The program reimburses ratepayers up to \$1,500 for complete lateral replacement. During the fiscal year 2016 the District contributed \$25,500 for the replacement of seventeen damaged private laterals.

- 5) The District completed construction of the nominal 1.7 million gallons per day (MGD), 0.85 MGD firm capacity, 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 is distributed by North Marin Water District to irrigate a golf course, landscaping, cemeteries, and playing fields in Northern and Eastern Novato. The Facility became operational in September 2012. In FYE 17 and FYE 18, the District anticipates expanding the firm capacity of this facility to 1.7 MGD.

COLLABORATIVE PARTNERSHIPS

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

Zero Waste Program. In addition to franchising garbage collection and disposal with Novato Disposal Service (NDS), the District is responsible for meeting mandates of AB 939, the California Integrated Waste Management Act of 1989. In addition, the District and NDS collaboratively developed a Zero Waste Program which is anticipated to take recycling in the District's service area to the next level by dramatically reducing what goes to the landfill, without a rate increase beyond inflation.

Specialized Staff Sharing. The District shares 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 a private entity, Veolia Water, to operate its recently 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 and regional agencies, the District has obtained over \$2.6 million in federal and state grant funding to expand recycled water use in Novato.

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 and thank the members of the District's Finance Committee, Gerald Peters and William Long, and the District's Board of Directors, for their continued support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

Sandeep Karkal
General Manager-Chief Engineer

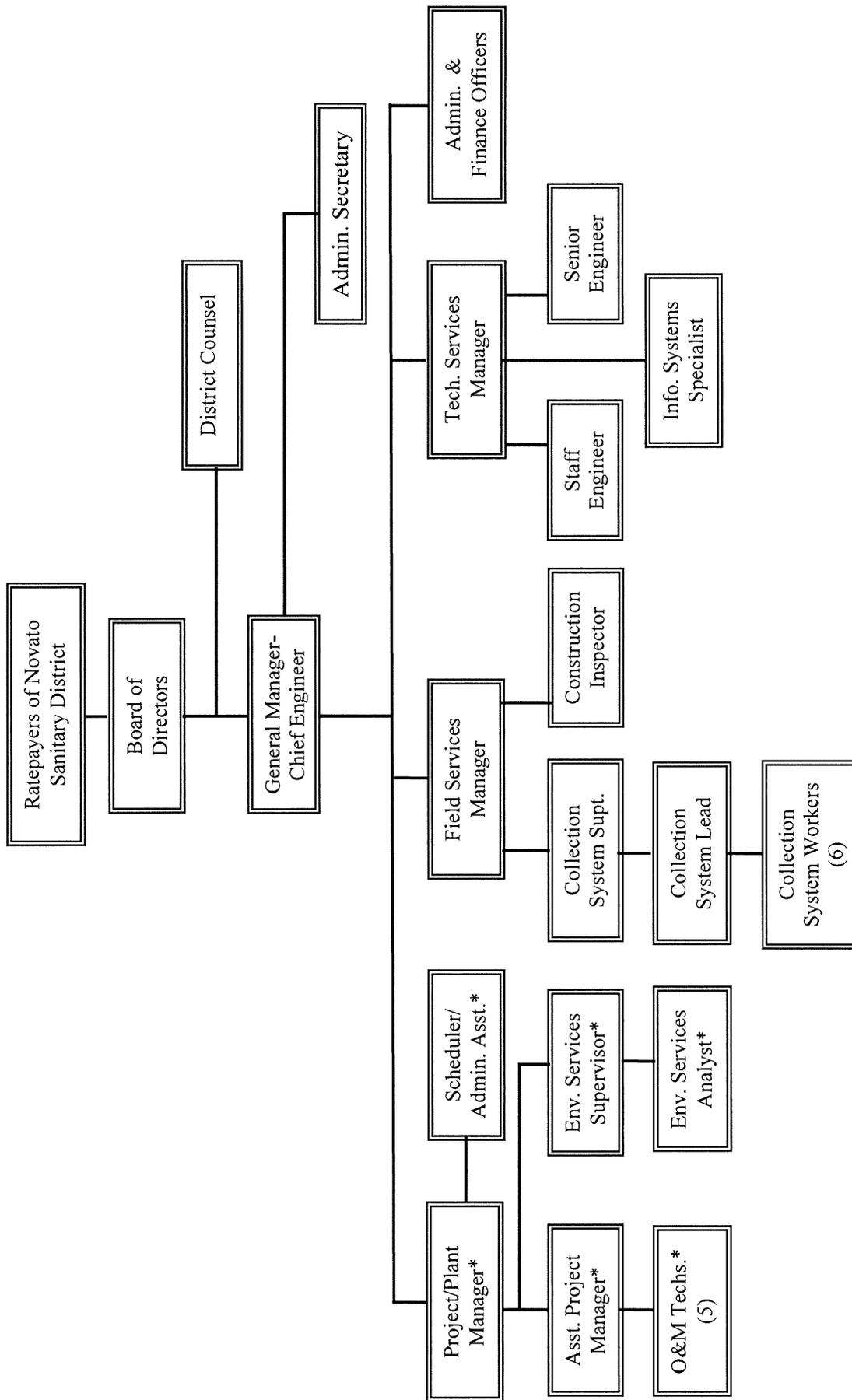
Leaders in Protecting the Environment

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, 2016

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>First Seated on Board</u>	<u>Current Term</u>
Jean Mariani	President	Appointed	5/2011	12/15-12/19
William C. Long	Director	Elected	12/2001	12/13-12/17
Gerald Peters	Director	Elected	12/2011	12/15-12/19
Carole Dillon-Knutson	Director	Appointed	12/2015	12/15-12/17
Brant Miller	Director	Elected	12/2013	12/13-12/17

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



* denotes Veolia Water staff.

NOVATO SANITARY DISTRICT – ORGANIZATIONAL CHART

Sept 2015



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**Novato Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Novato Sanitary District
Novato, California

Report on Financial Statements

We have audited the accompanying basic financial statements of the Novato Sanitary District (District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2016 and 2015, and changes in the financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Notes 1P and 2G to the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, and other 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
November 16, 2016



Management Discussion & Analysis

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, 2016 and June 30, 2015. The two-year presentation is provided for comparative purposes. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2016, the District's assets decreased .5% or \$1,178,556 to \$202,248,847. In 2015, the District's assets decreased .7% or \$1,569,985 to \$203,427,403.
- In 2016, the District's net position increased 2.8% or \$2,948,100 to \$108,547,505. In 2015, the District's net position decreased .9% or \$984,702 to \$105,599,405.
- In 2016, the District's operating revenues increased 3.3% or \$547,309 due to a rate increase of approximately 3.6% (approved in June of 2012). In 2015, the District's operating revenues increased 3.6% or \$523,221.

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 that can be 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 provide information about the District 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 therein. One 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 also needs 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 15 through 38.

Condensed Statements of Net Position

	2016	2015	Change	2014	Change
Assets:					
Current assets	\$ 21,838,663	20,225,134	1,613,529	20,783,974	(558,840)
Capital assets, net	180,012,797	182,916,368	(2,903,571)	184,213,414	(1,297,046)
Deferred Outflow of Resources (Note 10)	397,387	285,901	111,486		285,901
Total assets	202,248,847	203,427,403	(1,178,556)	204,997,388	(1,569,985)
Liabilities:					
Current liabilities	6,869,418	6,757,802	111,616	7,172,441	(414,639)
Non-current liabilities	85,878,494	90,164,596	(4,286,102)	91,240,840	(1,076,244)
Deferred Inflows of Resources(Note 10)	953,430	905,600	47,830		905,600
Total liabilities	93,701,342	97,827,998	(4,126,656)	98,413,281	(585,283)
Net Position (Note 8)					
Net investment in capital assets	96,235,212	94,572,835	1,662,377	94,531,379	41,456
Unrestricted	12,312,293	11,026,570	1,285,723	12,052,728	(1,026,158)
Total net position	108,547,505	105,599,405	2,948,100	106,584,107	(984,702)
Total liabilities and net position	\$ 202,248,847	203,427,403	(1,178,556)	204,997,388	(1,569,985)

As noted earlier, net position may serve over time as a useful indicator of a government entity's financial position. In the case of the District, assets of the District exceeded liabilities by \$108,547,505 and \$105,599,405 as of June 30, 2016 and June 30, 2015, respectively.

By far the largest portion of the District's net position (89% and 90% as of June 30, 2016 and June 30, 2015, 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 2016 and 2015, the District showed a positive balance in its unrestricted net position of \$12,312,293 and \$11,026,570 respectively, which may be utilized in future years. See Note 8 for further discussion.

Statement of Revenues, Expenses and Changes in Net Position

	2016	2015	Change	2014	Change
Revenues:					
Operating revenues	\$ 16,919,629	16,372,320	547,309	15,849,099	523,221
Non-operating revenues	2,379,660	2,198,894	180,766	(1,387,518)	3,586,412
Total revenues	19,299,289	18,571,214	728,075	14,461,581	4,109,633
Expenses:					
Operating expenses	8,392,467	7,894,306	498,161	8,322,651	(428,345)
Depreciation and amortization	5,661,922	5,201,451	460,471	5,092,355	109,096
Non-operating expenses	2,533,440	2,703,321	(169,881)	2,948,487	(245,166)
Total expenses	16,587,829	15,799,078	788,751	16,363,493	(564,415)
Net income before capital contributions	2,711,460	2,772,136	(60,676)	(1,901,912)	4,674,048
Capital contributions	236,640	542,290	(305,650)	562,553	(20,263)
Change in net position	2,948,100	3,314,426	(366,326)	(1,339,359)	4,653,785
Net position, beginning of year	105,599,405	106,584,107	(984,702)	107,923,466	(1,339,359)
Prior period adjustment	-	(4,299,128)	4,299,128	-	(4,299,128)
Net position, end of year	\$ 108,547,505	105,599,405	2,948,100	106,584,107	(984,702)

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 increased by \$2,948,100 and decreased by \$984,702 for the fiscal years ended June 30, 2016 and 2015, respectively. A closer examination of the sources of changes in net position reveals that:

- In 2016, the District’s sewer service charges increased 3.6% or \$516,172 primarily due to the rate increase of approximately 3.6%. This rate increase was part of a four-year series of rate increases approved in June 2012.
- In 2016, the District’s non-operating revenues increased 8.2% or \$180,766 primarily due to increase in Redevelopment Agency (RDA) related revenues which have increased over the past few years and made up approximately 55% or \$99,500 of the increase in non-operating revenues.
- In 2016, the District’s net position increased by \$2,948,100. In 2015, the District’s net position decreased by \$4,299,128 to account for the District’s unfunded pension liability with the June 15, 2014 implementation of Government Accounting Standards Board Statement 68 (GASB 68).

Operating and Non-Operating Revenues

	2016	2015	Change	2014	Change
Operating revenues:					
Sewer service charges	\$ 16,222,876	15,706,704	516,172	15,157,903	548,801
Other service charges	207,416	231,594	(24,178)	254,797	(23,203)
Permit, inspection and other fees	46,283	44,494	1,789	39,023	5,471
Recycled water facility	100,433	91,942	8,491	99,790	(7,848)
AB939 – solid waste programs	342,621	297,586	45,035	297,586	-
Total operating revenues	16,919,629	16,372,320	547,309	15,849,099	523,221
Non-operating revenue:					
Property taxes	2,155,479	1,999,816	155,663	1,941,241	58,575
Franchise fees	51,059	49,768	1,291	51,019	(1,251)
Rental revenue	101,530	92,829	8,701	76,689	16,140
Interest earnings	71,592	43,117	28,475	45,673	(2,556)
Gain/(Loss) on sale/disposition of assets	-	13,364	(13,364)	(3,502,140)	3,515,504
Total non-operating revenues	2,379,660	2,198,894	180,766	(1,387,518)	3,586,412
Total revenues	\$ 19,299,289	18,571,214	728,075	14,461,581	4,109,633

Total revenues increased by \$728,075 and by \$4,109,633 in fiscal years 2016 and 2015, respectively.

Operating and Non-Operating Expenses

	2016	2015	Change	2014	Change
Operating expenses:					
Collection system	\$ 1,116,422	1,277,022	(160,600)	1,188,408	88,614
Treatment plant	2,734,327	2,757,514	(23,187)	2,562,314	195,200
Wastewater reclamation and disposal	337,887	398,118	(60,231)	418,748	(20,630)
Laboratory and monitoring	487,624	555,215	(67,591)	534,959	20,256
Pump Stations	641,965	686,789	(44,824)	668,841	17,948
Recycled water facility	92,028	100,354	(8,326)	104,837	(4,483)
AB939 – solid waste programs	325,068	289,586	35,482	320,938	(31,352)
Administrative and engineering	2,528,449	2,173,241	355,208	2,523,606	(350,365)
Pension Expense	128,697	(343,533)	472,230	-	(343,533)
Total operating expenses	8,392,467	7,894,306	498,161	8,322,651	(428,345)
Depreciation expense	5,661,922	5,201,451	460,471	5,092,355	109,096
Non-operating expenses:					
Interest expense	2,450,757	2,567,765	(117,008)	2,678,227	(110,462)
Other non-operating expenses	82,683	135,556	(52,873)	270,260	(134,704)
Total non-operating expenses	2,533,440	2,703,321	(169,881)	2,948,487	(245,166)
Total expenses	\$ 16,587,829	15,799,078	788,751	16,363,493	(564,415)

Total expenses increased by \$788,551 and decreased by \$564,415 in fiscal years 2016 and 2015, respectively.

Capital Asset Administration

Changes in capital assets amounts for 2016 were as follows:					
	Balance 2015	Additions	Transfers/ Deletions	Reclassifications/ Restatements	Balance 2016
Capital assets:					
Non-depreciable assets	\$ 11,514,846	1,685,586	(5,872,648)		7,327,784
Depreciable assets	232,047,480	7,183,417	(266,574)		238,964,323
Accumulated depreciation	(60,645,958)	(5,661,922)	28,570		(66,279,310)
Total capital assets ,net	\$ 182,916,368	3,207,081	(6,110,652)	-	180,012,797
Changes in capital assets amounts for 2015 were as follows:					
	Balance 2014	Additions	Transfers/ Deletions	Reclassifications/ Restatements	Balance 2015
Capital assets:					
Non-depreciable assets	\$ 10,159,610	2,331,010	(975,774)		11,514,846
Depreciable assets	229,640,917	2,554,893	(148,330)		232,047,480
Accumulated depreciation	(55,587,113)	(5,201,451)	142,606		(60,645,958)
Total capital assets ,net	\$ 184,213,414	(315,548)	(981,498)	-	182,916,368

At the end of fiscal year 2016 and 2015, the District's investment in capital assets amounted to \$180,012,797 and \$182,916,368 (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 asset 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 2016 were as follows:				
	Balance 2015	Additions	Deletions	Balance 2016
Loan payable	\$ 70,771,876	-	(3,680,432)	67,091,444
2011 Certificates Of Participation	19,265,000	-	(885,000)	18,380,000
Total long-term debt	\$ 90,036,876	-	(4,565,432)	85,471,444
Changes in long-term debt amounts for 2015 were as follows:				
	Balance 2014	Additions	Deletions	Balance 2015
Long-term debt:				
Loan payable	\$ 74,366,047	-	(3,594,171)	70,771,876
2011 Certificates Of Participation	20,120,000	-	(855,000)	19,265,000
Total long-term debt	\$ 94,486,047	-	(4,449,171)	90,036,876

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 position, or operating results based on past, present and future anticipated 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 General Manager-Chief Engineer, or the District's Finance Officer, at 500 Davidson Street, Novato, California, 94945.

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Basic Financial Statements

NOVATO SANITARY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$19,742,079	\$18,102,303
Restricted - cash and investments (Note 2)	1,693,859	1,693,343
Accounts receivable, net (Note 3)	318,238	373,490
Accrued interest receivable	29,263	3,702
Prepaid expenses and other deposits	55,224	52,296
Total current assets	21,838,663	20,225,134
NON-CURRENT ASSETS		
Capital assets - not being depreciated (Note 4)	7,327,784	11,514,846
Capital assets - being depreciated, net (Note 4)	172,685,013	171,401,522
Total non-current assets	180,012,797	182,916,368
TOTAL ASSETS	201,851,460	203,141,502
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 10)	397,387	285,901
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	812,354	749,097
Customer deposits	36,556	43,006
Restricted - special assessment payable	179,174	179,541
Accrued interest payable	1,128,325	1,187,241
Long-term liabilities - due within one year:		
Compensated absences (Note 5)	39,246	33,486
State Revolving Fund Loan payable (Note 6)	3,768,763	3,680,431
Certificates of Participation (Note 6)	905,000	885,000
Total current liabilities	6,869,418	6,757,802
NON-CURRENT LIABILITIES		
Long-term liabilities - due in more than one year:		
Compensated absences (Note 5)	117,740	100,459
State Revolving Fund Loan payable (Note 6)	63,322,682	67,091,445
Certificates of Participation (Note 6)	17,475,000	18,380,000
Other post-employment benefits payable (Note 7)	1,434,823	1,256,796
Collective net pension liability (Note 10)	3,528,249	3,335,896
Total non-current liabilities	85,878,494	90,164,596
TOTAL LIABILITIES	92,747,912	96,922,398
DEFERRED INFLOWS OF RESOURCES		
Pension Related (Note 10)	953,430	905,600
NET POSITION (Note 8)		
Net investment in capital assets	96,235,211	94,572,835
Unrestricted	12,312,294	11,026,570
TOTAL NET POSITION	\$108,547,505	\$105,599,405

See accompanying notes to financial statements

NOVATO SANITARY DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Sewer service charges	\$16,222,876	\$15,706,704
Other service charges	207,416	231,594
Permit, inspection and other fees	46,283	44,494
Recycled water facility	100,433	91,942
AB939 - solid waste programs	342,621	297,586
	16,919,629	16,372,320
OPERATING EXPENSES		
Collection system	1,116,422	1,277,022
Treatment plant	2,734,327	2,757,514
Reclamation and disposal	337,887	398,118
Laboratory and monitoring	487,623	555,215
Pump stations	641,966	686,789
AB939 - solid waste programs	325,068	289,586
Recycled water	92,028	100,354
Administrative and engineering	2,528,449	2,173,241
Pension expense (Note 10)	128,697	(343,533)
	8,392,467	7,894,306
Operating income before depreciation	8,527,162	8,478,014
Depreciation (Note 4)	(5,661,922)	(5,201,451)
	2,865,240	3,276,563
OPERATING INCOME		
NONOPERATING REVENUES (EXPENSES)		
Property taxes	2,155,479	1,999,816
Franchise fees	51,059	49,768
Rental revenue	101,530	92,829
Interest income	71,592	43,117
Interest expense	(2,450,757)	(2,567,765)
Gain on sale/disposition of capital assets		13,364
Other non-operating expenses	(82,683)	(135,556)
	(153,780)	(504,427)
Total nonoperating revenues (expenses), net		
Net income (loss) before capital contributions	2,711,460	2,772,136
CAPITAL CONTRIBUTIONS		
Connection fees	223,240	291,565
Capital contributions	13,400	250,725
	236,640	542,290
Total capital contributions		
CHANGES IN NET POSITION	2,948,100	3,314,426
NET POSITION, BEGINNING OF YEAR	105,599,405	106,584,107
Prior period adjustment due to implementation of GASB 68 & 71		(4,299,128)
NET POSITION, END OF YEAR	\$108,547,505	\$105,599,405

See accompanying notes to financial statements

NOVATO SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers for sewer service charges and services	\$17,127,470	\$16,442,110
Cash paid to or on behalf of employees for salaries, wages and benefits	(2,241,979)	(2,351,260)
Cash paid to vendors and suppliers for materials and services	(5,849,894)	(6,343,044)
Cash Flows from Operating Activities	9,035,597	7,747,806
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	2,155,479	1,999,816
Cash Flows from Noncapital Financing Activities	2,155,479	1,999,816
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,744,951)	(3,659,404)
Proceeds from sale of capital assets		19,088
Capital contributions	223,240	291,565
Principal payments on long-term debt	(4,565,431)	(4,449,171)
Interest payments on long-term debt	(2,509,673)	(2,621,582)
Cash Flows (used for) Capital and Related Financing Activities	(9,596,815)	(10,419,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	46,031	50,767
Cash Flows from Investing Activities	46,031	50,767
NET CASH FLOWS	1,640,292	(621,115)
Cash, beginning of year	19,795,646	20,416,761
Cash, end of year	\$21,435,938	\$19,795,646
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$19,742,079	\$18,102,303
Restricted - cash and cash equivalents	1,693,859	1,693,343
Total cash and cash equivalents	\$21,435,938	\$19,795,646

(Continued)

NOVATO SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$2,865,240	\$3,276,563
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,661,922	5,201,451
Other non-operating revenues	152,589	142,597
Other non-operating expenses	(82,683)	(135,556)
Change in assets and liabilities:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable - sewer services	55,252	(72,807)
Prepaid expenses and other deposits	(2,928)	2,882
Pension related deferred outflows of resources	(111,486)	(285,901)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	63,257	(486,862)
Customer deposits	(6,450)	
Restricted - special assessment payable	(367)	16,270
Compensated absences	23,041	(25,959)
Other post-employment benefits payable	178,027	172,760
Collective net pension liability	192,353	(963,232)
Pension related deferred inflows of resources	47,830	905,600
Total adjustments	6,170,357	4,471,243
Net cash provided by operating activities	\$9,035,597	\$7,747,806
Schedule of Non-Cash Investing and Financing Activities:		
Capital contributions	\$13,400	\$250,725

See accompanying notes to financial statements

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**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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 position 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, 2016 and 2015**

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 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, 2016 and 2015

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 reports 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 reports 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 position 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, 2016 and 2015**

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

O. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

P. New GASB Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

GASB Statement No. 76 – The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted account principles (GAAP). This Statement supersedes Statement No. 55. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

GASB Statement No. 79 – This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 2 – CASH AND INVESTMENTS

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

	2016	2015
Cash and cash equivalents	\$19,742,079	\$18,102,303
Restricted cash and investments	1,693,859	1,693,343
Total Cash and Investments	\$21,435,938	\$19,795,646

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

	2016	2015
<i>Held by District:</i>		
Cash on hand	\$923	\$472
Deposits with financial institutions	41,137	42,513
Local Agency Investment Fund	19,700,019	18,059,318
<i>Held by Fiscal Agent:</i>		
Deposits with financial institutions	1,693,859	1,693,343
Total Cash and Investments	\$21,435,938	\$19,795,646

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 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, 2016 and 2015**

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality (per S&P)</u>
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		A
Municipal Bonds or Notes		Two Highest Categories
Guaranteed Investment Agreements (LAIF)		A

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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, 2016 and 2015 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, results in greater sensitivity of its fair value to 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, 2016 and 2015, these investments matured in an average of 167 and 239 days, respectively.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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, 2016 and 2015, 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, 2016 and 2015, respectively.

G. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's only investment in the Local Agency Investment Fund is classified as Level 2 and is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool.

NOTE 3 – ACCOUNTS RECEIVABLE

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

Description	2016	2015
Sewer services	\$149,414	\$136,598
Franchise/Lease	54,370	125,005
Property tax	7,507	11,411
Recycling	36,988	44,374
Other, net of allowance	69,959	56,102
	<u>\$318,238</u>	<u>\$373,490</u>

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 4 – CAPITAL ASSETS

A. Capital Assets Activity

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

	<u>Balance June 30, 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>
Non-depreciable assets:				
Land and land rights	\$2,773,507			\$2,773,507
Easements	2,169,875	\$2,200		2,172,075
Construction-in-process	6,571,464	1,683,386	(\$5,872,648)	2,382,202
Total non-depreciable assets	<u>11,514,846</u>	<u>1,685,586</u>	<u>(5,872,648)</u>	<u>7,327,784</u>
Depreciable assets:				
Sewer system improvements	172,549,501	4,678,099	(16,477,265)	160,750,335
Sewer collection and outfall system	49,463,562	2,182,160		51,645,722
Sewer facilities equipment	8,304,515	310,187	16,220,086	24,834,788
Equipment	1,729,902	12,971	(9,395)	1,733,478
Total depreciable assets	<u>232,047,480</u>	<u>7,183,417</u>	<u>(266,574)</u>	<u>238,964,323</u>
Accumulated depreciation:				
Sewer system improvements	(39,766,966)	(4,062,184)	1,468,539	(42,360,611)
Sewer collection and outfall system	(14,723,552)	(598,692)		(15,322,244)
Sewer facilities equipment	(5,227,519)	(907,079)	(1,449,364)	(7,583,962)
Equipment	(927,921)	(93,967)	9,395	(1,012,493)
Total accumulated depreciation	<u>(60,645,958)</u>	<u>(5,661,922)</u>	<u>28,570</u>	<u>(66,279,310)</u>
Total depreciable assets, net	<u>171,401,522</u>	<u>1,521,495</u>	<u>(238,004)</u>	<u>172,685,013</u>
Total capital assets, net	<u><u>\$182,916,368</u></u>	<u><u>\$3,207,081</u></u>	<u><u>(\$6,110,652)</u></u>	<u><u>\$180,012,797</u></u>

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, 2016 and 2015**

NOTE 4 – CAPITAL ASSETS (Continued)

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

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2015</u>
Non-depreciable assets:				
Land and land rights	\$2,773,507			\$2,773,507
Easements	2,169,875			2,169,875
Construction-in-process	5,216,228	\$2,331,010	(\$975,774)	6,571,464
Total non-depreciable assets	<u>10,159,610</u>	<u>2,331,010</u>	<u>(975,774)</u>	<u>11,514,846</u>
Depreciable assets:				
Sewer system improvements	171,012,558	1,536,943		172,549,501
Sewer collection and outfall system	48,905,133	558,429		49,463,562
Sewer facilities equipment	8,117,280	267,803	(80,568)	8,304,515
Equipment	1,605,946	191,718	(67,762)	1,729,902
Total depreciable assets	<u>229,640,917</u>	<u>2,554,893</u>	<u>(148,330)</u>	<u>232,047,480</u>
Accumulated depreciation:				
Sewer system improvements	(35,631,996)	(4,134,970)		(39,766,966)
Sewer collection and outfall system	(14,164,014)	(559,538)		(14,723,552)
Sewer facilities equipment	(4,889,327)	(414,838)	76,646	(5,227,519)
Equipment	(901,776)	(92,105)	65,960	(927,921)
Total accumulated depreciation	<u>(55,587,113)</u>	<u>(5,201,451)</u>	<u>142,606</u>	<u>(60,645,958)</u>
Total depreciable assets, net	<u>174,053,804</u>	<u>(2,646,558)</u>	<u>(5,724)</u>	<u>171,401,522</u>
Total capital assets, net	<u><u>\$184,213,414</u></u>	<u><u>(\$315,548)</u></u>	<u><u>(\$981,498)</u></u>	<u><u>\$182,916,368</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.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 4 – CAPITAL ASSETS (Continued)

B. 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:

<u>Projects</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Wastewater treatment plant upgrade		\$4,332,365	\$3,834,595
Collection system improvements	\$634,528	1,497,782	132,920
Pump station rehabilitation		56,979	941,953
North Bay Water Reuse Authority	689,431	435,945	104,650
Hamilton Wetlands Outfall Monitoring	69,053	68,254	52,954
Novato Creek Watershed	100,443	100,000	
Administrative building updates	753,953	54,622	
RWF Expansion	59,553		
Various other minor projects <\$50,000	75,241	25,517	149,156
Total	<u>\$2,382,202</u>	<u>\$6,571,464</u>	<u>\$5,216,228</u>

NOTE 5 – COMPENSATED ABSENCES

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

<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2016</u>	<u>Due Within One Year</u>
<u>\$133,945</u>	<u>\$31,620</u>	<u>(\$8,579)</u>	<u>\$156,986</u>	<u>\$39,246</u>
<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>	<u>Due Within One Year</u>
<u>\$159,904</u>	<u>\$17,323</u>	<u>(\$43,282)</u>	<u>\$133,945</u>	<u>\$33,486</u>

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 6 – LONG-TERM DEBT

A. Long-Term Debt Activity

Changes in long-term debt amounts for 2015-2016 were as follows:

	<u>Balance June 30, 2015</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due within one year</u>
Long-term debt:				
2011 Wastewater Revenue				
Certificates of Participation	\$19,265,000	(\$885,000)	\$18,380,000	\$905,000
SRF Loan payable	<u>70,771,876</u>	<u>(3,680,431)</u>	<u>67,091,445</u>	<u>3,768,764</u>
Total long-term debt	<u>\$90,036,876</u>	<u>(\$4,565,431)</u>	<u>\$85,471,445</u>	<u>\$4,673,764</u>

Changes in long-term debt amounts for 2014-2015 were as follows:

	<u>Balance June 30, 2014</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Due within one year</u>
Long-term debt:				
2011 Wastewater Revenue				
Certificates of Participation	\$20,120,000	(\$855,000)	\$19,265,000	\$885,000
SRF Loan payable	<u>74,366,047</u>	<u>(3,594,171)</u>	<u>70,771,876</u>	<u>3,680,431</u>
Total long-term debt	<u>\$94,486,047</u>	<u>(\$4,449,171)</u>	<u>\$90,036,876</u>	<u>\$4,565,431</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>
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	970,000	664,548	1,634,548
2021	1,000,000	625,948	1,625,948
2022-2026	5,540,000	2,502,140	8,042,140
2027-2031	6,710,000	1,264,570	7,974,570
2032	<u>1,385,000</u>	<u>65,788</u>	<u>1,450,788</u>
Total	<u>\$18,380,000</u>	<u>\$7,340,838</u>	<u>\$25,720,838</u>

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 6 – LONG-TERM DEBT (Continued)

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.

As of June 30, 2016, the District has received \$81,328,983 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:

Fiscal Year	Principal	Interest	Total
2017	\$3,768,763	\$1,610,195	\$5,378,958
2018	3,859,212	1,519,744	5,378,956
2019	3,951,833	1,427,123	5,378,956
2020	4,046,677	1,332,279	5,378,956
2021	4,143,798	1,235,159	5,378,957
2022-2026	22,259,356	4,635,424	26,894,780
2027-2031	25,061,806	1,832,973	26,894,779
Total	<u>\$67,091,445</u>	<u>\$13,592,897</u>	<u>\$80,684,342</u>

NOTE 7 – OTHER 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:

	2016	2015	2014
Active plan members	12	14	14
Retirees and beneficiaries receiving benefits	20	20	22
Total plan membership	<u>32</u>	<u>34</u>	<u>36</u>

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 7 – OTHER 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 Bay Area amount. If the retiree is at least age 60 with at least 15 years of service, or age 55 with at least 25 years of service, the premium for the employee's 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 2016 and 2015, this minimum amount was \$125 and \$122 per month, respectively. This benefit is paid for as long as the retiree or spouse is living, provided he/she is covered under the CalPERS medical plans.

In addition, for employees hired after July 1, 2008, the District contributes 1.5% of the employees base monthly salary toward a Medical After Retirement Account (MARA) while employed.

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 34.02% 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.

For employees hired after July 1, 2008, the District contributions to the MARA are not included in OPEB accounting, but are accrued each year as an operating expense as they are contributed.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS PAYABLE (Continued)

D. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2015 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 rate of 5.0% 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>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$452,506	\$425,357	\$413,773
Interest on net OPEB obligation	50,272	43,361	36,772
Adjustment to annual required contribution	<u>(82,429)</u>	<u>(69,391)</u>	<u>(57,519)</u>
Total annual OPEB expense	420,349	399,327	393,026
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(242,322)</u>	<u>(226,567)</u>	<u>(228,301)</u>
Total change in net OPEB obligation	178,027	172,760	164,725
OPEB obligation - beginning of year	<u>1,256,796</u>	<u>1,084,036</u>	<u>919,311</u>
OPEB obligation - end of year	<u><u>\$1,434,823</u></u>	<u><u>\$1,256,796</u></u>	<u><u>\$1,084,036</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits as of June 30, 2016 amounted to \$6,313,211 per the actuarial study dated July 1, 2015.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 7 – OTHER 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
2016	\$420,349	\$242,322	57.65%	\$1,434,823
2015	399,327	226,567	56.74%	1,256,796
2014	393,026	228,301	58.09%	1,084,036

The Schedule of Funding Progress below, and the required supplementary information immediately following the notes to the financial statements, 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 actuarial study is presented below:

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)
7/1/2015	\$0	\$6,313,211	\$6,313,211	0.00%	\$1,329,966	474.690%

NOTE 8 – NET POSITION

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

	2016	2015
<i>Net investment in capital assets:</i>		
Capital assets - not being depreciated	\$7,327,784	\$11,514,846
Capital assets, net - being depreciated	172,685,013	171,401,522
SRF Loan Payable	(67,091,445)	(70,771,876)
Certificates of Participation	(18,380,000)	(19,265,000)
Unspent proceeds	1,693,859	1,693,343
Total net investment in capital assets	96,235,211	94,572,835
<i>Unrestricted net position:</i>		
Non-spendable net position:		
Prepaid expenses and deposits	55,224	52,296
Total non-spendable net position	55,224	52,296
Spendable net position:		
Undesignated net position reserve	12,257,070	10,974,274
Total spendable net position	12,257,070	10,974,274
Total unrestricted net position	12,312,294	11,026,570
Total net position	\$108,547,505	\$105,599,405

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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, 2016 and 2015 amounted to \$2,930,400 and \$2,842,141, 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 General Manager-Chief Engineer. The District's contribution for the General Manager-Chief 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, 2016 and 2015 amounted to \$826,483 and \$657,237, respectively.

NOTE 10 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – The District 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, 2016 and 2015**

NOTE 10 – PENSION PLANS (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

Miscellaneous Tier I	
<u>Prior to January 1, 2012</u>	
Hire date	
Benefit formula	2% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%
Required employee contribution rates	7.00%
Required employer contribution rates	8.512%
Miscellaneous Tier II	
<u>Between January 1, 2012 through December 31, 2012</u>	
Hire date	
Benefit formula	2% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	1.1% to 2.42%
Required employee contribution rates	7.00%
Required employer contribution rates	6.709%
Miscellaneous Tier III	
<u>On or after January 1, 2013</u>	
Hire date	
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	6.237%

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 10 – PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability and side fund was \$144,000 in fiscal year 2016.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Contributions - employer	\$261,884	\$7,635	\$11,416
Contributions - employer (on behalf of employee)	20,350		

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Tier I	\$3,529,806
Miscellaneous Tier II	(2,366)
Miscellaneous Tier III	809
Total Net Pension Liability	\$3,528,249

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 10 – PENSION PLANS (Continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Proportion - June 30, 2014	0.05356%	0.00003%	0.00002%
Proportion - June 30, 2015	0.12866%	-0.00009%	0.00003%
Change - Increase (Decrease)	0.07510%	-0.00012%	0.00001%

For the year ended June 30, 2016, the District recognized pension expense of \$128,697. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$301,285	
Differences between actual and expected experience	11,114	
Changes in assumptions		(\$105,150)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(184,535)	
Net differences between projected and actual earnings on plan investments	269,523	(322,236)
Adjustments due to differences in proportion		(526,044)
Total	\$397,387	(\$953,430)

The \$301,285 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	(\$336,147)
2018	(331,246)
2019	(257,316)
2020	67,381

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 10 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Tier I, II, and III
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 10 – PENSION PLANS (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous All Tiers
1% Decrease	6.65%
Net Pension Liability	\$6,180,933
Current Discount Rate	7.65%
Net Pension Liability	\$3,528,249
1% Increase	8.65%
Net Pension Liability	\$1,338,148

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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, 2016, 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 \$25,000 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 \$15,000,000 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 \$118,037,541 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 \$769,275 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, 2016, 2015 and 2014. 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, 2016, 2015 and 2014.

**NOVATO SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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, 2016 and 2015 was \$945,000 and \$1,055,000, 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 \$501,484 of open construction contracts as of June 30, 2016.

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
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of fiscal year ending June 30, 2016
 Last 10 Years*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE**

	District Miscellaneous Plans		
	Tier I	Tier II	Tier III
	6/30/2014	6/30/2014	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.05356%	0.00003%	0.00002%
Plan's proportion share of the Net Pension Liability (Asset)	\$3,332,844	\$2,082	\$970
Plan's Covered Employee Payroll	1,383,818	-	162,441
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	198.12%	2.16%	0.94%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	83.02%	83.02%
Plan's Proportionate Share of Aggregate Employer Contributions	440,923	275	128

NOVATO SANITARY DISTRICT
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of fiscal year ending June 30, 2016
 Last 10 Years*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE**

	District Miscellaneous Plans		
	Tier I	Tier II	Tier III
	6/30/2015	6/30/2015	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.12866%	-0.00009%	0.00003%
Plan's proportion share of the Net Pension Liability (Asset)	\$3,529,806	(\$2,366)	\$809
Plan's Covered Employee Payroll	1,333,185	113,800	183,043
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	264.76%	-2.08%	0.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.146053%	0.000217%	0.000114%
Plan's Proportionate Share of Aggregate Employer Contributions	1,098,231	(768)	256

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

NOVATO SANITARY DISTRICT
 Cost-Sharing Multiple Employer Defined Benefit Pension Plan
 As of fiscal year ending June 30, 2016
 Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	District Miscellaneous Plan		
	Tier I	Tier II	Tier III
	2015	2015	2015
Actuarially determined contribution	\$184,347	\$3,894	\$9,028
Contributions in relation to the actuarially determined contributions	(184,347)	(3,894)	(9,028)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered-employee payroll	\$1,383,818	\$0	\$162,441
Contributions as a percentage of covered-employee payroll	10.96%	4.04%	8.71%

Notes to Schedule

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.75% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

NOVATO SANITARY DISTRICT
Cost-Sharing Multiple Employer Defined Benefit Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	District Miscellaneous Plan		
	Tier I	Tier II	Tier III
	2016	2016	2016
Actuarially determined contribution	\$282,234	\$7,635	\$11,416
Contributions in relation to the actuarially determined contributions	(282,234)	(7,635)	(11,416)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered-employee payroll	\$1,333,185	\$113,800	\$183,043
Contributions as a percentage of covered-employee payroll	21.17%	6.71%	6.24%

Notes to Schedule

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.2% - 12.2% (1)
Investment rate of return	7.5% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Novato Sanitary District
Schedule of Funding Status – Other Post-Employment Benefits Obligation
As of Fiscal Year Ending June 30, 2016

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 Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2015	\$0	\$6,313,211	\$6,313,211	0.00%	\$1,329,966	474.690%
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%

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$6,313,211. 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, 2016 was estimated at \$1,329,966. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 474.68%

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, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 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%

Statistical Information Section

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**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.

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Financial Trends These schedules contain information to help the reader understand how the District’s Financial performance and well-being have changed over time.	48-50
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, sewer service charges.	51-56
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.	57-58
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	59
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.	60-61

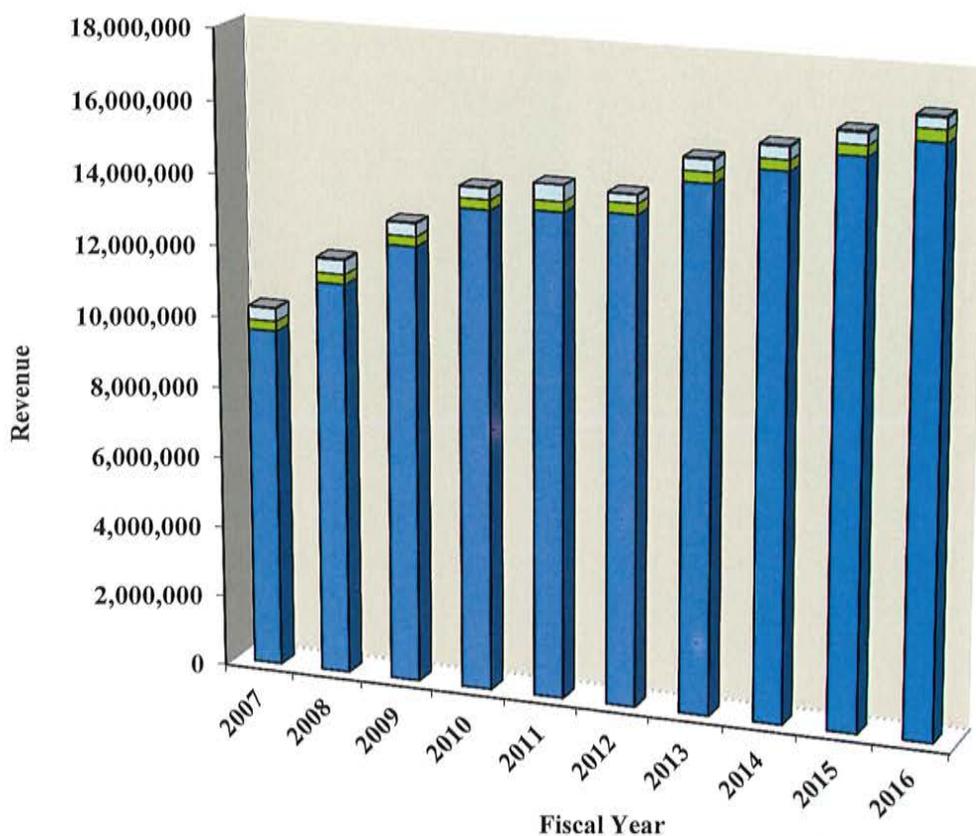
Novato Sanitary District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years
Schedule 1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Restated										
Changes in net position:										
Operating revenues (see Schedule 2)	10,226,728	11,768,650	12,948,148	14,071,716	14,316,441	14,225,286	15,341,529	15,849,099	16,372,320	16,919,629
Operating expenses (see Schedule 3)	(6,919,638)	(7,464,243)	(7,685,390)	(9,654,452)	(8,464,043)	(9,766,764)	(8,103,790)	(8,322,651)	(7,894,306)	(8,392,467)
Depreciation and amortization	(967,449)	(1,326,027)	(2,227,627)	(2,288,892)	(2,306,550)	(3,238,715)	(4,602,353)	(5,092,355)	(5,201,451)	(5,661,922)
Operating income(loss)	2,339,641	2,978,380	3,035,131	2,128,372	3,545,848	1,219,807	2,635,386	2,434,093	3,276,563	2,865,240
Non-operating revenues(expenses)										
Property taxes	1,796,003	1,995,120	1,928,207	1,866,049	1,773,877	1,795,489	1,795,781	1,941,241	1,999,816	2,155,479
Interest	657,453	1,081,073	702,002	196,303	30,387	37,129	67,050	45,673	43,117	71,592
Interest expense	(383,161)	(1,305,067)	(1,302,270)	(1,211,880)	(209,456)	(2,669,346)	(2,712,097)	(2,678,227)	(2,567,765)	(2,450,757)
Special Equalization Charges	527	2,908	-	-	-	76	32	-	-	-
Franchise fees/Rental Income	127,517	127,517	127,517	45,000	95,000	26,099	113,416	127,708	142,597	152,589
Deferred Charges Amortization	-	-	(18,689)	(18,689)	(16,744)	(10,564)	-	-	-	-
Gain/(Loss) on sale/disposition of assets	(453,852)	(221,920)	(83,842)	(909,553)	(6,634,450)	(367,095)	2,529	(3,502,140)	13,364	-
Other revenue/(expense), net	-	-	(2,022)	(17,644)	42,623	229,306	(339,663)	(270,260)	(135,556)	(82,683)
Total non-operating revenues(expenses), net	1,744,487	1,679,631	1,350,903	(50,414)	(4,918,763)	(958,906)	(1,072,952)	(4,336,005)	(504,427)	(153,780)
Net income before capital contributions	4,084,128	4,658,011	4,386,034	2,077,958	(1,372,915)	260,901	1,562,434	(1,901,912)	2,772,136	2,711,460
Connection Fees	2,325,277	316,609	647,101	1,277,790	174,631	880,541	146,949	343,773	291,565	223,240
Capital contributions	333,885	338,915	395,702	446,867	101,818	5,732	-	202,530	250,725	13,400
Capital Grant	-	-	-	-	221,689	1,433,561	-	16,250	-	-
Prior Year restatement(GASB 65)	-	-	-	-	-	(64,004)	-	-	-	-
Changes in net position	\$ 6,743,290	5,313,535	5,428,837	3,802,615	(874,777)	2,516,731	1,709,383	(1,339,359)	3,314,426	2,948,100
Net position by component:										
Prior Year adjustment	-	-	-	-	-	(64,004)	(6,774,168)	-	(4,299,128)	-
Net investment in capital assets	\$ 77,039,741	83,754,794	79,067,990	102,065,015	106,497,126	105,262,788	104,411,068	94,531,379	94,572,835	96,235,212
Unrestricted	31,022,492	29,620,974	28,475,692	9,281,282	3,974,394	7,789,467	10,286,566	12,052,728	15,325,698	12,312,293
Total net position	\$ 108,062,233	113,375,768	107,543,682	111,346,297	110,471,520	112,988,251	107,923,466	106,584,107	105,599,405	108,547,505

Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Operating Revenue By Source
Last Ten Fiscal Years
Schedule 2**

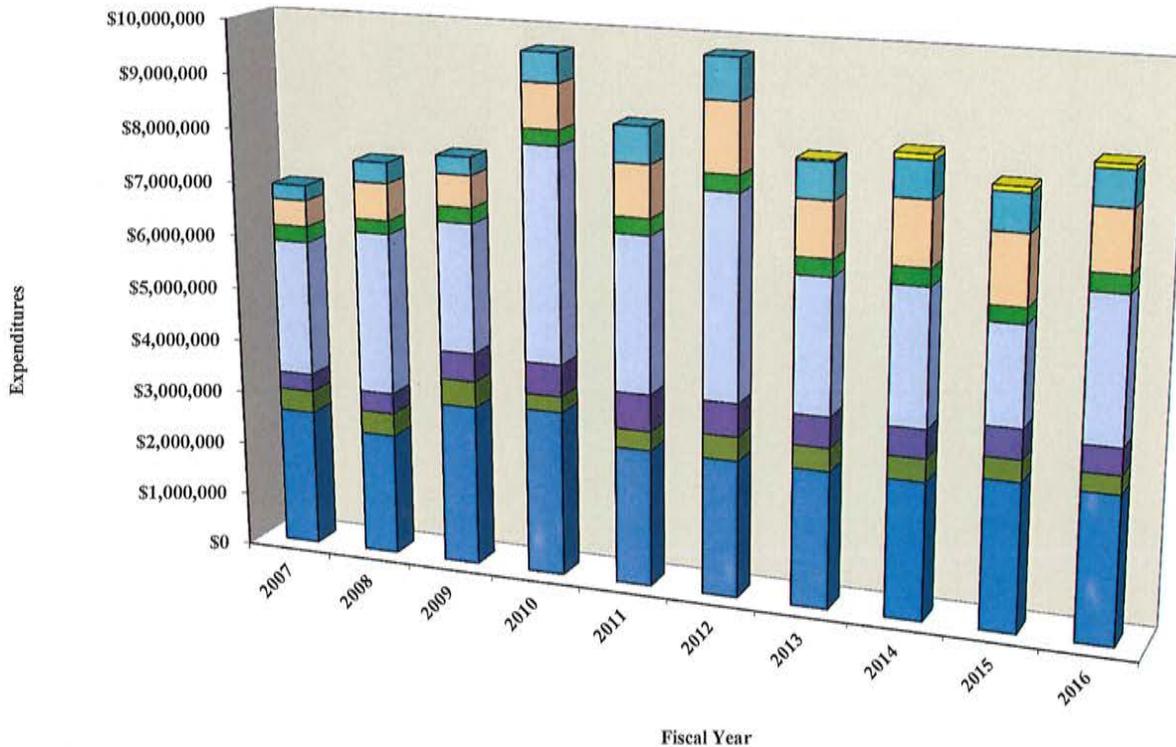
Fiscal Year	Wastewater Service Charges	Permits, Inspections and Other Fees	AB 939 Solid Waste Program	Other Operating Revenue	Total Operating Revenue
2007	\$9,573,338	\$20,063	\$271,378	\$361,949	\$10,226,728
2008	11,063,829	39,291	271,862	393,668	11,768,650
2009	12,286,426	27,408	271,862	362,452	12,948,148
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
2015	15,706,704	44,494	297,586	323,536	16,372,320
2016	16,222,876	46,283	342,621	307,849	16,919,629



Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Operating Expenses by Activity
Last Ten Fiscal Years
Schedule 3**

Fiscal Year	Collection System	Wastewater Treatment	Reclamation/ Disposal	Laboratory & Monitoring	Pump Stations	Recycled Water Facility	AB939 Solid Waste Programs	Administration & Engineering	Total Operating Expenses
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
2015	1,277,022	2,757,514	398,118	555,215	686,789	100,354	289,586	1,829,708	7,894,306
2016	1,116,422	2,734,327	337,887	487,624	641,965	92,028	325,068	2,657,146	8,392,467



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
Assessed Value of Taxable Property
Last Ten Years
Schedule 4**

Fiscal Year	Assessed Value	Percent Change
2007	\$9,491,627,231	
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	-1.08%
2013	9,618,666,723	4.00%
2014	10,091,742,535	4.92%
2015	10,706,043,851	6.09%
2016	11,261,143,408	5.18%

Source: From information provided by the County of Marin Assessor-Recorder-Clerk's Office.

**Novato Sanitary District
Property Tax Levies and Collections
Last Ten Fiscal Years
Schedule 5**

Year	Total	Tax Levy		Tax Collections			Current Year % Collected
		Prior Year	Current Year	Total	Prior Year	Current Year	
2007	\$1,762,233	\$1,745	\$1,760,488	\$1,762,233	\$1,745	\$1,760,488	99.90%
2008	2,002,026	2,202	1,999,824	2,002,026	2,202	1,999,824	99.89%
2009	1,928,207	1,701	1,926,506	1,928,207	1,701	1,926,506	99.91%
2010	1,725,949	1,752	1,724,197	1,725,949	1,752	1,724,197	99.90%
2011	1,773,877	2,696	1,771,181	1,773,877	2,696	1,771,181	99.85%
2012	1,795,167	2,066	1,793,101	1,795,167	2,066	1,793,101	99.88%
2013	1,795,782	1,562	1,794,220	1,795,765	1,545	1,794,220	99.91%
2014	1,941,094	1,321	1,939,773	1,941,094	1,321	1,939,773	99.93%
2015	1,999,816	2,696	1,997,120	1,999,816	2,696	1,997,120	99.87%
2016	2,155,479	1,346	2,154,133	2,155,479	1,346	2,154,133	99.94%

Source: From information provided by the County of Marin Assessor-Recorder-Clerk's Office.

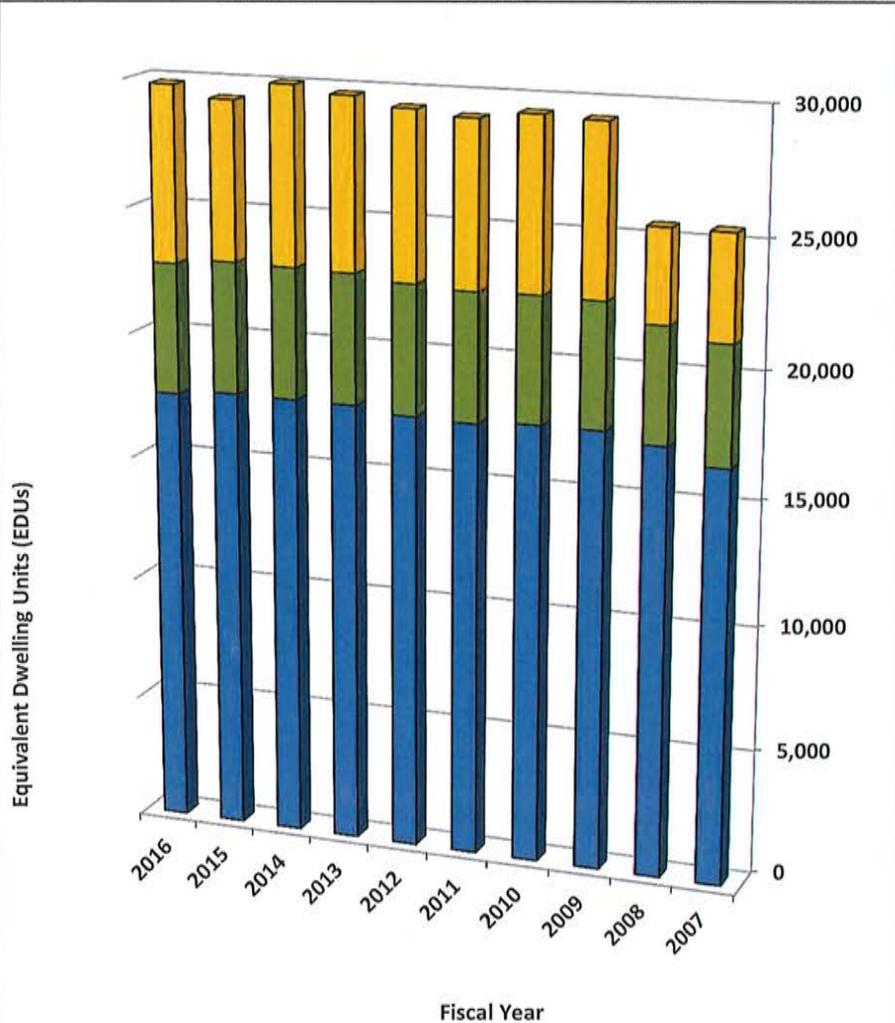
**Novato Sanitary District
Property Tax Levies and Collections
Last Ten Fiscal Years
Schedule 6**

Fiscal Year	Current Tax Levy	Current Tax Collections	Percent of Current Taxes	Prior Year Tax Collections,	Percent of Current Taxes	Net Collections
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
2015	1,997,120	1,997,120	100.0%	2,696	0.1%	1,999,816
2016	2,154,133	2,154,133	100.0%	1,346	0.1%	2,155,479

Source: From information provided by the County of Marin Assessor-Recorder-Clerk's Office.

Novato Sanitary District
Equivalent Dwelling Units by Customer Type at Fiscal Year-End⁽¹⁾
Last Ten Fiscal Years⁽²⁾
Schedule 7

Fiscal Year	Single Family Residential	Multi family Residential (3)	Commercial	Total
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
2015	17,741.20	5,234.20	6,312.95	29,288.35
2016	17,542.20	5,210.40	7,003.00	29,755.60



Notes:

- (1) The District charges its customers sewer service charges (SSC) on an equivalent dwelling unit(EDU) basis, and the charges appear on the customers' annual property tax bills.
- (2) EDUs as of June 30 of fiscal year.
- (3) Multi family residential includes apartments and condominiums.

Source: Novato Sanitary District Technical Services Department

**Novato Sanitary District
Wastewater Service Charges
Last Ten Fiscal Years
Schedule 8**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Price per EDU per year	\$ 382	\$ 422	\$ 462	\$ 462	\$ 462	\$ 462	\$ 493	\$ 512	\$ 531	\$ 552
Price per EDU per month	\$ 31.83	\$ 35.17	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 41.08	\$ 42.67	\$ 44.25	\$ 46.00

EDUs

EDU Factors

Single Family	1
Apartments, Condominiums, Duplexes and Townhouses	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 HCF
water use*

Base Charge/ Unspecified	\$ 0.23	\$ 3.00
Auditoriums theaters	\$ 0.23	\$ 3.00
Auto service stations	\$ 0.23	\$ 3.00
Churches	\$ 0.23	\$ 3.00
Gymnasium w/ showers	\$ 0.23	\$ 3.00
Office	\$ 0.23	\$ 3.00
Public office	\$ 0.23	\$ 3.00
Retail	\$ 0.23	\$ 3.00
School classrooms/administration	\$ 0.23	\$ 3.00
Meeting halls with kitchens	\$ 0.23	\$ 4.20
Mortuary	\$ 0.23	\$ 6.52
Supermarkets	\$ 0.30	\$ 6.52
Dental offices	\$ 0.30	\$ 3.00
Hospitals	\$ 0.30	\$ 3.00
Medical offices	\$ 0.30	\$ 3.00
Veterinary offices	\$ 0.30	\$ 3.00
Bakeries	\$ 0.45	\$ 6.52
Cafeteria/dining area	\$ 0.45	\$ 6.52
Delicatessens	\$ 0.45	\$ 6.52
Ice Cream/yogurt shops	\$ 0.45	\$ 6.52
Restaurants cafes	\$ 0.45	\$ 6.52
Laundry and Laundromats	\$ 0.68	\$ 4.20
Warehouse or Storage not live/work	\$ -00	\$ -00

Notes:

Rates as of July 1 of each year

Source: Novato Sanitary District Technical Services Department

**Novato Sanitary District
Principal Customers
Current Fiscal Year and Ten Years Ago
Schedule 9**

Customer	2016		2007	
	EDU's	Percentage of Total	EDU's	Percentage of Total
Novato Unified School District	460.08	1.55%	154.45	0.61%
Fireman's Fund	396.57	1.33%	138.00	0.54%
Vintage Oaks Shopping Center (not including Costco or Target	340.85	1.15%	305.88	1.20%
BioMarin Pharmaceutical	258.32	0.87%	121.88	0.48%
Hamilton Hangars (3-10)	169.63	0.57%	47.46	0.19%
Nave Bros	164.11	0.55%	180.18	0.71%
City Of Novato	151.94	0.51%	39.62	0.16%
Condiotti Enterprises Inc.	126.75	0.43%	24.31	0.10%
Novato Fair Shopping Center	113.65	0.38%	88.79	0.35%
Hamilton Marketplace	102.68	0.35%	-	0.00%
Total EDUs: Principal customers	2,284.58	7.69%	1,100.57	4.31%
Total Equivalent Dwelling Units (EDUs)	29,755.60	100.00%	25,459.75	100.00%

Source: Novato Sanitary District Technical Services Department

**Novato Sanitary District
Debt Coverage
Last Ten Fiscal Years
Schedule 10**

Fiscal Year	Net Revenues	Operating Expenses ^{(1),(3)}	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
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	18,185,824	(9,766,764)	8,419,060	21,136	2,669,346	2,690,482	3.129
2013	17,127,623	(8,103,790)	9,023,833	4,231,967	2,712,097	6,944,064	1.300
2014	14,753,874	(8,322,651)	6,431,223	4,339,933	2,678,227	7,018,160	0.916
2014 (2)	18,256,014	(8,322,651)	9,933,363	4,339,933	2,678,227	7,018,160	1.415
2015	18,977,948	(7,894,306)	11,083,642	4,449,171	2,567,765	7,016,936	1.580
2016	19,453,246	(8,392,467)	11,060,779	4,565,431	2,450,757	7,016,188	1.576

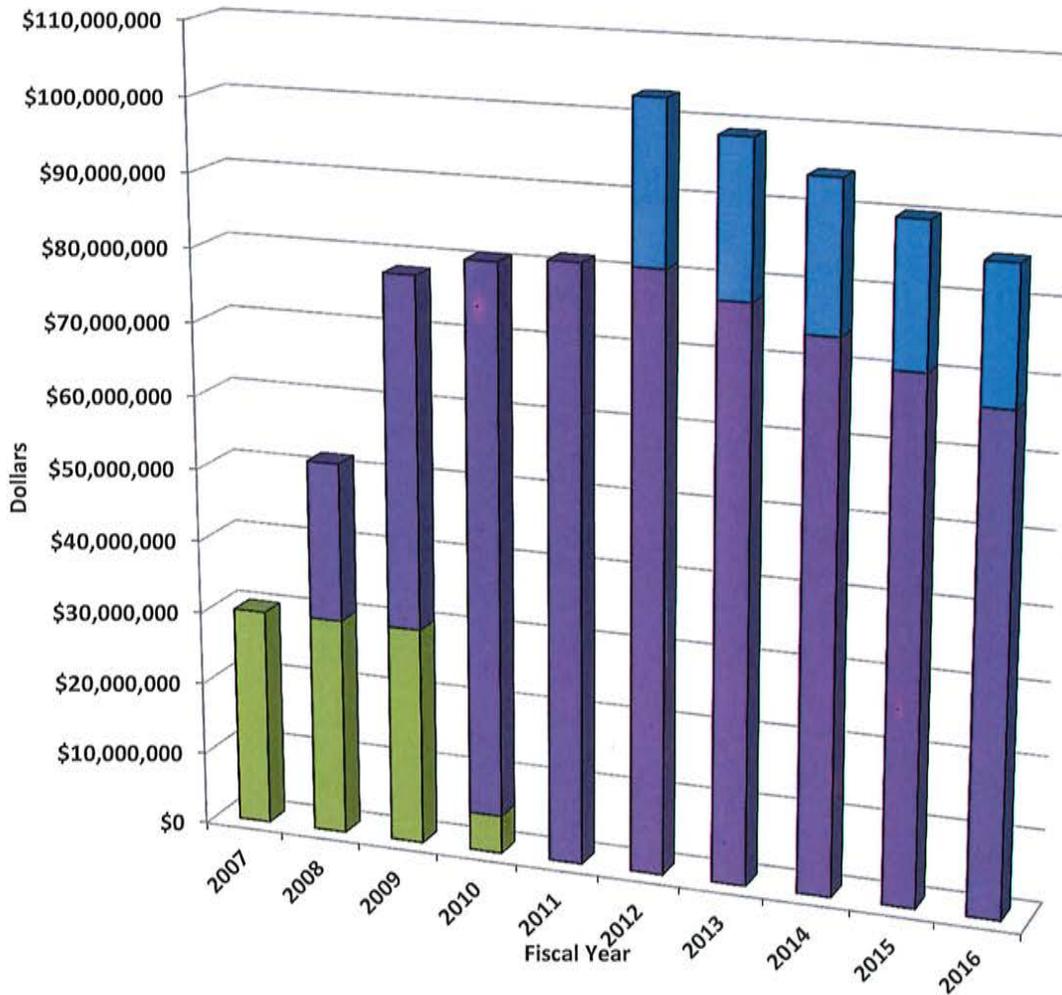
Notes:

- (1) Operating expenses exclude depreciation expense.
- (2) Net revenues calculated without the non-cash adjustment for the capital asset disposal/write down of \$3.5M in FY2014.
- (3) Information in this table is based on GAAP(Generally Accepted Accounting Principles) which is accrual basis accounting. Therefore, debt coverage ratios in this table will be different than those in the District's annual budget documents, which use cash basis accounting.

Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Schedule 11**

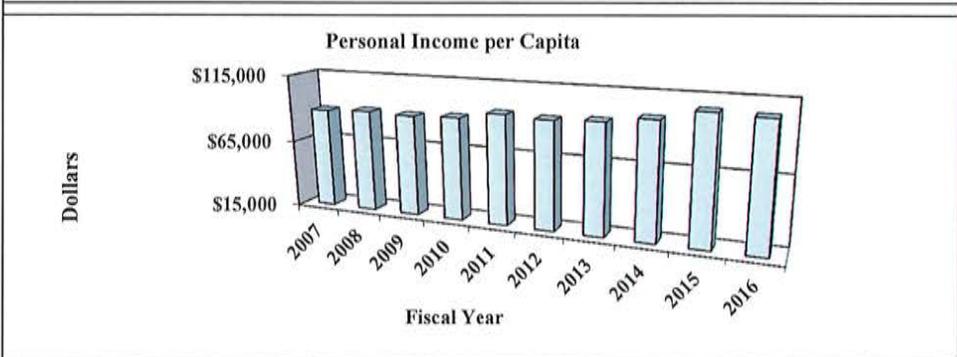
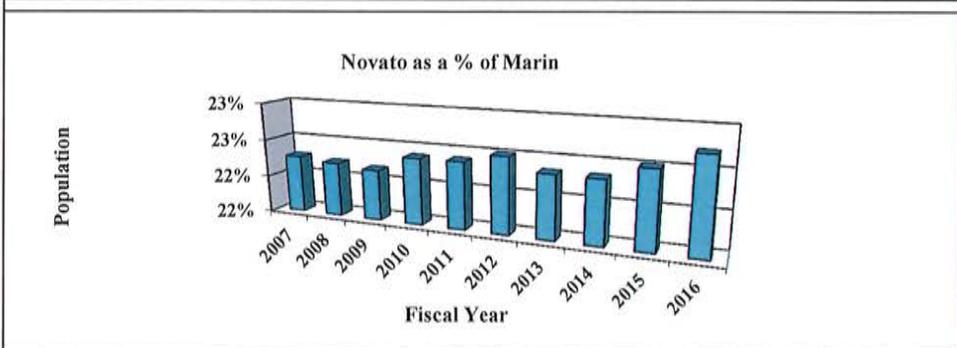
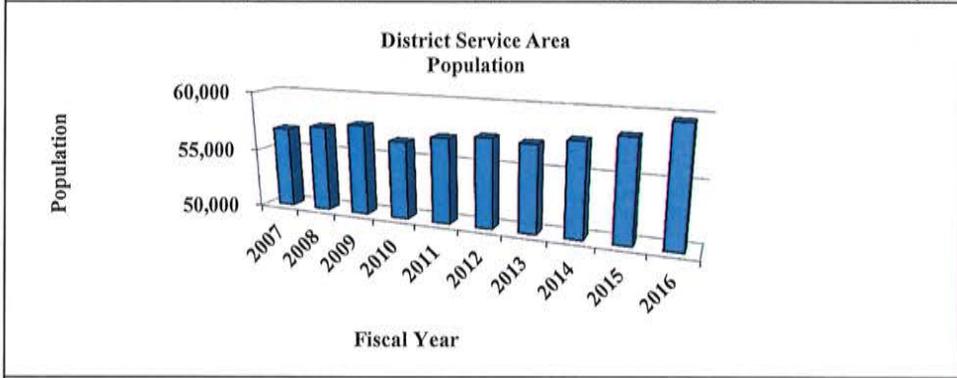
Fiscal Year	Credit Line	SRF Loan Payable	Certificates of Participation Bond Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2007	\$30,006,231			\$30,006,231	\$528.28	0.60%
2008	30,006,231	\$21,691,826		51,698,057	903.81	1.00%
2009	30,006,231	47,989,587		77,995,818	1,354.09	1.52%
2010	5,233,207	75,348,207		80,581,414	1,426.22	1.58%
2011	-	81,329,083		81,329,083	1,424.33	1.49%
2012	-	81,307,947	\$21,750,000	103,057,947	1,804.87	1.92%
2013	-	77,878,980	20,950,000	98,828,980	1,721.76	1.81%
2014	-	74,366,047	20,120,000	94,486,047	1,637.54	1.65%
2015	-	70,771,876	19,265,000	90,036,876	1,560.43	1.57%
2016	-	67,091,444	18,380,000	85,471,444	1,434.08	1.36%



Source: Novato Sanitary District Accounting Department

**Novato Sanitary District
Demographics and Economic Statistics
Last Ten Calendar Years
Schedule 12**

County of Marin ⁽²⁾						
Year	(1) District Service Area Population	Novato as a % of Marin	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2007	56,800	22%	4.4%	255,080	\$22,600,000	\$88,600
2008	57,200	22%	5.5%	257,406	23,200,000	90,130
2009	57,600	22%	9.4%	259,772	23,156,000	89,140
2010	56,500	22%	9.8%	252,409	22,800,000	90,330
2011	57,100	22%	9.5%	255,015	24,300,000	95,289
2012	57,400	23%	7.9%	255,031	23,920,000	93,793
2013	57,200	22%	6.0%	256,069	24,382,800	95,220
2014	57,700	22%	4.8%	258,365	25,645,300	99,260
2015	58,300	23%	3.9%	258,972	27,587,500	106,527
2016	59,600	23%	4.3%	262,274	27,587,550	105,186

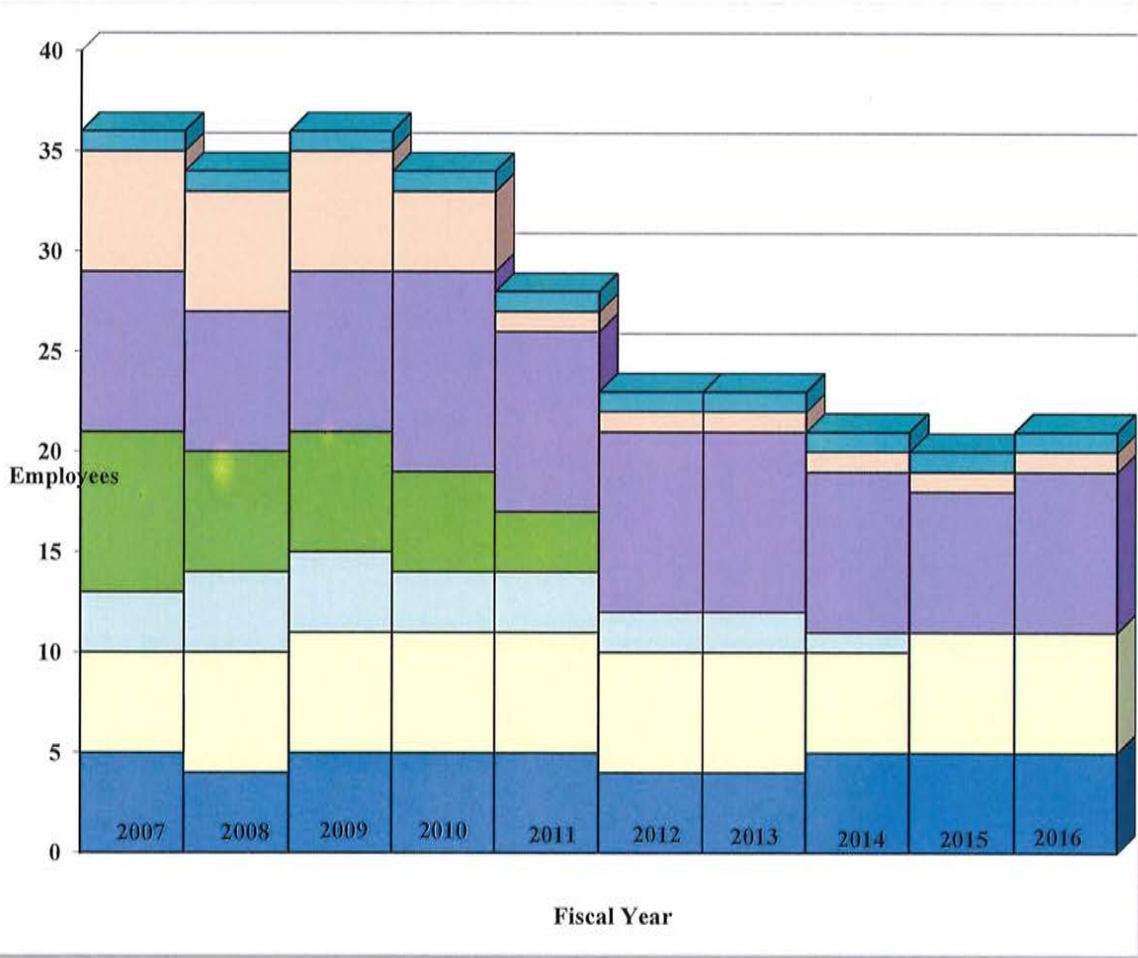


- Notes:**
- (1) Approximate population of Novato Sanitary District service area is 60,000 residents. Prior year data included only the City of Novato, rather than the District's entire service area which includes unincorporated areas beyond the City limits. Thus, the current and prior year data has been updated to reflect this information.
 - (2) Only County data is updated annually. Therefore, the District has chosen 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 Population Data, U.S. Bureau of Labor Statistics.

**Novato Sanitary District
Operating and Capacity Indicators
Last Ten Fiscal Years
Schedule 13**

Employees										
Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	5	4	5	5	5	4	4	5	5	5
Engineering	5	6	6	6	6	6	6	5	6	6
Lab Services	3	4	4	3	3	2	2	1	0	0
Operations	8	6	6	5	3	0	0	0	0	0
Collections	8	7	8	10	9	9	9	8	7	8
Maintenance	6	6	6	4	1	1	1	1	1	1
Safety	1	1	1	1	1	1	1	1	1	1
Total	36	34	36	34	28	23	23	21	20	21



Notes:

The decrease in operations staff (from 2010-2012) occurred with the transition of Treatment Plant Operations to Veolia Water. The Safety resource is a Central Marin Sanitation Agency (CMSA) employee and is a shared service position with CMSA.

Source: Novato Sanitary District Records

**Novato Sanitary District
Other Operating and Capacity Indicators
Last Ten Fiscal Years
Schedule 14**

Fiscal Year	Miles of Sewer Lines	Number of Pump Stations	Novato		Treatment Capacity (MGD)		Total Annual Treatment (MG)
			Novato	Ignacio	Novato	Ignacio	
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	264	42	3.88	0.000	7.05	0	1,788
2014	264	42	3.45	0.000	7.05	0	1,501
2015	264	42	3.33	0.000	7.05	0	1,628
2016	264	42	3.25	0.000	7.05	0	1,589

Notes:

N/A - Data not available for these years

MG - Millions of Gallons

MGD - Millions of Gallons per Day

*In 2008, the Ignacio Treatment Plant was transitioned to a transfer pump station (Ignacio Transfer Pump Station), and all wastewater treatment capability was consolidated at the Novato Treatment Plant site.

Source: Novato Sanitary District Technical Services and Accounting Departments

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NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2016

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**NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2016

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
the Novato Sanitary District
Novato, California

We have audited the financial statements of the Novato Sanitary District (District) for the year ended June 30, 2016, and have issued our report thereon dated November 16, 2016. In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the District.

The District's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
November 16, 2016

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**NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2016**

2016-01: New GASB Pronouncements or Pronouncements Not Yet Effective

There are a number of new accounting and financial reporting pronouncements that have been issued by the Governmental Accounting Standards Board, the authoritative standard setting body in the United States. We have included the ones that may have an impact on the District's financial statements in the next couple of years, to keep you informed about these developments on a proactive basis.

Effective in fiscal year 2016-17:

GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB 77 – Tax Abatement Disclosures

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

**NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2016**

GASB 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans (Continued)

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 – Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

GASB 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

**NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2016**

GASB 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 (Continued)

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

Effective in fiscal year 2017-18:

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB 81 – Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

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REQUIRED COMMUNICATIONS

To the Board of Directors of
the Novato Sanitary District
Novato, California

We have audited the basic financial statements of the Novato Sanitary District (District) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are included in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncements became effective, but did not have a material effect on the financial statements:

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants

The following pronouncement became effective and is disclosed in Note 1P to the financial statements.

GASB Statements No. 72 – Fair Value Measurement and Application

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 10 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability: Management's estimate of the net OPEB liability is disclosed in Note 7 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note II to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all/certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 16, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the required supplementary information accompanying the financial statements, we 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 did not express an opinion nor 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.

The Introductory and Statistical Sections included as part of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we did not express an opinion nor provide any assurance on them.

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California
November 16, 2016

NOVATO SANITARY DISTRICT BOARD AGENDA AGENDA ITEM SUMMARY

TITLE: Update on Post-Employment Benefits Trust.	MEETING DATE: December 12, 2016 AGENDA ITEM NO.: 6.e.
<p>RECOMMENDED ACTION: Receive update on implementation of the combined Post-Employment Benefits Trust to address the District’s liabilities related to Governmental Accounting Standards Board Statement No. 45 (“GASB 45”) for Post-Employment Benefits Other than Pensions, and GASB 68 for Net Pension Liability (NPL), and provide further direction, if any.</p>	
<p>SUMMARY AND DISCUSSION:</p> <p>At its November 14, 2016 meeting, the District Board approved implementing a combined Post-Employment Benefits Trust with Public Agency Retirement Services (PARS), Newport Beach, CA, to address the District’s GASB 45 and 68 liabilities.</p> <p>Subsequently, PARS provided the District with the necessary agreements and legal documents to implement the District’s trust program. District Counsel has reviewed these documents and they are now ready to be executed by the District. At the November 14, 2016 meeting, the Board had authorized the General Manager to serve as the Plan Administrator and execute all required legal and administrative plan documents on the District’s behalf. It is expected that, unless otherwise directed by the Board, the General Manager will execute these documents over the next few weeks.</p> <p>At the November 14, 2016 meeting, the Board also authorized funding the combined trust program with an initial partial discretionary amount of \$900,000 from the projected unencumbered available cash balance of about \$2.0 million (as of July 1, 2017) in the Operating Fund. Further, the \$900,000 amount was to be divided into contributions of \$700,000 to the GASB 45 portion of the trust program, and \$200,000 to the GASB 68 portion of the program, with both contributions invested on a monthly, “dollar-cost averaging” basis. It is anticipated that the District’s trust program/fund will be in place by the end of the year or early next year. Therefore, staff anticipates the District will transmit six (6) or seven (7) equal monthly payments totaling \$900,000 into its trust fund over the remainder of this 2016-17 fiscal year, depending on the timing for completion of the program set-up. Further, individual monthly payments will be presented for Board approval on an ongoing basis, consistent with the District’s standard disbursement practices.</p> <p>Also, the Board provided a “conservative” investment philosophy and a desired 3%-5% long term investment goal for the combined PARS trust fund. PARS offers two “conservative” implementation strategies that fit these parameters, i.e. Highmark PLUS, and Index PLUS (see attached Investment Strategy Selection and Disclosure Form, and data sheets). Of these two options, the Highmark PLUS has an active investment approach utilizing actively managed mutual funds, while the Index PLUS has a passive investment approach utilizing well known, index based securities, including exchange traded funds (ETFs). The Index PLUS thus appears to be the more conservative of the two options, and District funds will be directed to the Index PLUS option, unless otherwise directed by the Board.</p>	
<p>ATTACHMENTS: 1. PARS Investment Strategy Selection and Disclosure Form, and 2. Data sheets for the Highmark PLUS and Index PLUS implementation strategies.</p>	
<p>STRATEGIC PLAN INFORMATION: This item addresses Goal 4 (Well Planned Finances with a Long Range Outlook) of the latest Strategic Plan Update. It also addressess other goals of the Strategic Plan including Goal 1 (Operational Excellence), and Goal 3 (Alignment and Communications).</p>	
DEPT. MGR.: lc, ssk	GENERAL MANAGER: SSK

Investment Strategy Selection and Disclosure Form PARS Pension / OPEB Trust Program

■ This document is entered into by client and U.S. Bank National Association ("U.S. Bank"), as trustee.

■ Employer: Novato Sanitary District

■ Plan/Trust Name: Public Agencies Post-Employment Benefits Trust

■ To: HighMark Capital Management, Inc. and U.S. Bank

U.S. Bank has been or is hereby appointed Investment Manager of the above-referenced Plan/Trust. Please invest the assets of the above-referenced Plan/Trust for which you have been appointed Investment Manager in the (select one of the strategies listed below for each Plan funded by the Trust):

DIVERSIFIED PORTFOLIOS

<input type="checkbox"/>	OPEB Account	<input type="checkbox"/>	Pension Account	Primary Goal	Strategic Range
<input type="checkbox"/>	Liquidity Management (US Treasury)	<input type="checkbox"/>	Liquidity Management (US Treasury)	Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations.	Money Market Fund
<input type="checkbox"/>	Liquidity Management (Prime Obligation)	<input type="checkbox"/>	Liquidity Management (Prime Obligation)	Generate current income with liquidity.	Money Market Fund
<input type="checkbox"/>	Conservative HighMark PLUS	<input type="checkbox"/>	Conservative HighMark PLUS	Provide a consistent level of inflation-protected income over the long-term.	Equity: 5-20% Fixed Income: 60-95% Cash: 0-20%
<input type="checkbox"/>	Conservative Index PLUS	<input type="checkbox"/>	Conservative Index PLUS		
<input type="checkbox"/>	Moderately Conservative HighMark PLUS	<input type="checkbox"/>	Moderately Conservative HighMark PLUS	Provide current income with capital appreciation as a secondary objective.	Equity: 20-40% Fixed Income: 50-80% Cash: 0-20%
<input type="checkbox"/>	Moderately Conservative Index PLUS	<input type="checkbox"/>	Moderately Conservative Index PLUS		
<input type="checkbox"/>	Moderate HighMark PLUS	<input type="checkbox"/>	Moderate HighMark PLUS	Provide current income and moderate capital appreciation.	Equity: 40-60% Fixed Income: 40-60% Cash: 0-20%
<input type="checkbox"/>	Moderate Index PLUS	<input type="checkbox"/>	Moderate Index PLUS		
<input type="checkbox"/>	Balanced HighMark PLUS	<input type="checkbox"/>	Balanced HighMark PLUS	Provide growth of principal and income.	Equity: 50-70% Fixed Income: 30-50% Cash: 0-20%
<input type="checkbox"/>	Balanced Index PLUS	<input type="checkbox"/>	Balanced Index PLUS		
<input type="checkbox"/>	Capital Appreciation HighMark PLUS	<input type="checkbox"/>	Capital Appreciation HighMark PLUS	Primary goal is growth of principal.	Equity: 65-85% Fixed Income: 10-30% Cash: 0-20%
<input type="checkbox"/>	Capital Appreciation Index PLUS	<input type="checkbox"/>	Capital Appreciation Index PLUS		
<input type="checkbox"/>	Custom	<input type="checkbox"/>	Custom	Specify:	

Note: HighMark PLUS portfolios are diversified portfolios of actively managed mutual funds. Index PLUS portfolios are diversified portfolios of Index-based mutual funds or exchange-traded funds.

Acknowledged and Approved	
Signature of Authorized Signer	General Manager-Chief Engineer
Sandeep Karkal, P.E.	Title
Print Name of Authorized Signer	Date

PARS DIVERSIFIED PORTFOLIOS
CONSERVATIVE

Q3 2016

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution
HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

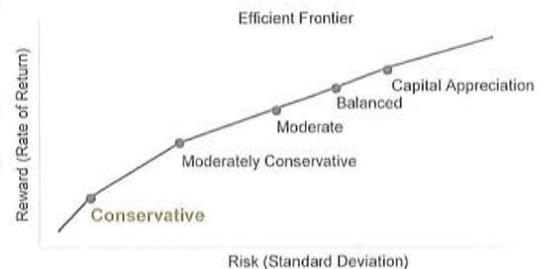
Rigorous Manager Due Diligence
Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management
The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	15%
Fixed Income	60 – 95%	80%	79%
Cash	0 – 20%	5%	6%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	1.57%	Current Quarter*	1.10%
Blended Benchmark**	1.15%	Blended Benchmark**	1.15%
Year To Date*	5.79%	Year To Date*	5.45%
Blended Benchmark*	5.09%	Blended Benchmark*	5.09%
1 Year	6.20%	1 Year	5.79%
Blended Benchmark	5.50%	Blended Benchmark	5.50%
3 Year	3.88%	3 Year	3.79%
Blended Benchmark	3.80%	Blended Benchmark	3.80%
5 Year	4.98%	5 Year	4.42%
Blended Benchmark	4.09%	Blended Benchmark	4.09%
10 Year	4.68%	10 Year	4.25%
Blended Benchmark	4.19%	Blended Benchmark	4.19%

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM FREE, 2% MSCI EAFE, 52.25% BC US Agg, 25.75% ML 1-3 Yr US Corp/Govt, 2% US High Yield Master II, 0.5% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Govt, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-9.04%	2008	-6.70%
2009	15.59%	2009	10.49%
2010	8.68%	2010	7.67%
2011	2.19%	2011	3.70%
2012	8.45%	2012	6.22%
2013	3.69%	2013	3.40%
2014	3.88%	2014	4.32%
2015	0.29%	2015	0.06%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	07/2004	Inception Data	07/2004
No of Funds in Portfolio	19	No of Funds in Portfolio	13

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts that have been liquidated, or accounts that have been liquidated and replaced by international (non-U.S.) individual securities, funds, or a combination thereof. Account liquidations are based on the date of liquidation. Concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

SAMPLE HOLDINGS

HighMark Plus (Active)

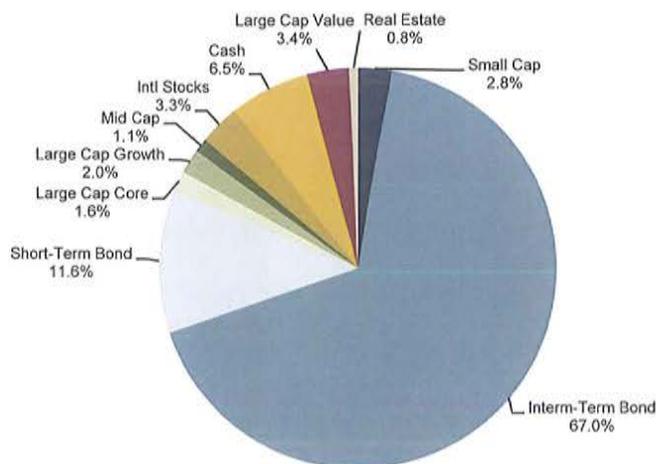
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
Loomis Sayles Value Y
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Government Obligations Z
Prudential Total Return
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Harbor Capital Appreciation
Schroder Emerging Market Equity
Dodge & Cox Stock
Nuveen Real Estate Securities I
Undiscovered Managers Behavioral Value

Index Plus (Passive)

iShares S&P 500
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
iShares Barclays Aggregate Bond
Vanguard Short-Term Invest-Grade Adm
First American Government Obligations Z
Vanguard FTSE Emerging Markets ETF
Vanguard REIT ETF

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of September 30, 2016, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFJ Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFJ Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

HIGHMARK CAPITAL MANAGEMENT

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800-582-4734

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ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$15.4 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Andrew Bates, CFA®

Portfolio Manager
Investment Experience: since 2008
HighMark Tenure: since 2015
Education: BS, University of Colorado

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
Investment Experience: since 1985
HighMark Tenure: since 1995
Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 16
Average Years of Experience: 25
Average Tenure (Years): 12

Manager Review Group

Number of Members: 8
Average Years of Experience: 18
Average Tenure (Years): 6

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Operations Report, November 2016.

MEETING DATE: December 12, 2016

AGENDA ITEM NO.: 7.a.

RECOMMENDED ACTION: Receive Wastewater Operations Report for November 2016.

SUMMARY AND DISCUSSION:

The November 2016 Wastewater Operations Report incorporating operations reports for wastewater treatment operations, collection system operations, and the reclamation facilities is attached.

District and Veolia staff will be present at the meeting to provide overviews of the reports for their operational areas, and be available to discuss the reports or respond to any questions.

ATTACHMENTS: 1. Wastewater Operations Report for the month of November 2016.

STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 2 (Reliable and Efficient Facilities) of the latest Strategic Plan Update.

DEPT. MGR.: JB (Veolia), SRK, DD, EB

GENERAL MANAGER: SSK



December 6, 2016

Mr. Sandeep Karkal
General Manager – Chief Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94545

Subject: Veolia Water Operations Report – November 2016

Dear Mr. Karkal:

I am pleased to provide the Monthly Operation report for November 2016.

As always, please give me a call at 707-208-4491 should you have any questions.

Best regards,

A handwritten signature in blue ink, appearing to read "John Bailey". The signature is fluid and cursive.

John Bailey
Project Manager, Veolia



**MONTHLY OPERATIONS REPORT
November 2016**

Prepared for

**NOVATO SANITARY DISTRICT (NSD)
WASTEWATER TREATMENT PLANT
500 Davidson Street
Novato, CA 94945**

Prepared by

Veolia Water West Operating Services, Inc. (VWWOS)

TABLE OF CONTENTS

A: TREATMENT PLANT PERFORMANCE SUMMARY
B: SAFETY AND TRAINING
C: OPERATIONS AND MAINTENANCE STATUS / REVIEW
D: LABORATORY ACTIVITIES SUMMARY
E: ADMINISTRATION
F: ODORS & LANDSCAPING
G: MISCELLANEOUS

ATTACHMENTS

- Photos
 - Laboratory Data
 - Recycled Water Report
 - Annual Performance Graphs
 - Process Control Data / Graphs
 - Customer Notifications (Odor / Noise)
 - Jerome Meter Readings and Locations
-

A: TREATMENT PLANT PERFORMANCE SUMMARY: November 2016:

Parameter	Value		Limit	
	Ave	Max	#1	#2
Flow, MGD (monthly ave/max)	4.84	10.83	N/A	N/A
Max Peak Hour, MGD – 11/19/16 : 1300 - 1400 Hours	N/A	~12.5	N/A	N/A
Influent				
BOD ₅ , lb/day (month ave/max)	9,414	10,108	N/A	N/A
TSS, lb/day (monthly ave/max)	14,436	21,045	N/A	N/A
Effluent				
BOD ₅ , mg/L (monthly ave/max weekly ave)	<5	6	30	45
TSS, mg/L (monthly ave/max weekly ave)	9.3	16	30	45
BOD ₅ - % Removal, Minimum	97	N/A	85	N/A
TSS - % Removal, Minimum	97	N/A	85	N/A
Ammonia, mg/L – (monthly ave/daily max)	0.36	0.36	5.9	21
pH, su (min / max)	6.8	7.0	6.0	9.0
Enterococcus, MPN/100 ml (30 day geo mean)	2.2	N/A	35	N/A
Fecal Coliform, MPN/100 ml (30 day median)	2.0	N/A	140	N/A
Fecal Coliform, MPN/100 ml (90 th percentile)	2.0	N/A	430	N/A
Total Permit Exceedances (NPDES)	0			

Title 22 - Recycled Water Production and Quality

Description	Units	Value	Limit
Volume Produced	Million Gallons	0.357	N/A
Average Turbidity	NTU	1.6	2.0
Turbidity > 5 NTU (in 24 hour)	Minutes	0	72
Minimum CT (disinfection)	mg-min/L	>450	450 minimum
Minimum Dissolved Oxygen (DO)	mg/L	7.4	2 mg/L minimum
Maximum Total Coliform	MPN/100 ml	<2	240
Maximum Total Coliform 2 Samples 30 d	MPN/100 ml	<2	23
Total Coliform 7 Sample Median	MPN/100 ml	<2	2.2

Discussion of Violations / Excursions

- Bay Discharge (NPDES) - None
- Recycled Water – None



B: SAFETY AND TRAINING:

- Monthly plant safety inspections for Novato WWTP and Ignacio Transfer Pump Station completed
- Five Minute Tailgate training is held daily with all staff.
- No safety incidents for the month of November
- Accident Free: 6/1/10 – 11/30/16: 2,381 days
- Performed Annual Safety Audit
- Monthly Safety Topics and Training:
 - First Aid / CPR / AED Training
 - Cold Stress and Winter Safety

C: OPERATIONS & MAINTENANCE STATUS / REVIEW:**Key events for the period:****Novato**

- Routine rounds, readings and maintenance
- Annual inspection on all Flygt Pumps
- Assisted District with Arc Flash Survey

Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement

- Aeration Basin #1 & #3 (not needed at current flows)
- Secondary Clarifier #2 (not needed at current flows)
- Primary Clarifier #1 (not needed at current flows)

Ignacio Transfer Pump Station

- Routine rounds, readings and maintenance
- Annual inspection on all Flygt Pumps
- Repaired PLC fan in control room
- Replaced compressor on Bubbler #1

Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement

- None

Recycled Water Plant (RWP)

- Performed plant rounds and maintenance

Equipment Out of Service – Due to Planned Servicing, Maintenance, or Replacement

- None

Sludge Lagoons

- Performed routine rounds and inspection
- Flushed Decant Line



D: LABORATORY ACTIVITIES SUMMARY:**Discharge to Bay****Wildlife Pond and Reclamation Activities****Wildlife Pond**

Samples and weekly/monthly observations at the Wildlife pond were taken according to the WDR (Order No. 92-065).

Irrigation Wetwell Sampling

The last monthly sampling of the irrigation wetwell for 2016 was performed in November (started in June). The data collected will be compiled and reported in the 2018 triennial Irrigated Pasture Report.

Total Coliforms

When effluent is discharged to the Bay, there is no requirement for Total Coliform.

Enterococcus

When effluent discharged to the Bay the bacteriological requirement is for *Enterococcus*. Three samples were analyzed each week in November and all were well under the regulatory limits.

Fecal Coliforms

Fecal Coliforms are required once per quarter during Bay discharge. One sample was analyzed in November and well under the regulatory limit.

Whole Effluent Toxicity Testing

Quarterly Acute and Chronic Toxicity is required during Bay Discharge. Testing began on November 2, 2016. Both analyses were performed by Aqua Science in Davis, CA and were compliant. Acute Toxicity testing results yielded 100% survival.

PCBs (40 Congeners)

Samples were sent to Frontier Analytical November 2, 2016. There was one result above the method (reporting) limit, but there is no effluent limit for PCBs, and hence no compliance issue. These PCB Congeners are analyzed quarterly during bay discharge.

Semi-Annual Sampling:

Semi-Annual sampling occurred in November for PCBs (as congeners see above), the extended list for Metals, Phenols, Volatile and Semivolatile Organics, Organophosphorous and Chlorinated Pesticides. Sampling was mainly for Influent as the effluent monitoring was modified (i.e. reduced) by Water Board Order R2-2018-0008 (Alternate Monitoring and Reporting Programs for Municipal Wastewater Dischargers to Add Support for RMP) which took effect April 1, 2016.

Training

- Liz Falejczyk attended a CWEA training on ELAP (Environmental Laboratory Accreditation Program)- Statues and Regulations.



BACWA

Liz attended the BACWA Permits Committee Meeting with Erik Brown.

Pretreatment**Permits**

- Received one Class I Temporary Discharge Permit Closeout notification
- Renewed one Class III Discharge Permit
- Renewed one Waste Hauler Permit

Inspections

- 1 Class I, Significant Industrial User
- 1 Class III, Industrial User
- 1 Food Service Establishment
- 1 Class I, Temporary Discharger

Public Education

Liz attended the "Thank You" reception at the Buck Center for presenters at the North Bay Science Discovery Day, November 16th.

E: ADMINISTRATION:

- October Electronic Self-Monitoring Report (SMR) submitted on November 18, 2016
- October Electronic Discharge Monitoring Report (DMR) submitted on November 18, 2016
- October Recycled Water Report submitted on November 18, 2016

F: ODORS & LANDSCAPING:

- No contacts from neighbors during the month.
- Jerome meter (H₂S) readings performed in neighborhood and within treatment plant.
- All readings in neighborhood were at the minimum detection threshold of the Jerome meter.
- Sodium Hypochlorite tank for Ignacio has been ordered.

G: MISCELLANEOUS

- Process Control Management Plan (PCMP) meetings held weekly.
- Union Contract Negotiations
- Black and Veatch/Orange County Sanitation District, Plant Tour – Primary Clarifier Covers

Veolia Support Staff On/Off Site (Various Times)

John O'Hare (Veolia Corporate)

Technical Support, Pretreatment & Laboratory

Mike Schnack (Veolia Corporate)

Human Resources, Contract Negotiation

Matt Nausin (Veolia Richmond)

Pump Mechanic, Annual Service - Flygt Pumps



PHOTOS

ANNUAL SERVICE FLYGT INFLUENT PUMPS NOVEMBER 2016



Top Left & Right – Jeff Hendricks and Alejo Cuntapay direct removal and placement of Influent Pump for inspection
Bottom Left – Jeff prepared to inspect Influent Pump
Bottom Right – Alejo & Jeff remove Flygt Mixing Pump from Aeration Basin.

CWEA REDWOOD EMPIRE SECTION AWARDS DINNER
NOVEMBER 2016



Top - NSD Collection Crew - Javier Vega (2015 Collection Person of the Year), Joe Moreno, Aaron Hendricks (2016 Collection Person of the Year), Dasse de long, & Field Services Supervisor, Steve Krautheim

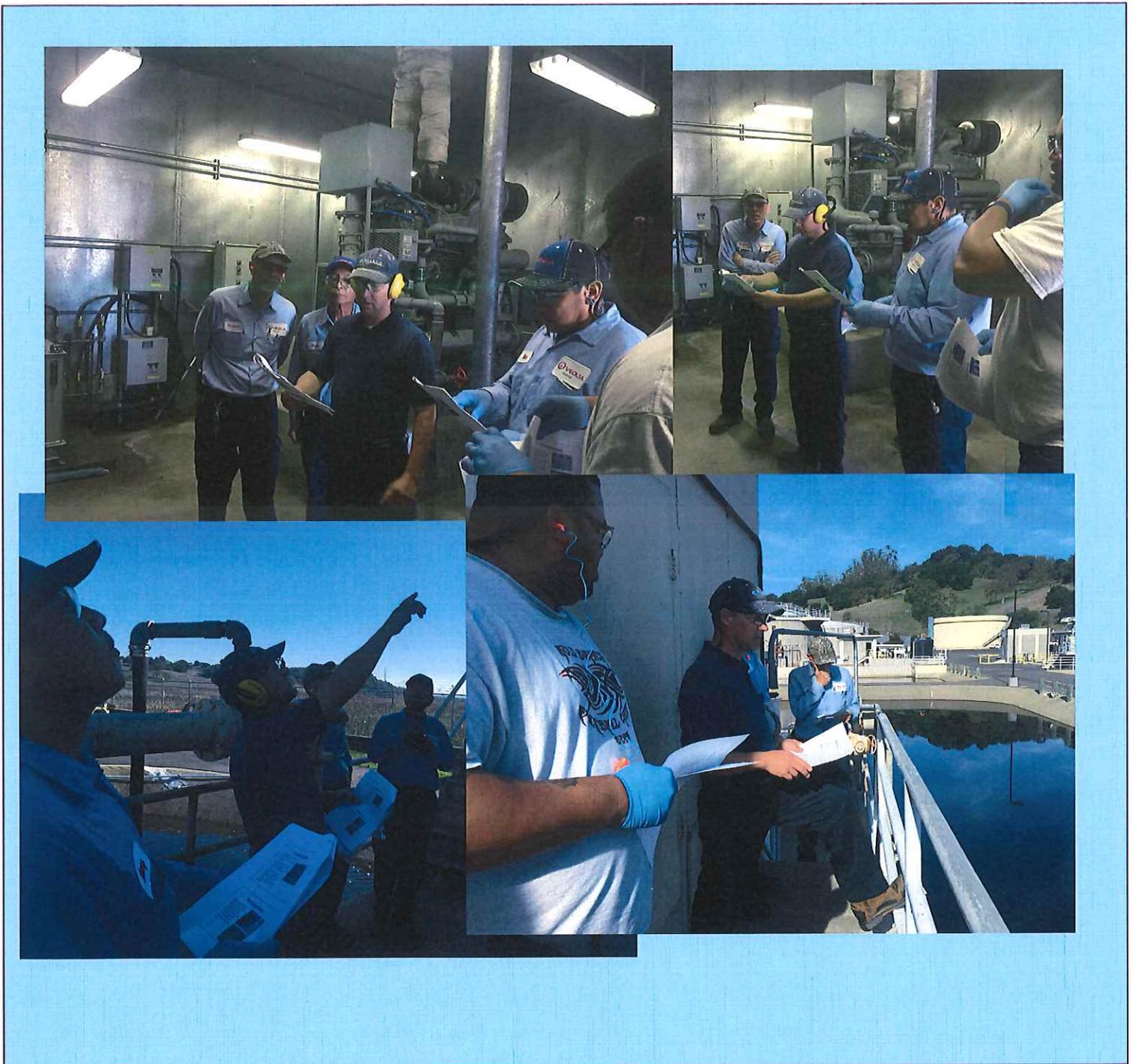
Bottom – NSD Administrative Secretary, Julie Hoover & Dasse de long

CWEA REDWOOD EMPIRE SECTION AWARDS DINNER
CONGRATULATIONS AARON HENDRICKS
COLLECTION SYSTEM PERSON OF THE YEAR
NOVEMBER 2016



Top – NSD Collection System Crew Member Aaron Hendricks accepts Collection Worker of the Year award from Redwood Section President, Matt Winkelman and CWEA President, Debi Lewis.
Bottom – NSD Crew enjoys the dinner and camaraderie.

WET WEATHER PUMP STATION – SOP REVIEW
NOVEMBER 2016



Assistant Project Manager / Operations Supervisor - Brian Exberger leads the "hands on" SOP review for proper operation of Wet Weather pumping system.

LABORATORY DATA

Novato Sanitary District
BOD/TSS Report



November, 2016

Date	Flow MGD	Influent				Effluent				BOD % Removal	TSS % Removal
		BOD		TSS		BOD		TSS			
		mg/l	lb/d	mg/l	lb/d	mg/l	lb/d	mg/l	lb/d	PERCENT	PERCENT
11/01/16	4.76	210	8,337	304	12,068	<5	<198	6	238	97.6	98.0
11/02/16	4.41					<5	<184	5	184		
11/03/16	4.26										
11/04/16	3.96										
11/05/16	3.85										
11/06/16	4.23										
11/07/16	3.83										
11/08/16	3.89										
11/09/16	3.88	280	9,061	427	13,817	<5	<162	8	259	98.2	98.1
11/10/16	3.74										
11/11/16	3.74										
11/12/16	3.73										
11/13/16	3.87										
11/14/16	3.58										
11/15/16	3.72										
11/16/16	3.79										
11/17/16	4.04	300	10,108	323	10,883	6	216	16	539	97.9	95.0
11/18/16	3.87										
11/19/16	8.36										
11/20/16	7.24										
11/21/16	10.83	110	9,935	233	21,045	<5	<452	10	903	95.5	95.7
11/22/16	5.23										
11/23/16	5.06										
11/24/16	4.78										
11/25/16	5.03										
11/26/16	6.82										
11/27/16	6.10										
11/28/16	5.45										
11/29/16	4.44	260	9,628	388	14,367	6	222	11	407	97.7	97.2
11/30/16	4.57										
Weekly Averages											
11/05/16	Week 1	210	8,337	304	12,068	5	191	6	211		
11/12/16	Week 2	280	9,061	427	13,817	5	162	8	259		
11/19/16	Week 3	300	10,108	323	10,883	6	216	16	539		
11/26/16	Week 4	110	9,935	233	21,045	5	452	10	903		
	Week 5										
Monthly											
Minimum	3.58	110	8,337	233	10,883	<5	<162	5	184	95	95
Maximum	10.83	300	10,108	427	21,045	6	<452	16	903	98	98
Total	145.06										
Average	4.84	232	9,414	335	14,436	<5	<239	9.3	422	97	97

Novato Sanitary District
Conventional Pollutants Report



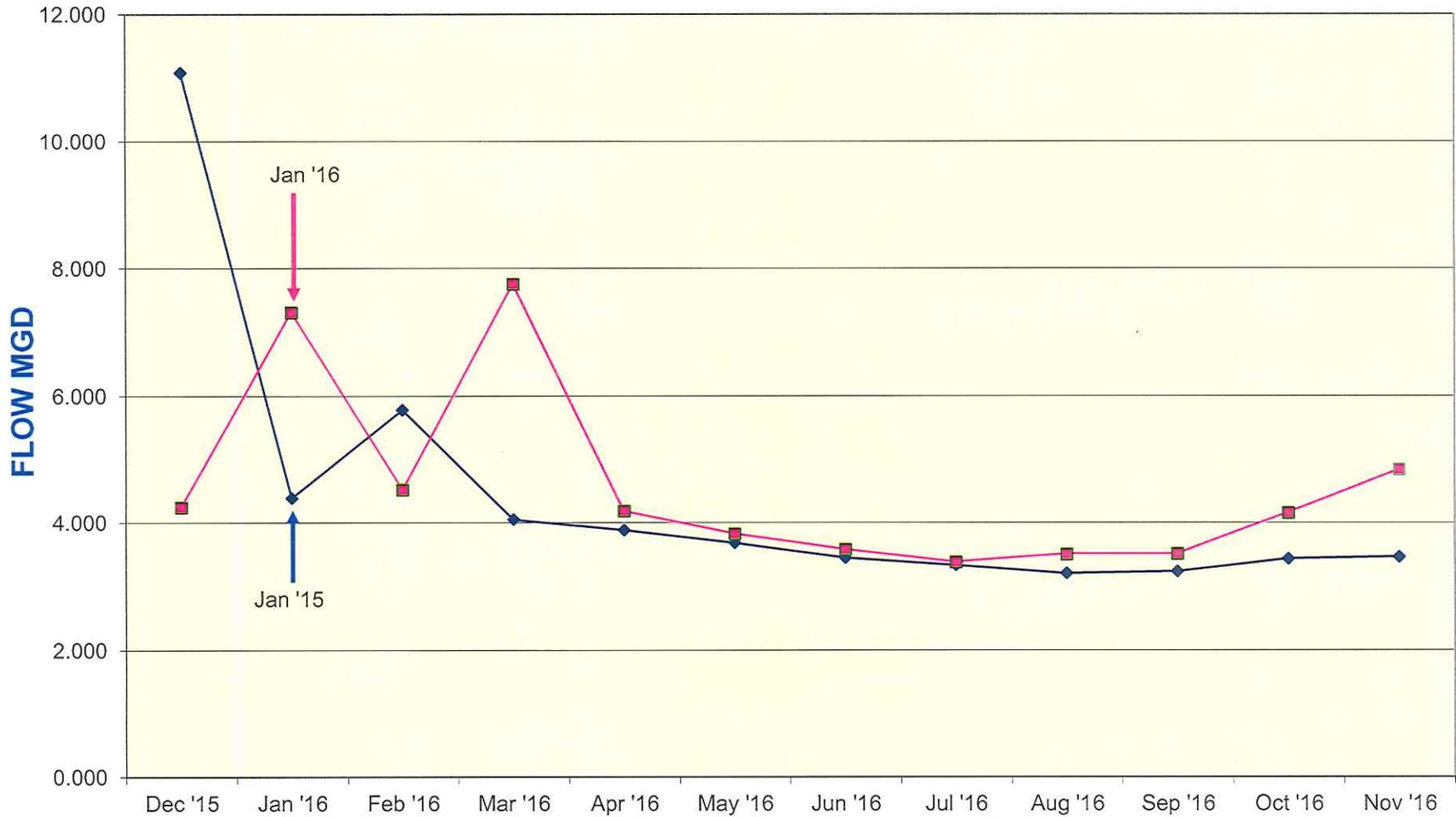
November, 2016

Date	INFLUENT - A001			Effluent - E002							
	Flow	pH	Ammonia	Coliform / Bacteria			pH	Ammonia	Unionized Ammonia	Oil & Grease	Temp
	Total			Fecal	Entero	Total					
	MGD	su	mg/L	MPN/100 mL			su	mg/L	mg/L		Deg C
11/01/16	4.76				2.0		6.9			<1.5	21.4
11/02/16	4.41				1.0		6.9	0.36			21.0
11/03/16	4.26	7.2			4.1		6.9				21.2
11/04/16	3.96						6.9				22.2
11/05/16	3.85										
11/06/16	4.23										
11/07/16	3.83				>2,419.6		6.9				22.2
11/08/16	3.89						6.9				22.6
11/09/16	3.88			2.0	1.0		6.9				22.2
11/10/16	3.74	7.3			2.0		6.9				22.0
11/11/16	3.74						6.8				22.6
11/12/16	3.73										
11/13/16	3.87										
11/14/16	3.58						6.8				22.2
11/15/16	3.72				1.0		6.9				21.9
11/16/16	3.79				4.1		6.9				21.4
11/17/16	4.04				2.0		6.9				20.6
11/18/16	3.87	7.4					6.9				21.0
11/19/16	8.36										
11/20/16	7.24										
11/21/16	10.83				6.3		6.9				20.4
11/22/16	5.23				3.0		6.9				20.5
11/23/16	5.06	7.4			2.0		6.9				20.9
11/24/16	4.78						6.9				20.2
11/25/16	5.03						6.9				20.6
11/26/16	6.82										
11/27/16	6.10										
11/28/16	5.45				3.1		7.0				19.8
11/29/16	4.44				4.1		6.9				20.2
11/30/16	4.57				1.0		6.9				19.3
Monthly											
Minimum	3.58	7.2		2.0	1.0		6.8	0.36			19.3
Maximum	10.83	7.4		2.0	>2,419.6		7.0	0.36		<1.5	22.6
Total	145.06										
Average	4.84	7.3					6.9	0.36		<1.5	21.2

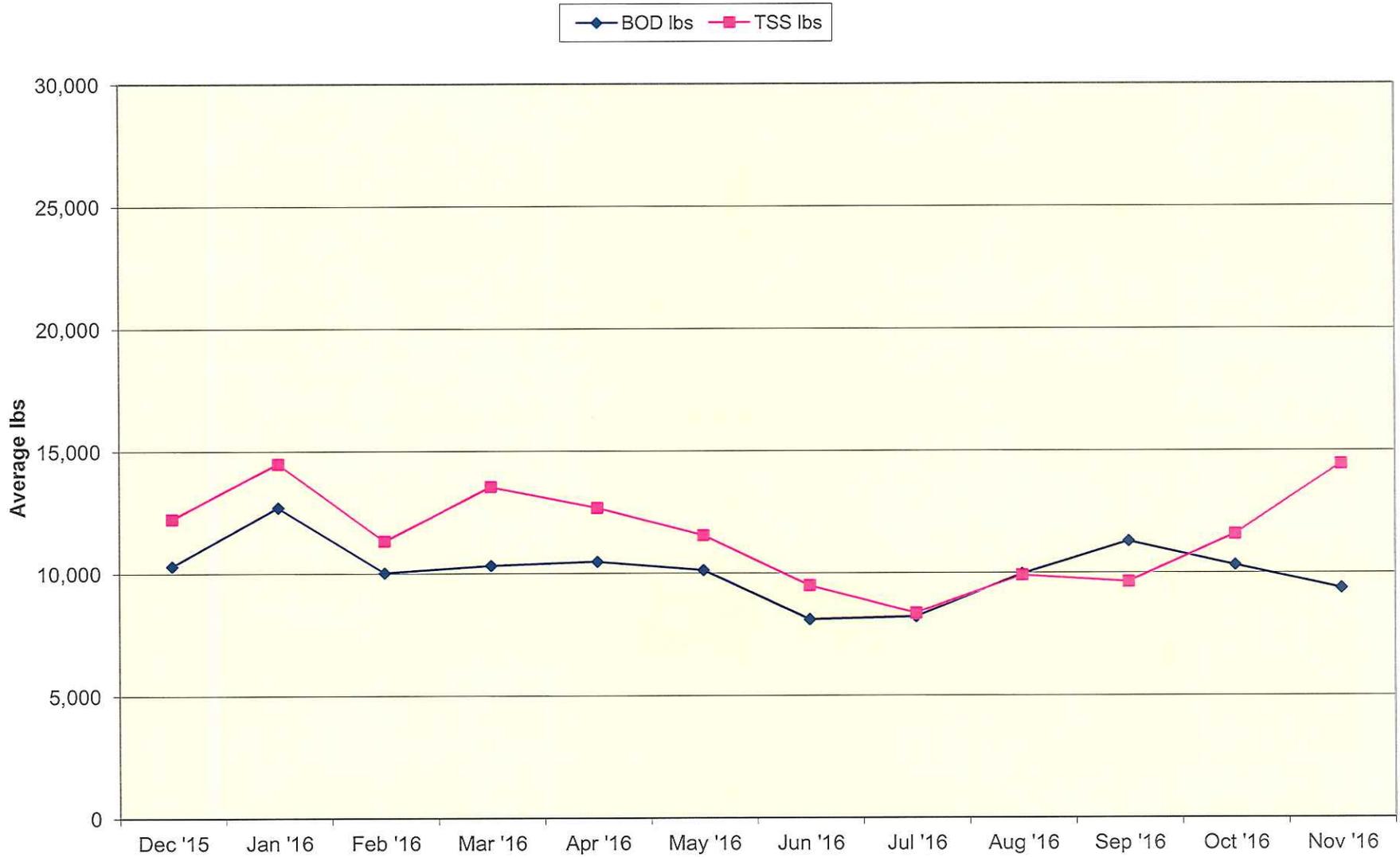
RECYCLED WATER REPORT

ANNUAL COMPLIANCE SUMMARY – GRAPHS

WASTEWATER INFLUENT FLOW COMPARISON



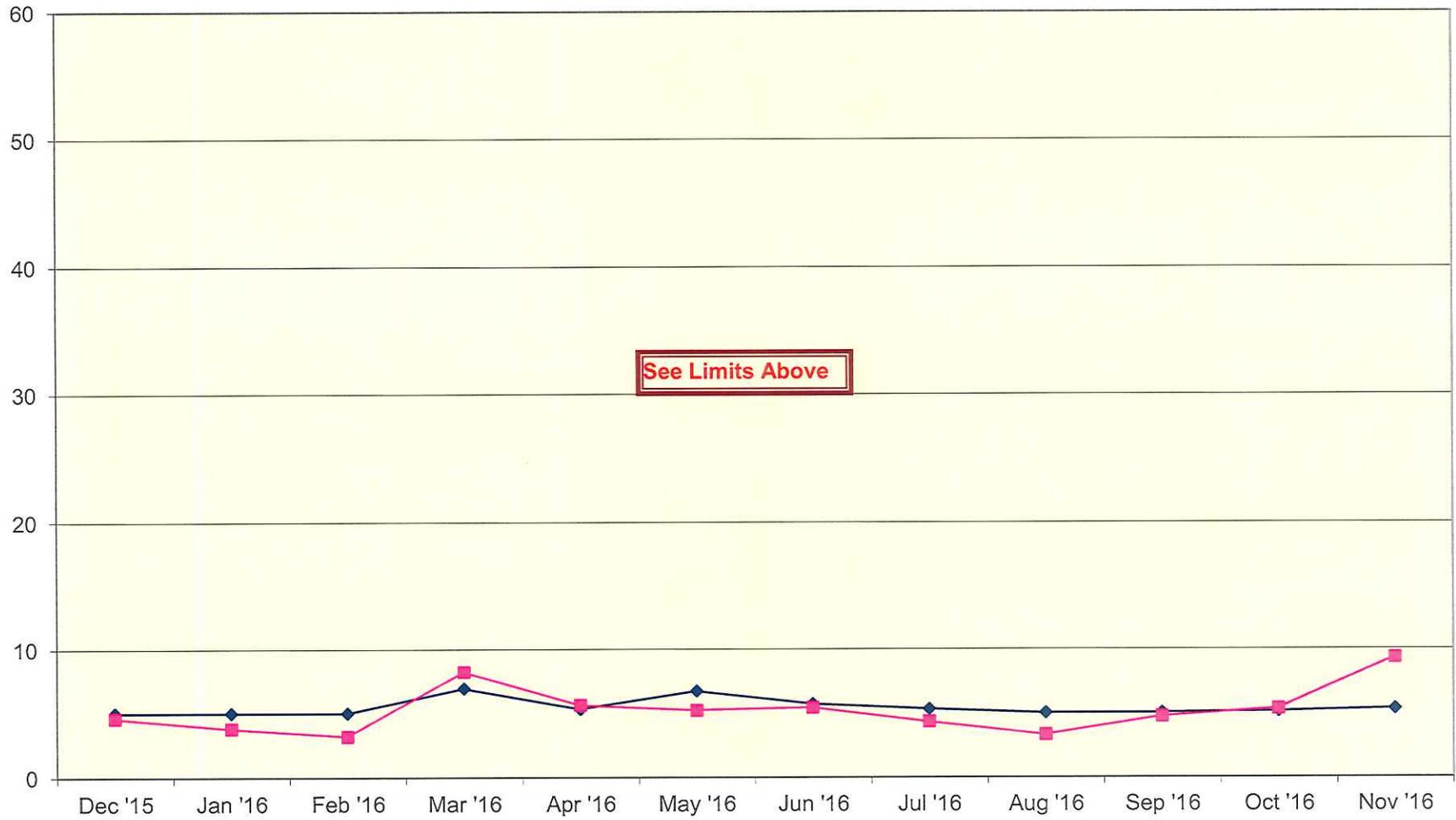
Influent Load BOD / TSS lbs



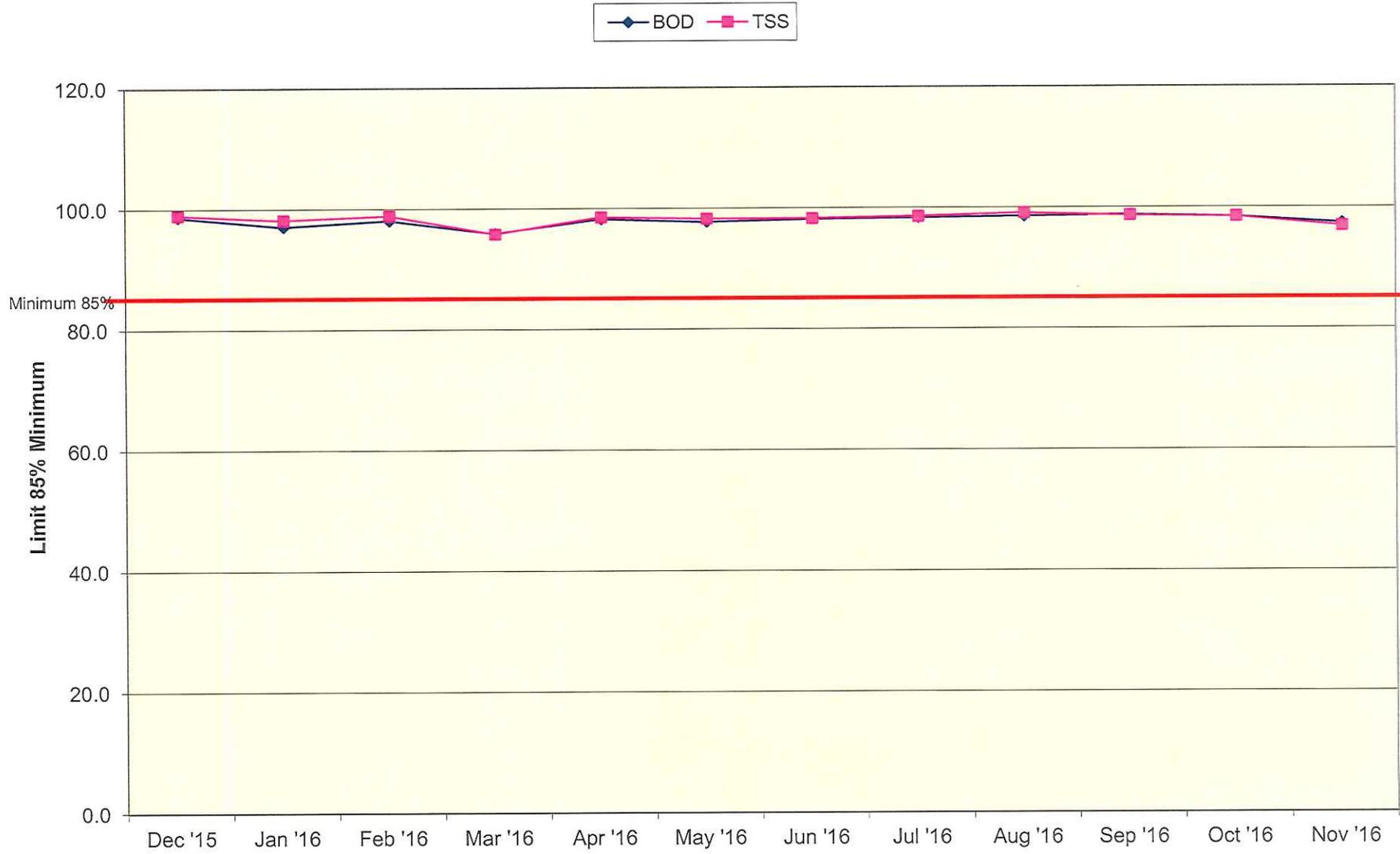
Effluent BOD / TSS Concentration

NPDES LIMITS WET SEASON
 BOD & TSS - 30 mg/L Monthly Ave. 45 mg/L Weekly Ave
 NPDES LIMITS DRY SEASON
 BOD - 15 mg/L Monthly Ave. 30 mg/L Weekly Ave
 TSS - 10 mg/L Monthly Ave. 20 mg/L Weekly Ave
WDR (Waste Discharge Requirements) RECLAMATION
BOD - 40 mg/L

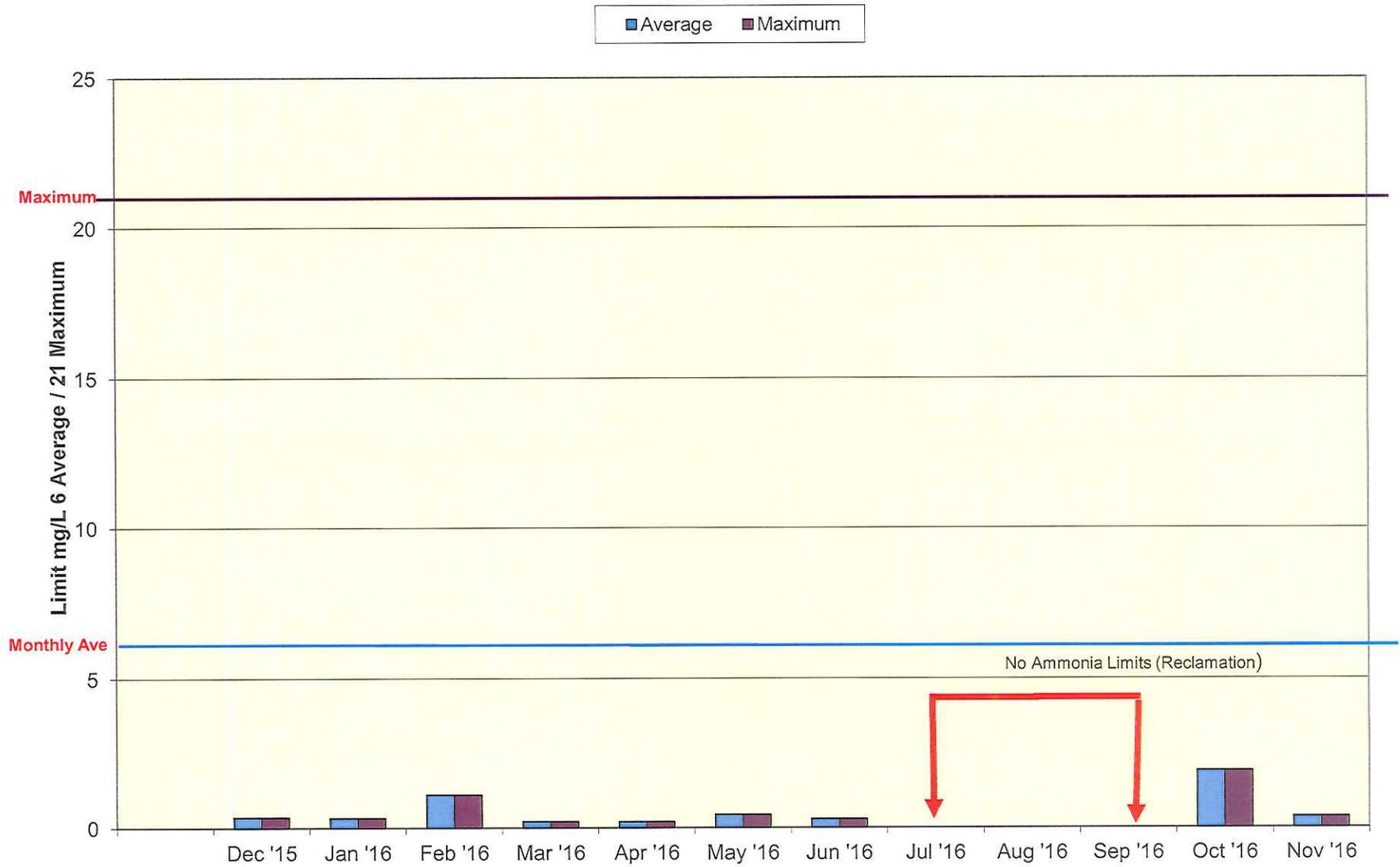
◆ BOD ■ TSS



BOD / TSS Percent Removal



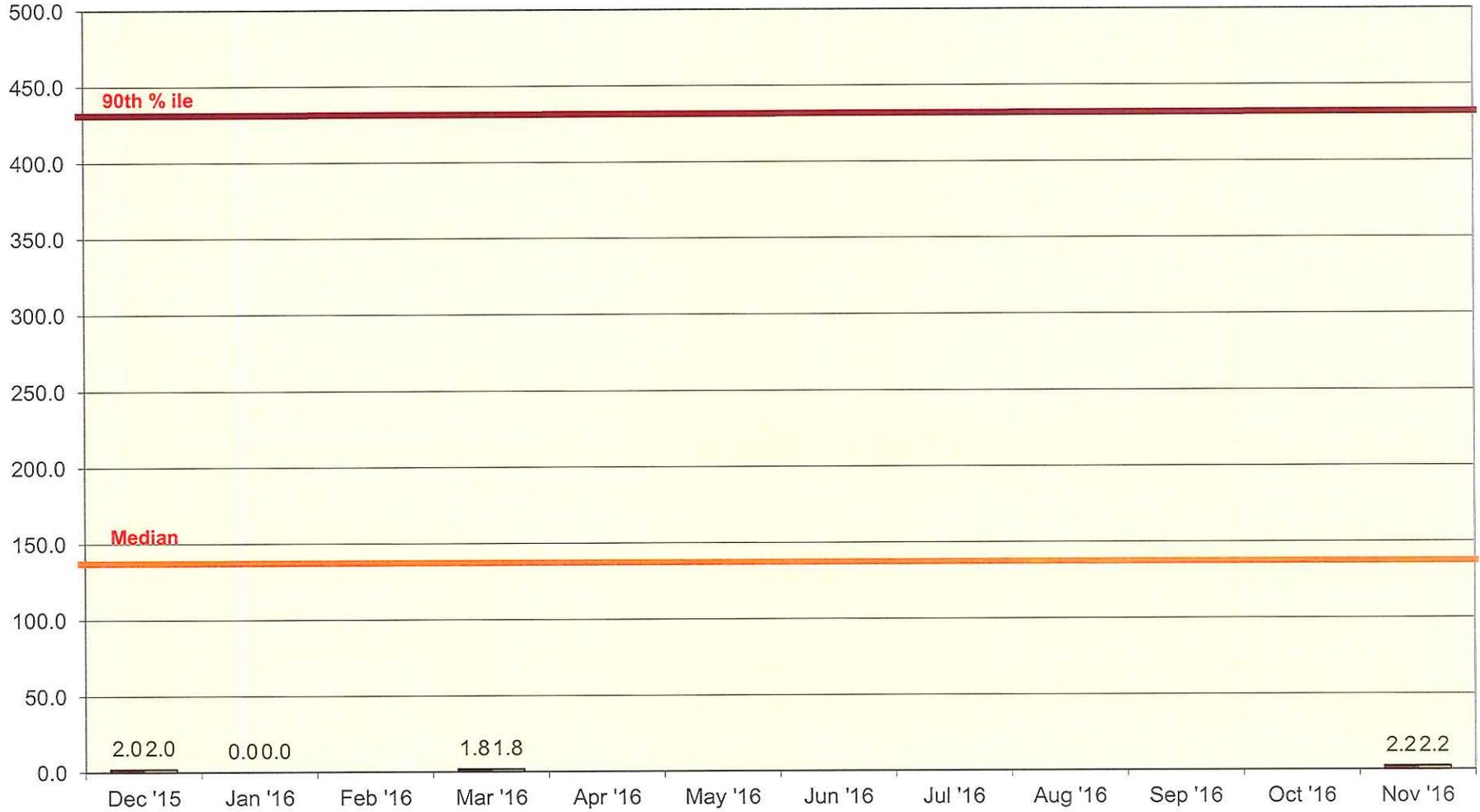
Effluent Ammonia



Disinfection - Fecal Coliform

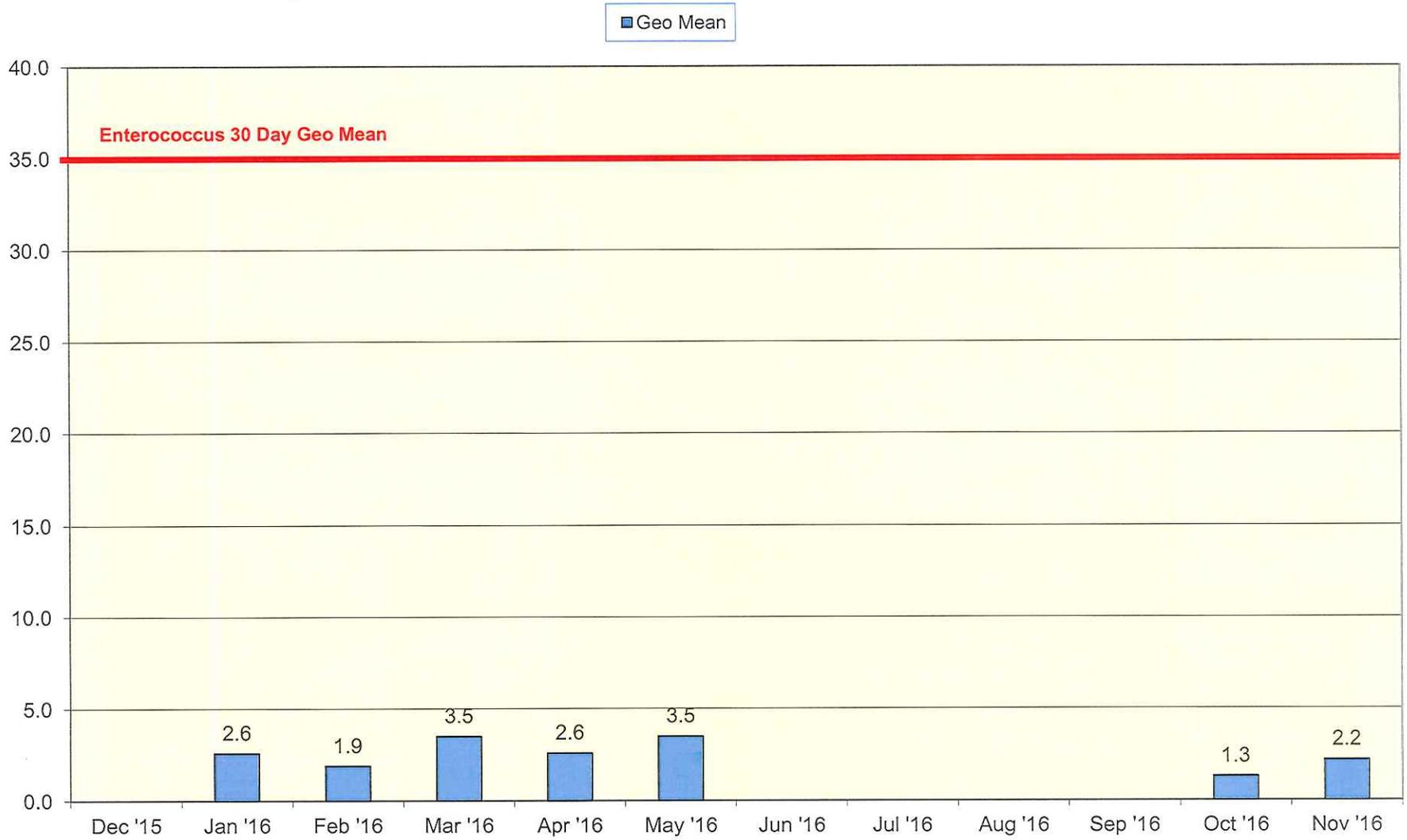
LIMITS - NPDES
Fecal 140 mpn monthly median
Fecal 430 mpn 90th percentile 30 day

90th % ile 30 day med



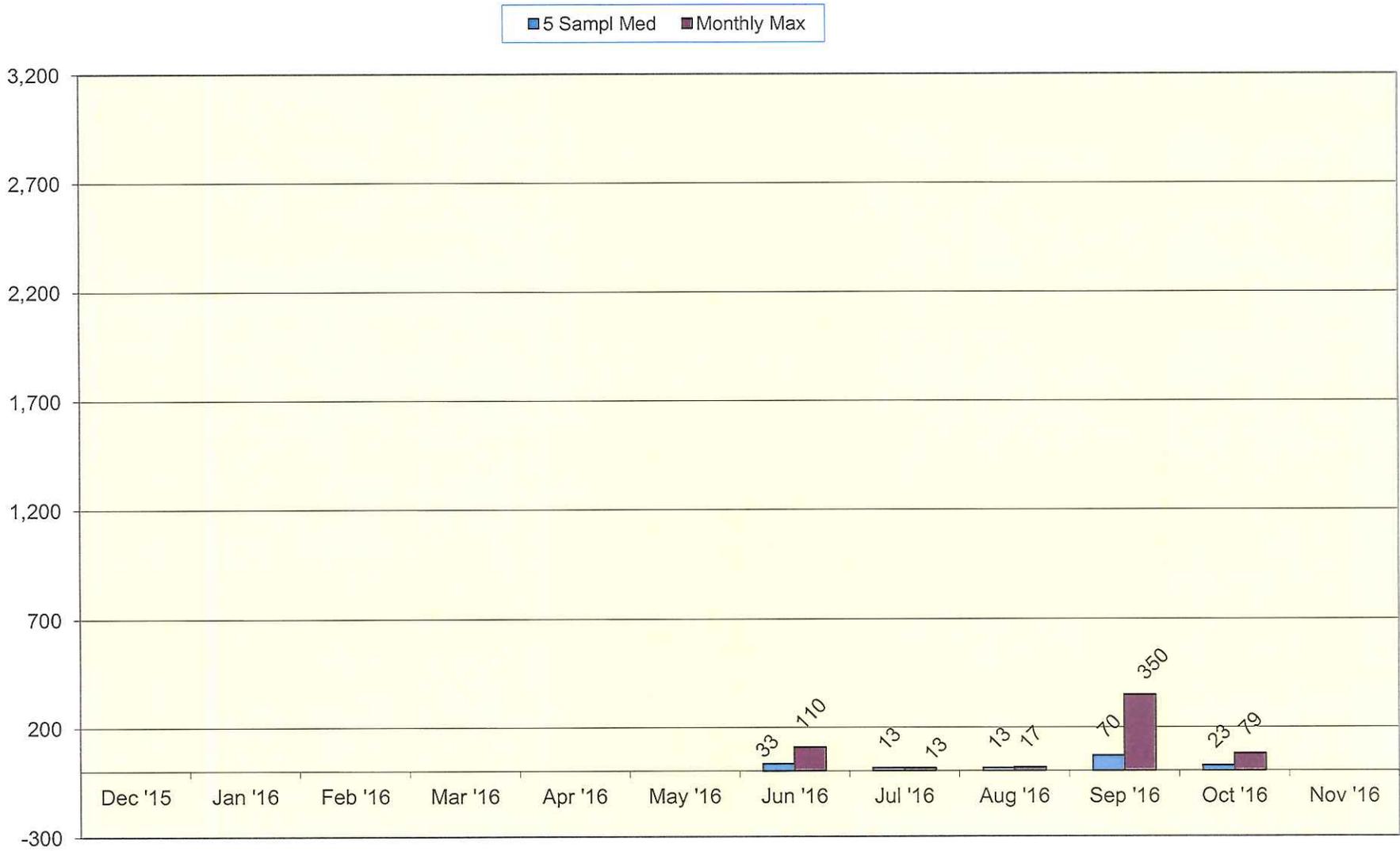
Disinfection - Enterococcus

LIMITS - NPDES
Entero 30 day geo mean 35 mpn /100ml

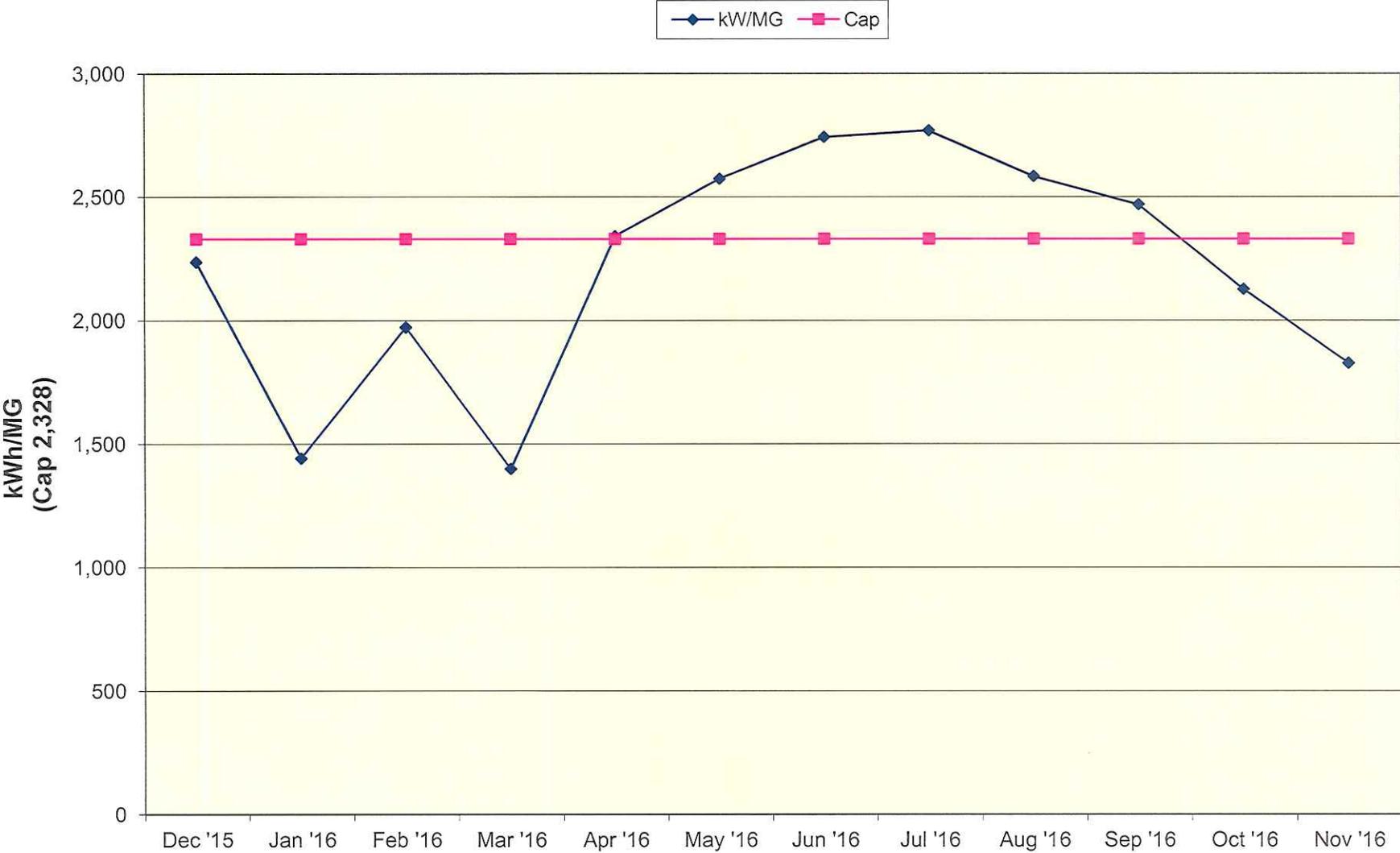


Disinfection - Total Coliform

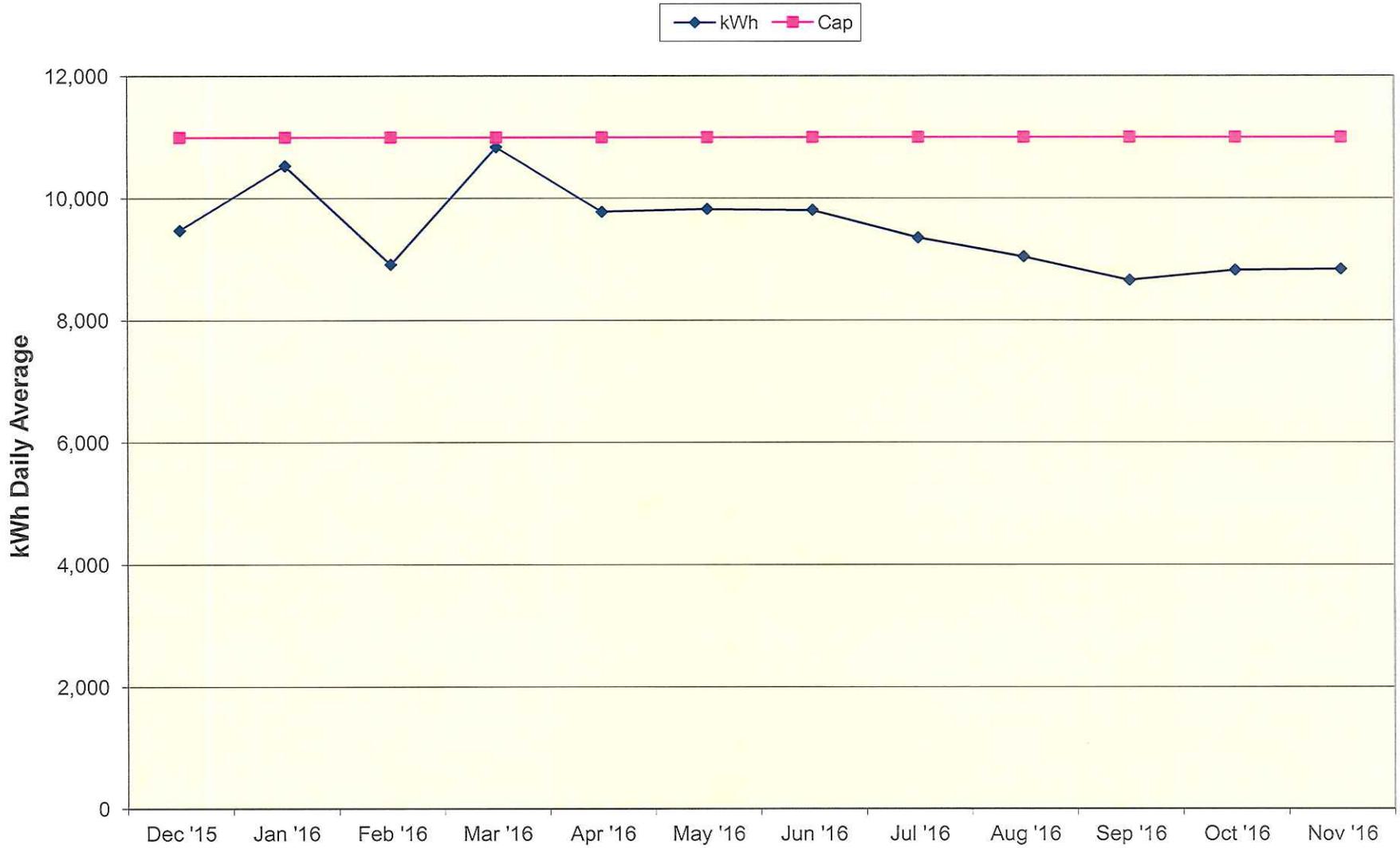
TOTAL COLIFORM LIMITS - WDR
 5 Sample Median - 240 mpn /100 ml
 Maximum - 10,000 mpn/100 ml



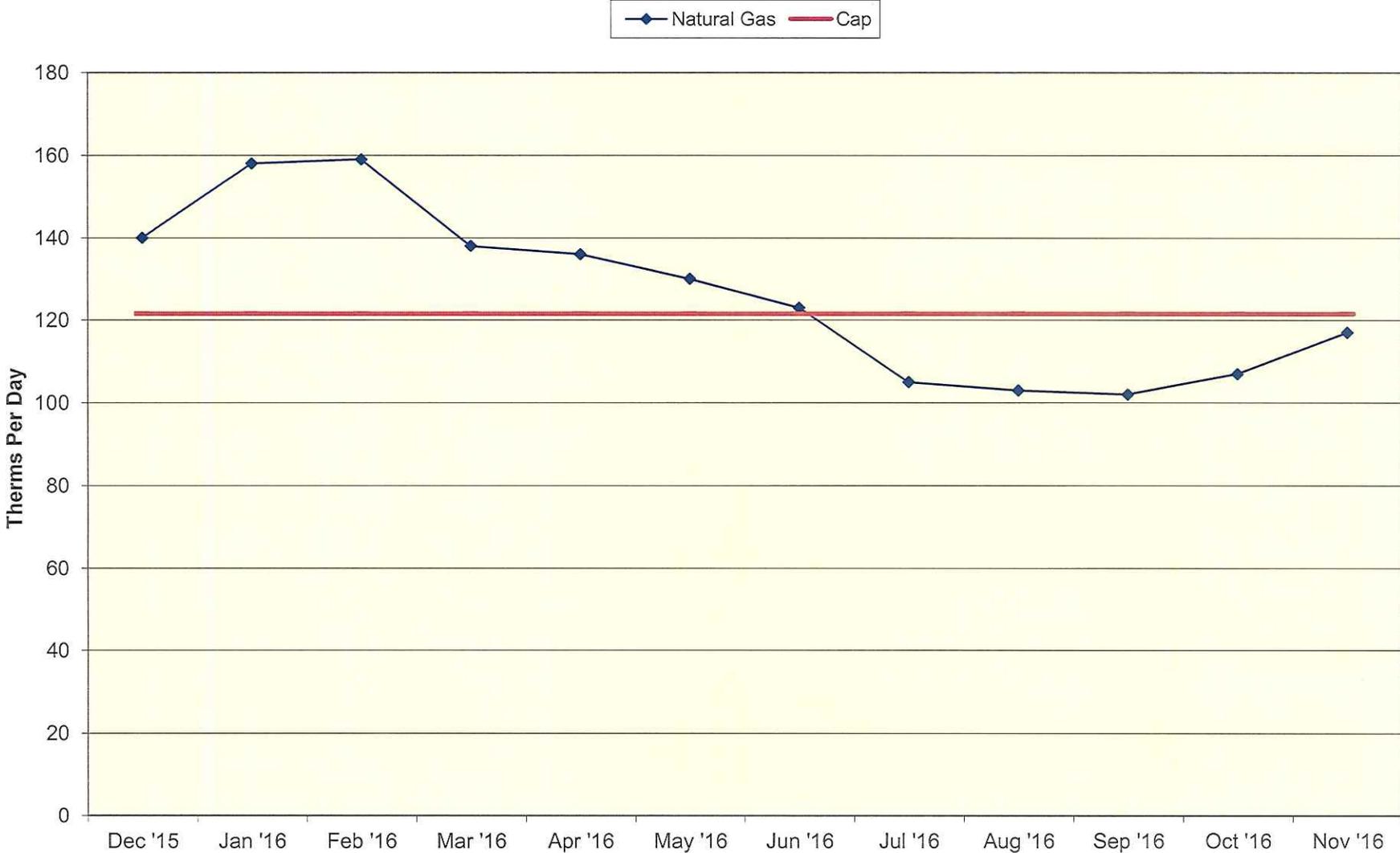
Energy kWh/MG



Energy kWh

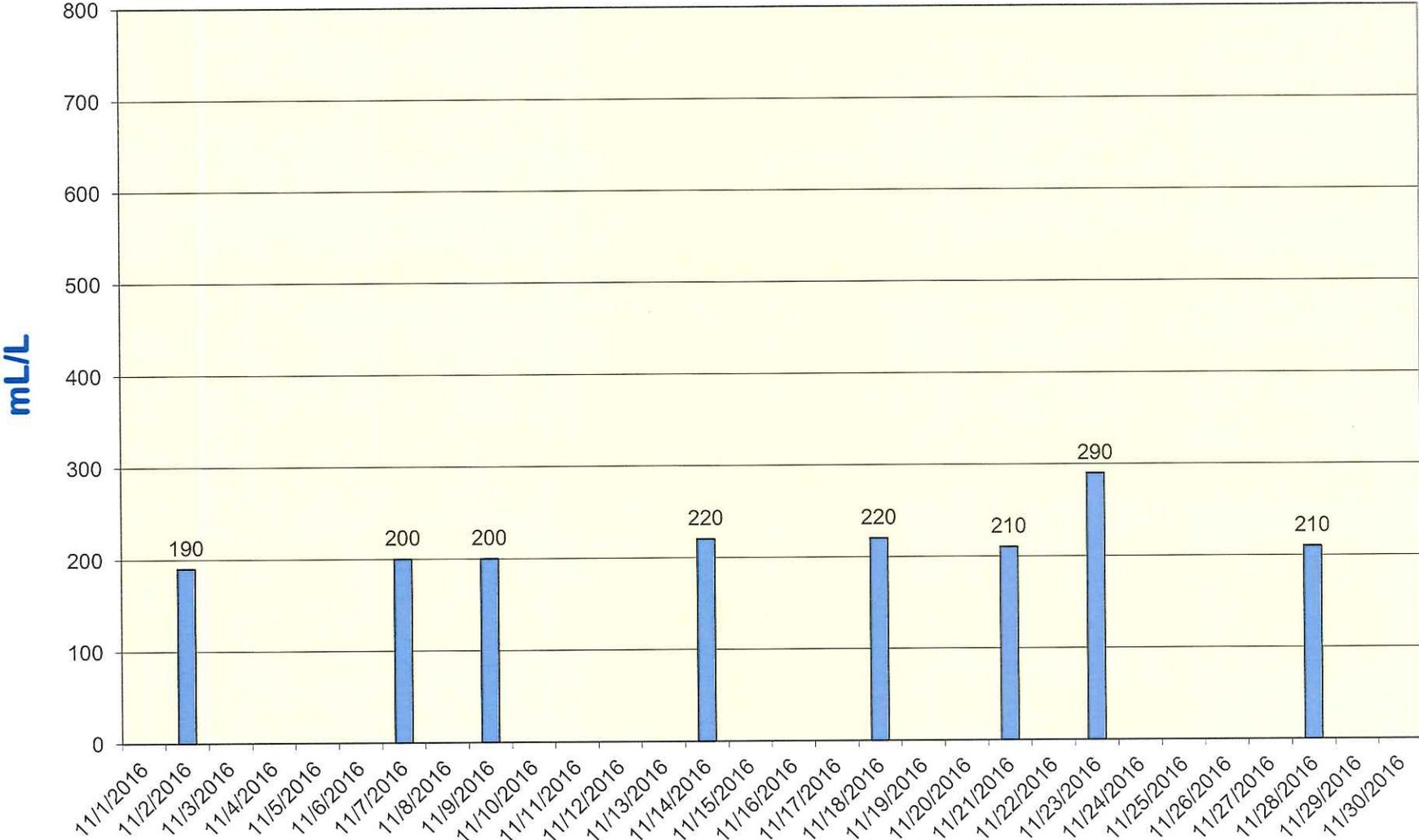


Natural Gas Use

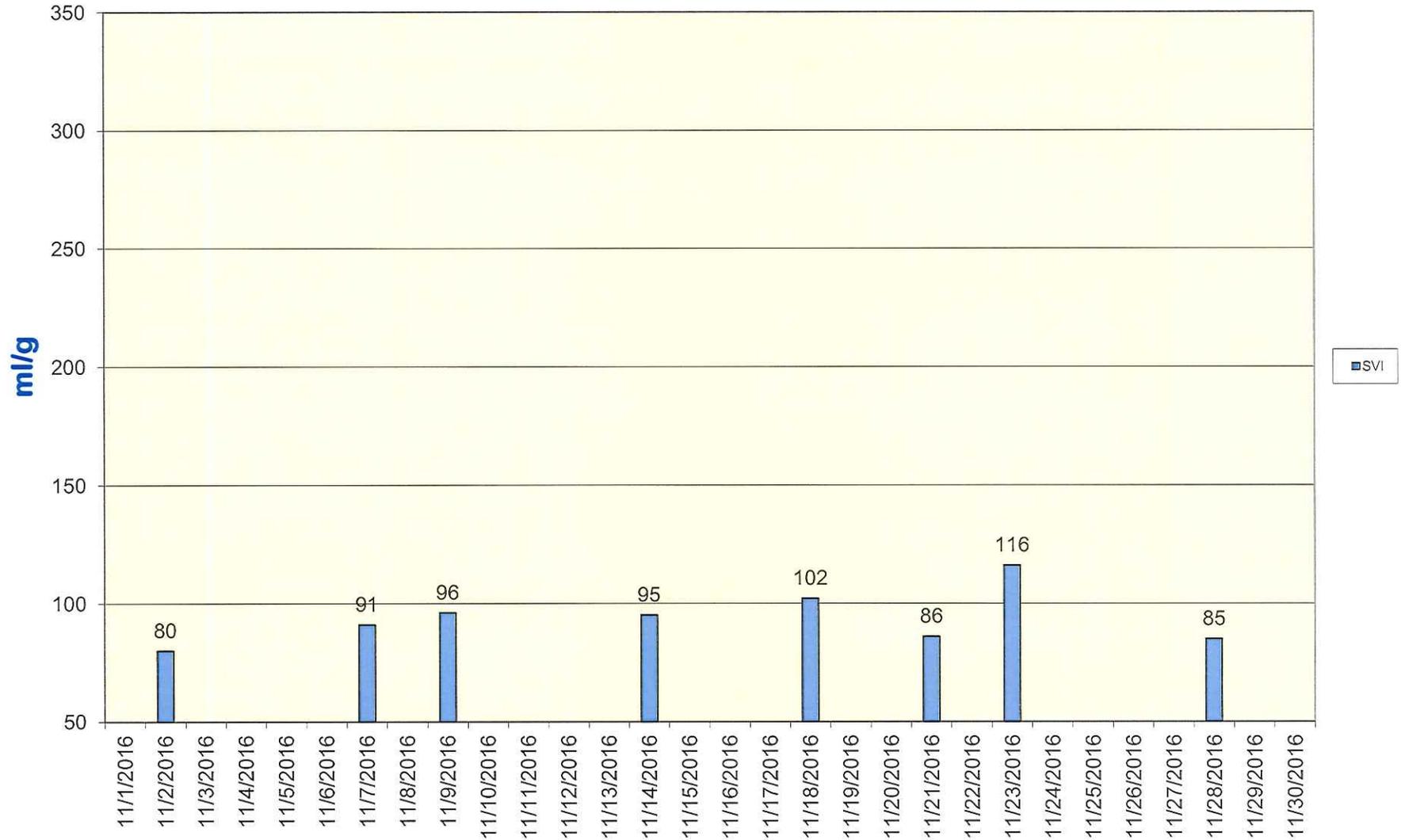


PROCESS CONTROL DATA / GRAPHS

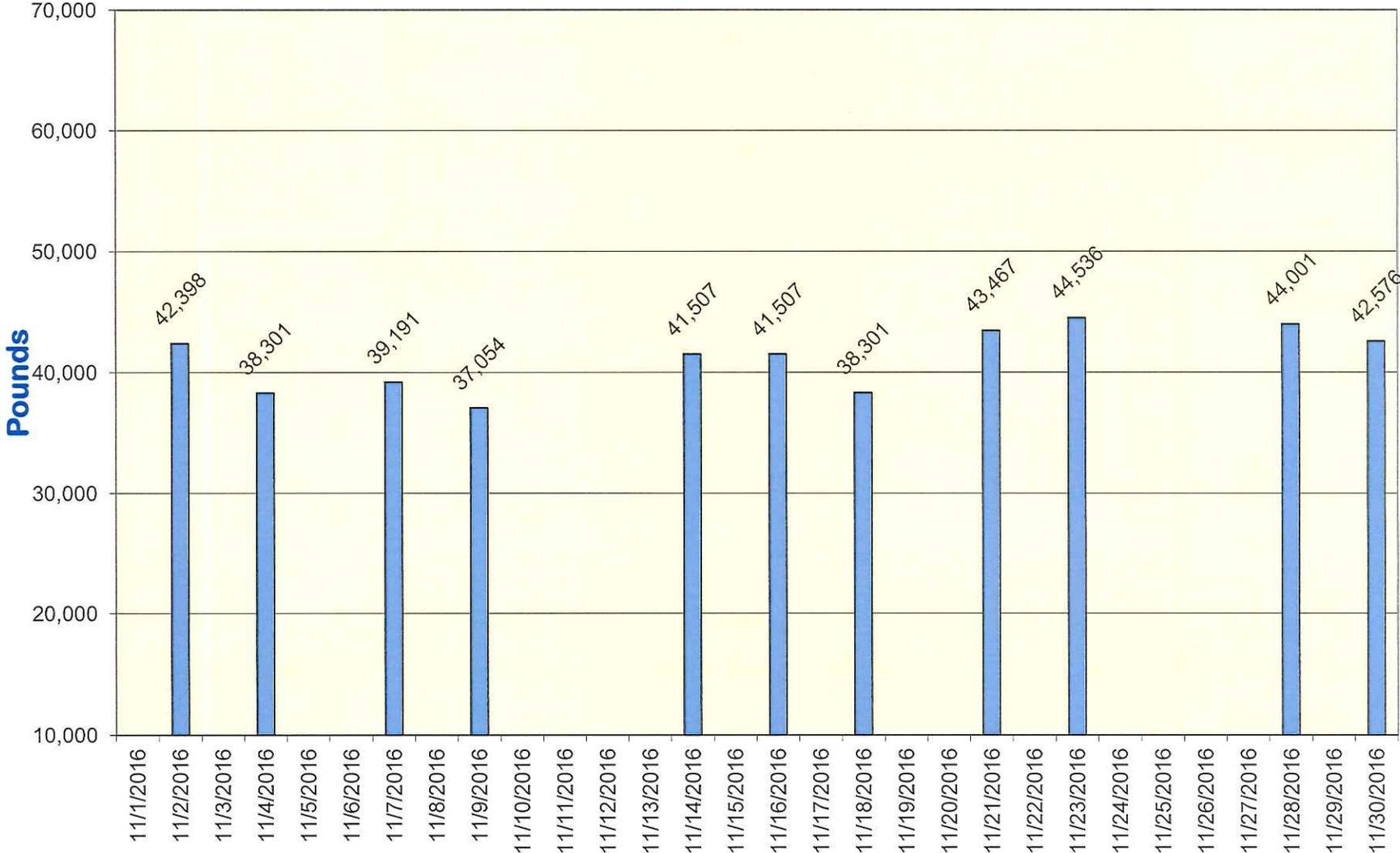
Settleability



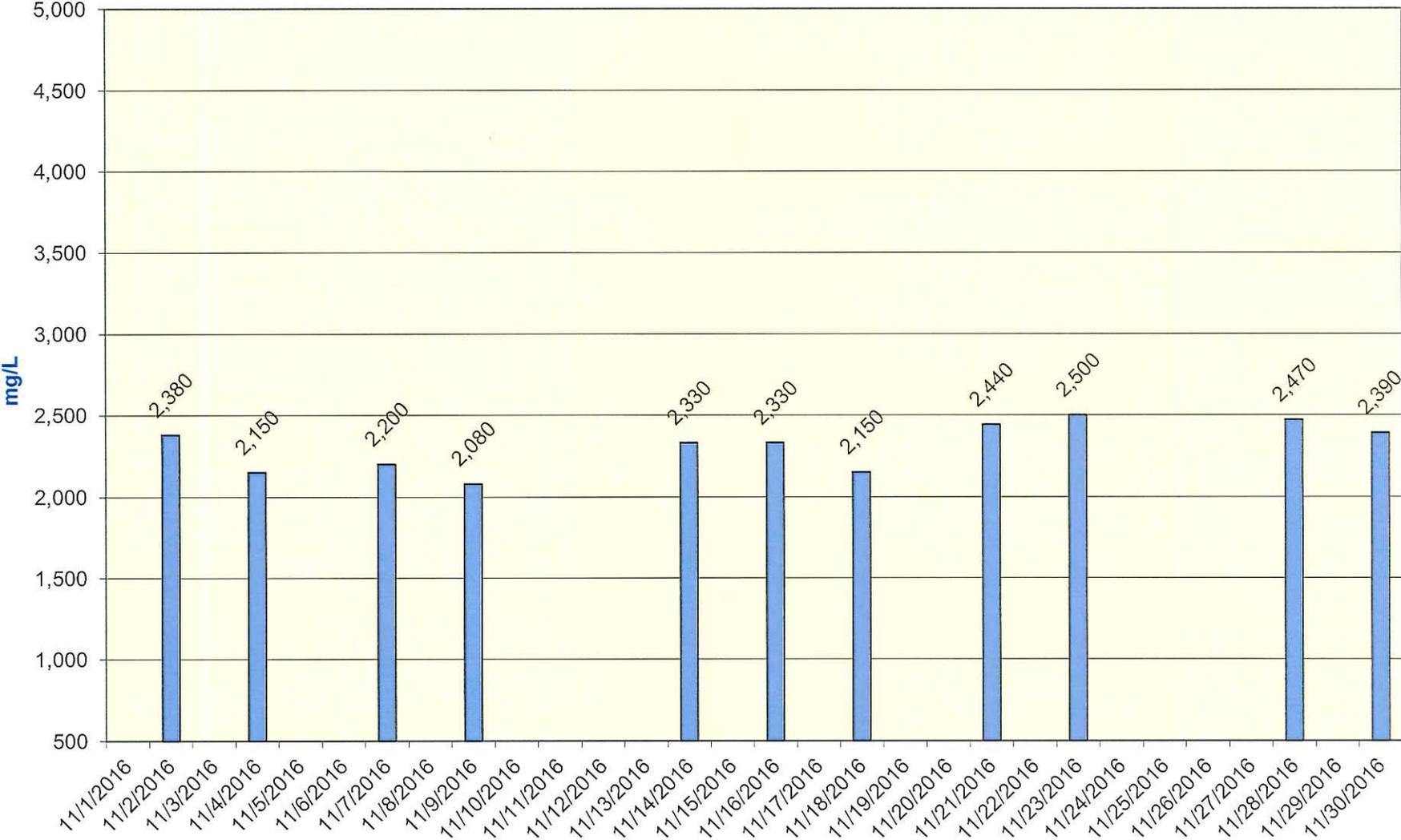
Sludge Volume Index



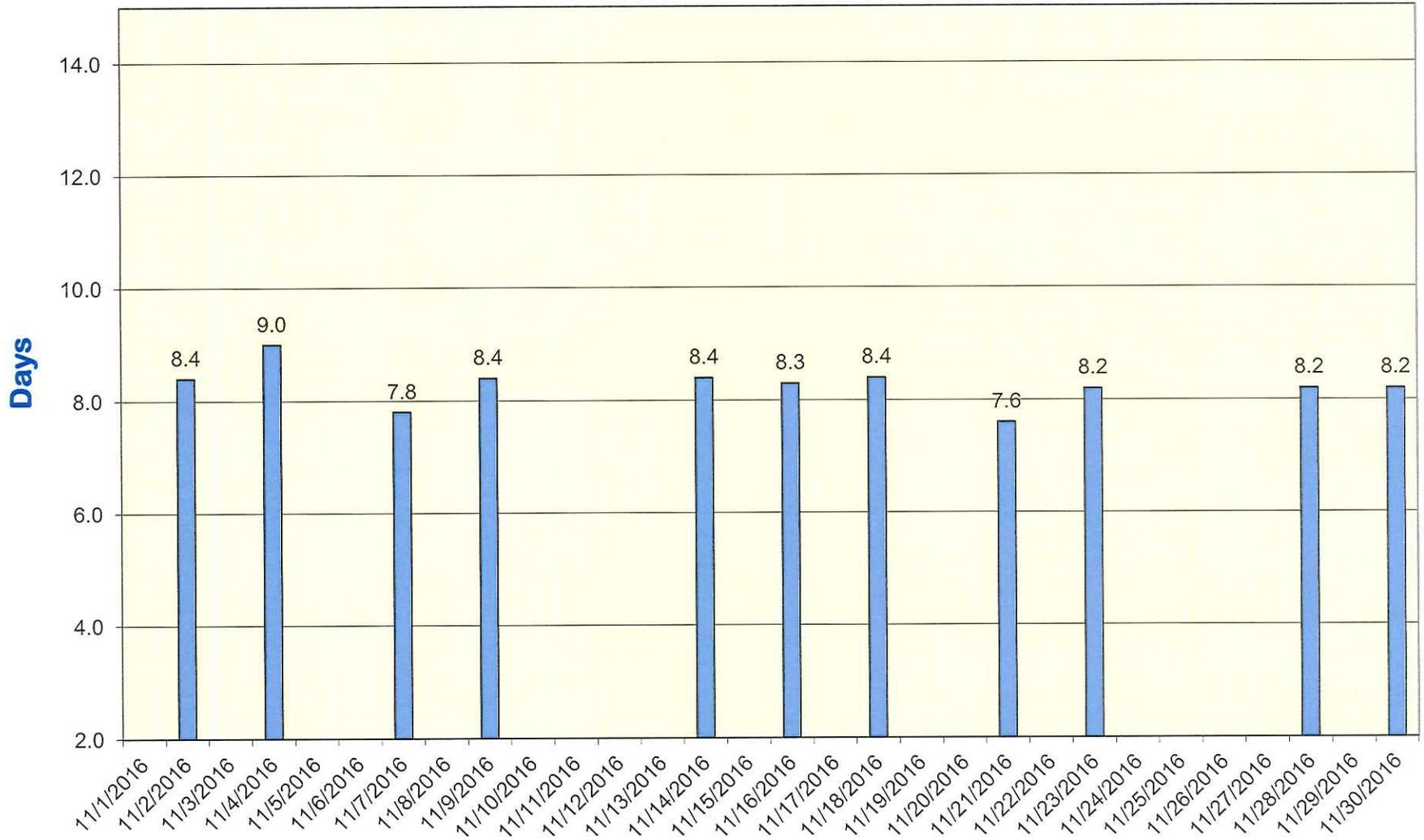
MLSS Inventory



MLSS Concentration



Mean Cell Residence Time

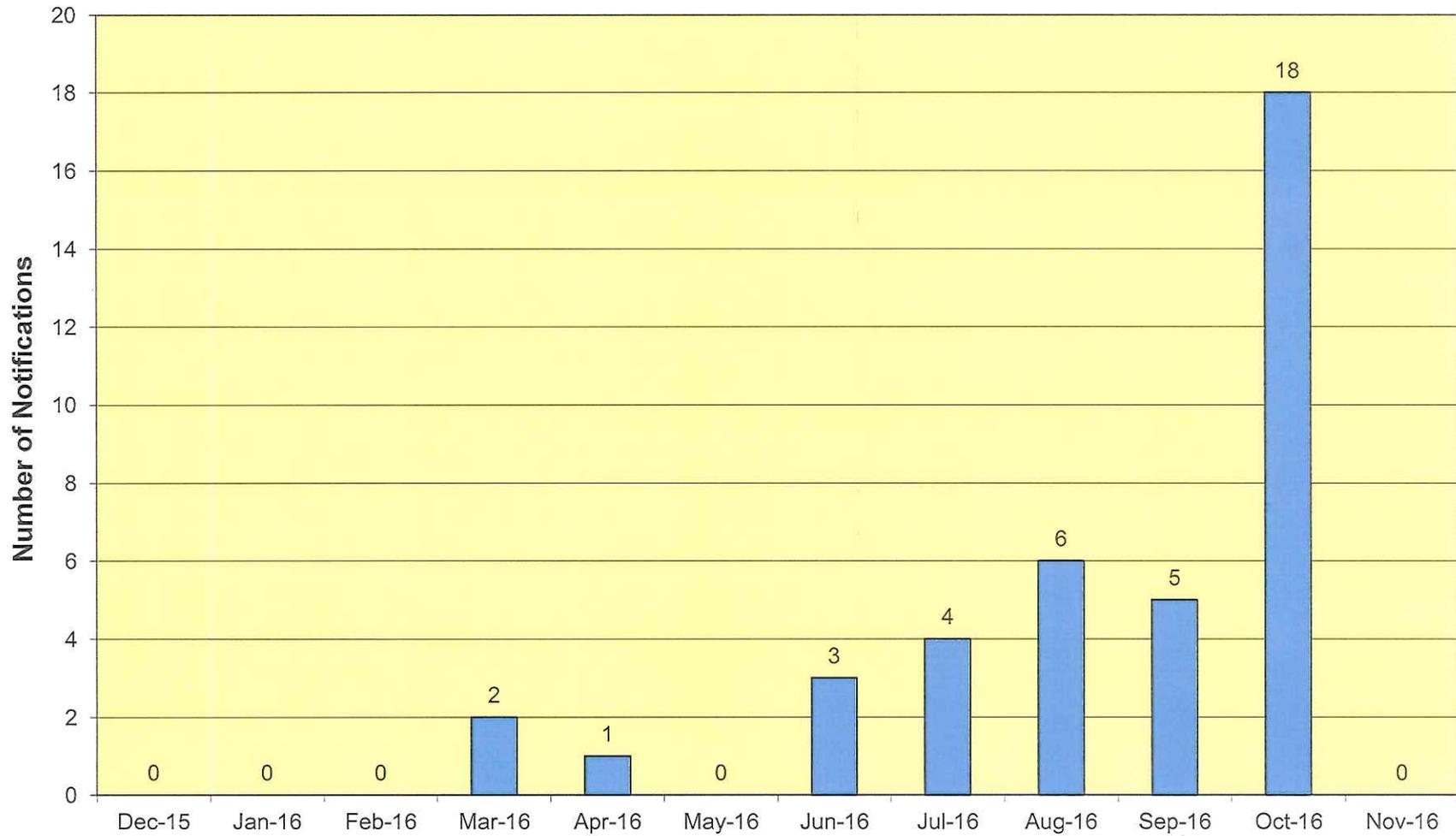


Process Control Data

	Influent Flow	Settleability	MLSS Concentration	MLSS Inventory	F:M Ratio	MCRT	SVI
11/1/2016	4.76						
11/2/2016	4.41	190	2,380	42,398		8.4	80
11/3/2016	4.26						
11/4/2016	3.96		2,150	38,301		9.0	
11/5/2016	3.85						
11/6/2016	4.23						
11/7/2016	3.83	200	2,200	39,191		7.8	91
11/8/2016	3.89						
11/9/2016	3.88	200	2,080	37,054		8.4	96
11/10/2016	3.74						
11/11/2016	3.74						
11/12/2016	3.73						
11/13/2016	3.87						
11/14/2016	3.58	220	2,330	41,507		8.4	95
11/15/2016	3.72						
11/16/2016	3.79		2,330	41,507		8.3	
11/17/2016	4.04						
11/18/2016	3.87	220	2,150	38,301		8.4	102
11/19/2016	8.36						
11/20/2016	7.24						
11/21/2016	10.83	210	2,440	43,467	0.22	7.6	86
11/22/2016	5.23						
11/23/2016	5.06	290	2,500	44,536		8.2	116
11/24/2016	4.78						
11/25/2016	5.03						
11/26/2016	6.82						
11/27/2016	6.10						
11/28/2016	5.45	210	2,470	44,001		8.2	85
11/29/2016	4.44						
11/30/2016	4.57		2,390	42,576		8.2	
Minimum	3.58	190	2,080	37,054	0.22	7.6	80
Maximum	10.83	290	2,500	44,536	0.22	9.0	116
Total	145.06						
Average	4.84	218	2,311	41,167	0.22	8.3	94

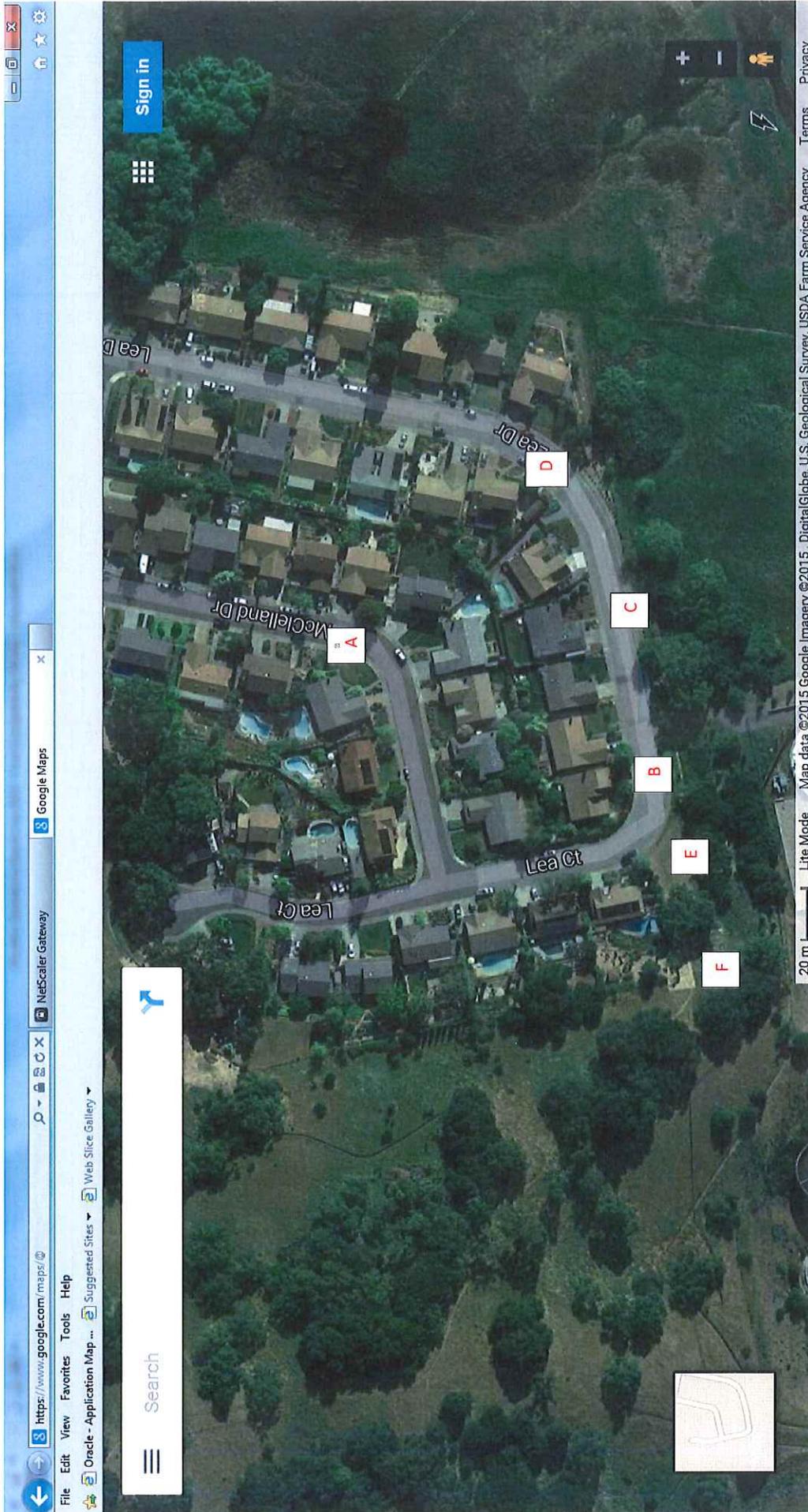
NEIGHBORHOOD CONTACTS

Neighborhood Contacts Received



JEROME METER READINGS & LOCATIONS

NEIGHBORHOOD JEROME METER LOCATIONS – LEA AND MCCLELLAND



JEROME METER READINGS - NOVEMBER 2016

Sample Location	Min	Max	Ave	NOTES / COMMENTS
A: McLelland	0.000	0.001	0.0003	Neighborhood
B: Lea 1	0.000	0.002	0.0004	Neighborhood
C: Lea 2	0.000	0.002	0.0004	Neighborhood
D: Lea 3	0.000	0.002	0.0004	Neighborhood
E: Lea 4	0.000	0.001	0.0004	Neighborhood
F: Lea 5	0.000	0.001	0.0004	Neighborhood

**Novato Sanitary District
Wastewater Operations - Collection System Operations Report
November 2016**

1.0 General:

The equivalent of about seven (7) full time employees (FTE) worked in the Collection System Department during the month of November. The breakdown of staff time for the month in terms of equivalent full-time employee hours utilized, works out approximately as follows:

- 1.9 FTE field workers for Sewer Maintenance (main line cleaning)
- 1.1 FTE field workers for Pump Station Maintenance
- 0.1 FTE field workers for Closed Circuit Television (CCTV) work
- 1.5 FTE field workers for time spent on data input, training, service calls, overflow response, or any other activity that does not directly relate to main line cleaning, CCTV work, pump station maintenance, or special activities (for e.g. smoke testing of mainlines), and
- An equivalent of 2.3 FTE field workers for vacation, holiday or sick leave.

2.0 Collection System Maintenance:

Performance metrics for the department are presented in the attached graphs showing the length of line cleaned/month, footage cleaned/hour worked, overflows/month, and the CCTV footage achieved. A brief discussion is also provided below.

Line Cleaning Performance

A total of 361 work orders were generated for November by the ICOM3 Computerized Maintenance Management System (CMMS). Staff completed 345 work orders leaving 16 work orders outstanding. The 345 maintenance work orders completed in November resulted in 68,399 feet of sewer pipelines cleaned by staff. The remaining 16 work orders will be completed in December.

Root Treatment:

In July, the Collections Department began the annual root treatment program of selected sewer mains and manholes to inhibit root growth and prevent sewer overflows. With the assistance of District staff, this work was completed in August by an outside vendor who foam treated 264 line segments (work orders) totaling 53,409 feet. In October, during routine follow up maintenance, staff identified 3 line segments that required re-treatment under warranty. Taking advantage of the additional visit by the contractor, staff identified 19 additional line segments in need of root treatment. As a result, the additional line segments totaling 3,778 feet, plus 10 manholes were treated in November.



Air Relief Valve Maintenance

CCTV Performance:

The District's CCTV van was in the field for three working days in November and televised 17 line segments, totaling 4,261 feet of sewer main inspected. Production from the CCTV van has been limited due to breakdowns of the CCTV program. The current program is no longer fully supported by the vendor and staff has been evaluating other programs to replace it. Staff also conducted 62 sewer main inspections, totaling 10,731 feet, using the push camera.

**Novato Sanitary District
Wastewater Operations - Collection System Operations Report
November 2016**

CCTV Findings:

- Infrastructure related: In November, CCTV work did not identify any areas that require immediate spot repairs.
- O&M related: The November CCTV work did not identify any area that required a change in sewer line maintenance operations.

3.0 Pump Station Maintenance:

The Collection System Department conducted 221 lift station inspections this month. 101 of the inspection visits were generated through the District's JobsCal Plus CMMS system. There are four (4) outstanding work orders for the month, zero correctives and four (4) preventives. A Collection Systems (Pump Stations) Work Order Statistics summary is attached.

4.0 Air Relief/Vacuum Valves (ARVs):

Staff completed maintenance inspections on seventeen (17) air relief/vacuum valves.

5.0 Safety and Training:

General: Collection System staff attended six (6) safety tailgate meetings in November.

Specialized training: All staff members participated in the annual Hearing Protection training with follow up hearing tests.

Collections Department staff members participated in a Portable Generator Setup training exercise.

Collections Department staff members participated in a Lock Out Tag Out/ Energy Control training exercise.

Special recognition: Collections Department staff member, Aaron Hendricks received the 2016 Collection System Worker of the Year Award for the CWEA Redwood Empire Section at the Section's annual awards banquet in Vallejo.



Portable Generator Training Exercise

Safety performance: There were no lost time accidents this month for a total of 2,089 accident free days since the last lost time accident.

6.0 Minor Projects:

Staff recently installed a PACP (Pipeline Assessment and Certification Program) version of the existing CCTV program to test in the field. Half of the Collections Department staff was PACP trained and certified earlier this year. The remaining Collections staff will be trained in 2017.

7.0 Sanitary Sewer Overflows (SSOs):

There were zero (0) sanitary sewer overflows in November.

Novato Sanitary District
Collection System Monthly Report For November 2016 (as of November 30, 2016)

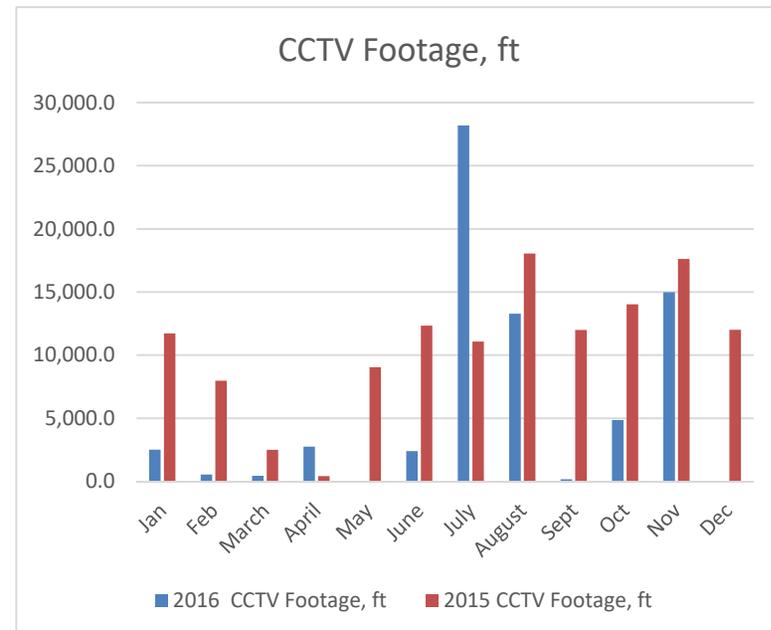
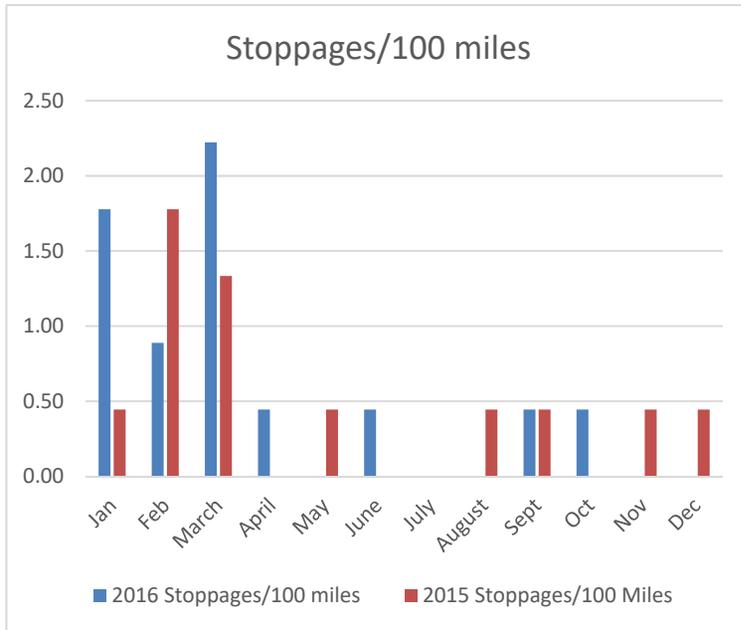
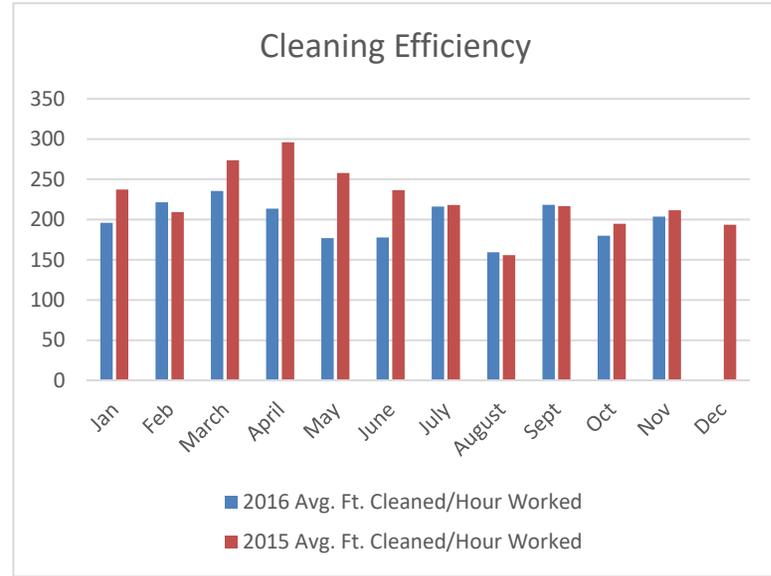
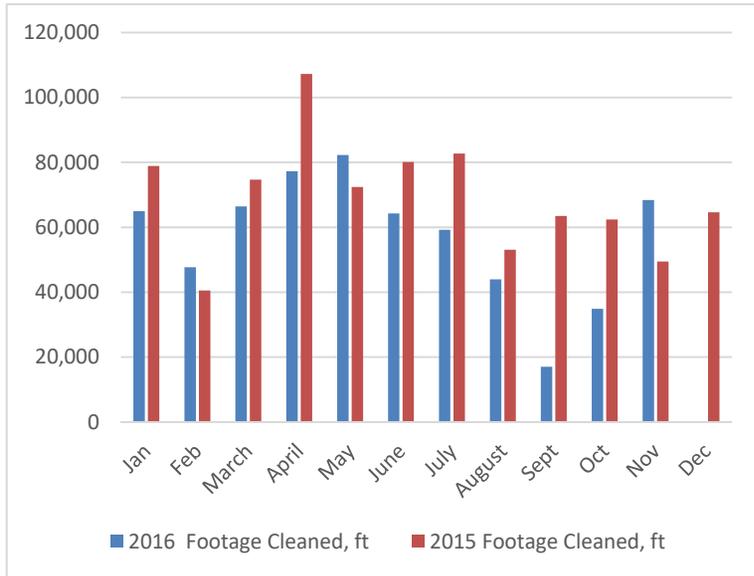
	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
A. Employee Hours Worked														
Number of FTEs (main line cleaning), hrs.	1.9	1.3	1.7	2.0	2.7	2.0	1.7	1.5	0.4	1.1	1.9	0.0	NA	1.5
Number of FTEs (other)	2.5	3.5	3.3	2.8	2.2	2.3	3.3	2.2	3.0	2.6	1.5	0.0	NA	2.4
Number of FTEs (CCTV)	0.1	0.1	0.0	0.0	0.0	0.1	0.4	0.5	0.0	0.2	0.1	0.0	NA	0.1
Total, FTEs	4.5	4.9	4.9	4.9	4.9	4.4	5.3	4.2	3.5	4.0	3.5	0.0	NA	4.1
Regular Time Worked, (main line cleaning), hrs	332	216	282	362	465	362	274	276	78	194	336			
Regular Time Worked on Other, hrs (1)	426	556	552	496	388	402	534	417	521	441	266			
Regular Time Worked on CCTV (2)	19	17	0	7	0	16	66	95	4	42	24			
Total Regular time, worked, hrs	776	788	834	865	853	779	874	788	603	677	626	0	8,462	705
Total Vacation/Sick Leave/Holiday, hrs	225	238	262	89	192	156	127	315	417	209	416		2,645	240
Vacation/Sick Leave/Holiday, FTEs	1.3	1.5	1.6	0.5	1.1	0.9	0.8	1.7	2.4	1.2	2.3	0.0	15.3	1.3
Overtime Worked on Coll. Sys., hrs	2	0	0	0	3	8	0	0	0	10	0		23	2
Overtime Worked on Other, hrs (1)	65	6	19	30	6	10	14	16	6	14	24		209	19
Overtime Worked on CCTV (2)	0	0	0	0	0	0	2	0	0	0	0		2	0
Total Overtime, hrs	67	6	19	30	9	18	16	16	6	24	24	NA	234	21
B. Productivity														
1. Line Cleaning														
Rodder Work Orders generated	59	10	41	45	204	64	87	35	9	22	85		661	60
Rodder 3208 ft. cleaned	11,888	2,289	8,682	9,749	36,994	10,476	13,754	5,308	0	4,379	15,877		119,396	10,854
Rodder - outside services, ft cleaned	0	0	0	0	0	0	0	0	0	0	0		0	0
Flusher Work Orders generated	227	237	307	350	248	268	221	194	128	221	276		2,677	243
Truck 3205V ft. cleaned	14,729	6,341	5,004	5,886	2,776	4,295	0	2,217	2,072	9,995	4,292		57,607	5,237
Truck 3206V ft. cleaned	38,305	39,088	52,713	61,606	42,516	49,467	45,445	36,441	14,950	20,539	48,230		449,300	40,845
Flusher - outside services, ft. cleaned	0	0	0	0	0	0	0	0	0	0	0		0	0
Total Footage cleaned(3)	64,922	47,718	66,399	77,241	82,286	64,238	59,199	43,966	17,022	34,913	68,399	NA	626,303	56,937
Work Orders completed	278	247	348	395	452	332	424	377	102	169	345		3,469	315
Work Orders backlog	8	NA	NA	NA	NA	NA	NA	NA	35	74	16	NA	133	33
2. Closed Circuit Television (CCTV)														
Camera Work Orders generated	0	0	0	0	0	0	0	0	0	0	0		0	0
CCTV Truck 3126T, ft. videoed	843	540	0	541	0	652	10,374	12,498	186	4,863	4,261		34,758	3,160
CCTV (hand cam), ft. videoed	1,669	0	456	2,210	0	1,754	5,487	793	0	0	10,731		23,100	
CCTV Inspection - outside services, ft. videoed	0	0	0	0	0	0	12,322	0	0	0	0		12,322	
Total CCTV footage(3)	2,512	540	456	2,751	0	2,406	28,183	13,291	186	4,863	14,992	NA	70,180	
C. Sanitary Sewer Overflows (SSOs)														
Minor (Category III)	4	2	5	1	0	1	0	0	1	1	0		15	NA
Major (Category II)	3	1	4	1	0	0	0	0	1	0	0		10	NA
Major (Category I)	0	1	1	0	0	0	0	0	0	0	0		2	NA
Major (Category I)	1	0	0	0	0	1	0	0	0	1	0		3	NA
Overflow Gallons	482	290,330	2,308	20	0	540	0	0	75	7,900	0		301,655	NA
Volume Recovered	130	147,250	760	20	0	165	0	0	75	50	0		148,450	NA
Percent Recovered	27%	51%	33%	100%	NA	31%	NA	NA	100%	1%	NA	NA	49%	NA
D. Service Calls (non-SSO related)														
Service calls, normal hours, #	8	7	8	4	5	9	4	4	9	6	8		72	7
Normal hours S.C. response time, mins (avg.)	20	17	18	17	16	25	13	25	12	15	22		200	18
Service Callouts, after hours, #	5	3	1	1	1	0	0	1	1	2	1		16	1
After Hours S.C. response time, mins (avg.)	17	27	16	60	35	0	0	16	54	23	17		265	24
E. Benchmarks														
Average Ft. Cleaned/Hour Worked	196	221	235	213	177	178	216	159	218	180	204	NA	NA	200
Total Stoppages/100 Miles	1.8	0.9	2.2	0.4	0.0	0.4	0.0	0.0	0.4	0.4	0.0	0.0	6.5	NA
Average spill response time (mins)	15	31	11	11	0	15	0	0	23	18	0		NA	11
Callouts/100 Miles	2.2	1.3	0.4	0.4	0.4	0.0	0.0	0.4	0.4	0.9	0.4	0.0	7.0	0.6
Overtime hours/100 Miles	1	0	0	0	1	4	0	0	0	4	0	0	10.22	1
Overflow Gallons/100 Miles	210	126,230	1,003	9	0	235	0	0	33	3435	0	-	131,154	10930

(1) This category includes time spent on: Data input, Training, Service Calls, Overflow Response, as well as any other activity that does not directly relate to main line cleaning or CCTV work.

(2) This category separates time spent on CCTV from other Collection System maintenance activities.

(3) Does not include outside services (tracked separately)

Collection System: 2016 & 2015 Graphs



Novato Sanitary District

Pump Station Report For November 2016 (As of November 30, 2016)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
Employee Hours Worked	238	185	252	238	235	251	186	242	254	355	253	0	2,688	
Number of Employees (FTEs)	1.4	1.0	1.2	1.1	1.2	1.2	0.9	1.1	1.1	1.8	1.1	0.0		1.1
Regular Time Worked on Pump Sta	183	157	210	194	202	217	148	207	196	298	205		2,216	
Overtime Worked on Pump Sta	55	28	43	44	33	34	38	35	58	57	49		473	
After Hours Callouts	4	1	8	2	0	1	4	6	1	3	4		34	
Average Callout response time (mins)	30	10	34	28	0	15	31	25	45	10	42		270	25
Work Orders														
Number generated in month	136	106	89	92	115	91	95	107	78	116	101		1126	102
Number closed in month	111	106	89	92	115	91	93	107	69	110	97		1080	98
Backlog	25	0	0	0	0	0	2	0	9	6	4	0	46	4

<p>Job Cal CMMS WORK ORDER STATISTICS November 1, 2016-November 30, 2016</p>

	Open Work Orders Due Prior to 11/1/2016	Open Work Orders 11/1/2016-11/30/2016	Total Open Work Orders
Preventive	4	156	160
Corrective	0	0	0
Total	4	156	160

	Closed Work Orders 11/1/2016 - 11/30/2016
Preventive	152
Corrective	0
Total	152

Total Outstanding Work Orders as of 11/30/2016	8
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NOVATO SANITARY DISTRICT
Wastewater Operations - Reclamation Facilities Report
November 2016

1.0 Summary:

The rancher moved all operations off site this month. Repairs and improvements were completed at the two Drainage Pump Stations.

2.0 Ranch Operations:

Livestock was removed from all three Sites. There are no other reportable actions for ranch operations.

3.0 Irrigation Parcels:

Staff began receiving repeated composite alarms from Drainage Pump Station No. 3 this month. After some investigative work, staff determined that the alarms were being caused by a loose float in the basin below the pump station. With the assistance of the Marin-Sonoma Mosquito & Vector Control District, staff accessed the area below the pump station deck and re-secured the float.

In addition to the float fix, staff took the opportunity to change the primary level control system for each pump station from a float control system to an ultrasonic level control system. The ultrasonic equipment was previously in place to remotely monitor the level of the basin below the pump station. With a few wiring modifications, the ultrasonic system is now the primary control system and the float system is a redundant backup level control system.

During the control system work, staff discovered that some of the piping for the air relief valves on the discharge lines at Drainage Pump Station No. 7 had corroded to a point that it needs to be replaced. Staff requested a quote from a local contractor, the quote was approved, and work is scheduled to be completed once the new parts are received.

4.0 Irrigation Pump Station:

There were no irrigation activities this month.

5.0 Sludge Handling & Disposal:

There were no sludge handling activities this month.

NOVATO SANITARY DISTRICT
Reclamation Facility - Monthly Statistics for Calendar Year 2016, as of November 2016

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year to Date	Annualized Monthly Average
Irrigation Pump Station														
Plant flow to ponds (MG)	0	0	0	0	0	90	86.1	90.72	93.36	124.14	0		484.3	40.36
Irrigation (MG)	0	0	0.0	0	0	33.83	69.51	72.89	64.77	66.18	0		307.2	25.60
Irrigation Pump 1 Hours						76.9	86.5	0	100.3	109.3	0		373.0	31.08
Irrigation Pump 2 Hours						75.8	134	190.3	139.9	108.3	0		648.3	54.03
Irrigation Pump 3 Hours						76.3	117.4	187.9	131	101.4	0		614.0	51.17
Washdown Water Pump Hours													-	0.00
Wildlife Feed Pump Hours	744	696	744	720	744	696	770.5	741.9	720.8	647.2	720		7,944.4	662.03
Water Circulated through Wildlife Pond (MG)	46.872	43.848	46.872	45.36	47	44	49	46.74	45.41	40.77	45.36	0	500.5	41.71
Strainer No. 1 Hours						23.9	41.5	47.1	47.1	40	0		199.6	16.63
Strainer No. 2 Hours						18.8	41.8	47.2	47.1	40	0		194.9	16.24
Pond 1 Gauge @ Beginning of Month	3.1	3.9	3.9	4.4	4	3.5	5.8	5.7	5.7	6.2	7.2			
Pond 1 Gauge @ End of Month	3.9	3.9	4.4	4	3.5	5.8	5.7	5.7	6.2	7.2	7.6			
Pond 1 Gallons Stored @ End of Month(MG)	27.2	27.2	31.2	28	24	43	42	42	46.8	54.6	57.8			
Pond 2 Gauge @ Beginning of Month	3.1	3.9	3.9	4.4	4	3.5	5.8	5.7	5.7	6.2	7.2			
Pond 2 Gauge @ End of Month	3.9	3.9	4.4	4	3.5	5.8	5.7	5.7	6.2	7.2	7.6			
Pond 2 Gallons Stored @ End of Month(MG)	35	35	40	36	31	55	54	54	59.4	70	74.2			
Total Irrigation Water Stored	62.2	62.2	71.2	64	55	98	96	96	106.2	124.6	132	0		
Drainage Pump Station No. 3														
Drainage Pump No. 1 Hours	341.4	0.2	386	15.1	0	0	0	0	0	0	0.9			
Drainage Pump No. 2 Hours	0	34.7	0	0	0	0	0	0	0	1.9	8.8			
Drainage Pump No. 3 Hours	0	1.9	0.1	0	0	0	0	0	0	91.3	52.6			
Total Gallons Stormwater Pumped (MG)	102.42	11.04	115.83	4.53	0	0	0	0	0	27.96	18.69	0	280.47	23.37
Drainage Pump Station No. 7														
Drainage Pump No. 1 Hours	131.7	0.2	72.4	3.4	0.2	0	0	0	0	0	0.1			
Drainage Pump No. 2 Hours	14.2	13	0	0	0.7	0	0	0	0	2	48.7			
Drainage Pump No. 3 Hours	2.9	0	41.3	12.2	0.6	0	0	0	0	58.9	30.7			
Total Gallons Stormwater Pumped (MG)	66.96	6	51	7.02	0.675	0	0	0	0	27.41	35.775	0	194.94	16.25