SAUSALITO-MARIN CITY SANITARY DISTRICT

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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SAUSALITO-MARIN CITY SANITARY DISTRICT

BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sausalito-Marin City Sanitary District
Sausalito, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sausalito-Marin City Sanitary District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 opinions.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

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

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 that resulted in certain changes in nomenclature on the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* See note 1J to the financial statements for relevant disclosures.

Management early implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013 that had material effects on the financial statements:

Statement 65 – *Items Previously Reported as Assets and Liabilities.* See Note 1J to the financial statements for relevant disclosures.

The emphasis of these matters do not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
August 30, 2013

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Sausalito-Marin City Sanitary District
Management Discussion and Analysis
Fiscal year 2012/13, ending June 30, 2013

As Manager of the Sausalito-Marin City Sanitary District (District), I offer readers of the District's financial statements this narrative overview and analysis of the fiscal year 2012/13 financial statements of the District for the fiscal year ending June 30, 2013. We encourage readers to consider the information presented here and in our basic financial statements, which begin on page 12.

Introduction

The Sausalito-Marin City Sanitary District (SMCSD) is governed by an elected five member Board of Directors and provides wastewater treatment and disposal service to the City of Sausalito and wastewater collection, treatment and disposal service to Marin City and other unincorporated areas within the District's boundaries. Treatment and disposal service is also provided on a contract basis to Tamalpais Community Services District (TCSD) and the National Parks Service (Forts Baker, Barry and Cronkhite and Muir Woods National Monument). Treated wastewater is discharged into the deep waters of the central San Francisco Bay.

In January 2013, the District approved a new 30-year wastewater collection, treatment and disposal service agreement with the Tamalpais Community Services District. The District started the process of securing a new 50-year easement agreement for the treatment plant site from the National Park Service.

In 2010, the District adopted a comprehensive financial and a four- year sewer rate plan to fund needed treatment plant and collection system infrastructure renewal and upgrade improvements that are scheduled to be completed over the next several years. Fiscal year 2013/14 is the last year of the rate plan. To ensure the District maintains a stable financial condition over the next several years, the District is completing a sewer rate structure study and financing plan for its capital program. From the study results, the next five-year rate plan will be adopted for fiscal years 2014/15 through 2018/19.

The total capital improvement program is estimated at $42 million. To date, approximately $10 million of the improvements have been constructed. Completion of the renewal and upgrade projects will significantly improve the performance and reliability of District operations to achieve and maintain regulatory requirements. The largest capital project is the Headworks, Primary and Secondary improvements at the treatment plant which are estimated at $22.4 million. At the conclusion of the current 10-year capital improvement program, new expenditures on capital improvements should drop significantly, while the financing of current projects will span over the next 20 to 30 years.

The District has undertaken measures to stabilize costs. The District completed a comprehensive evaluation of employee salaries and benefits. A revised July 1, 2012, other post-employment benefits valuation was completed (Note 9). The last valuation completed in 2009 showed an unfunded Actuarial Accrued Liability of $1,754,836. The revised 2012 valuation shows an increased Actuarial Accrued Liability of $4,196,510. From 2009 to 2012, five (5) employees retired from the District. From the evaluation results, the District is implementing steps to reduce and stabilize its financial liabilities.

a. Prepayment of the CalPERS pension fund side fund in the amount of $165,778 (Note 6). Pre-payment saves approximately $20,000 in interest payments and reduces the annual payment amount.

b. The District negotiated with employees a pension cost share arrangement starting in fiscal year 2013/14. Employees will contribute an increasing amount over the next six (6) years until they pay the full eight (8) percent of their portion of pension cost. At year six (6), it is estimated the employees will be contributing about $100,000 toward their pension cost. Currently, the District pays the employees' eight (8) percent portion of pension cost.

c. The District is evaluating available plans to establish a post-retirement health care trust. It is anticipated a trust will be established in fiscal year 2013/14 in order to stabilize and meet its long-term retirement health care obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements are for a single proprietary fund and include the financial statements, notes to those financial statements and other supplementary information.

Proprietary Fund Financial Statements

The District's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, the District's operations are accounted for in a manner similar to a private business enterprise. Within this one proprietary fund, the District segregates revenues and expenses for various purposes such as operations, debt service and capital improvements, but that segregation does not create separate proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 15 of this report.

Financial Highlights

- Reserves (restricted and unrestricted) increased by $964,548 (Table 1).

- Total assets of the District exceeded total liabilities at the close of the fiscal year June 30, 2012 by $30,233,342 (Table 1 – total fund equity).

- Total fund equity of the District increased by a net income of $1,757,412 during the current fiscal year (Table 1 – total fund equity).

- Operating revenues increased by $429,862 (Table 2). The increased revenue is the result the third year of the sewer service charge rate plan.

- Operating expenses overall increased by $688,714 (Table 2). This increase is related to accounting reporting standards implemented to comply with GASB 45 that reports the full unfunded liability ($233,278) for post retirement benefits other than pensions (Note 9). Also the operating expense increase includes the $168,250 CalPERS side fund pre-payment (Note 6).

- Operating income decreased by $258,879 (Table 2).

- Net operating income reported at end of year decreased from $2,030,520 to $1,757,412 (Table 2).

- The District's total liabilities increased $119,118 from $5,398, 492 to $5,517,610 (Table 3). This reflects the new State Revolving Fund loan (long-term debt) for the Locust Street pump station project and reported increase in accrued post-retirement benefits other than pension.

- Cash and cash equivalents at end of year increased $2,131,350 from $4,888,012 to $7,019,362. Approximately $2.1 million are proceeds reported from receiving the Sate Revolving Fund Loan and increased revenue from the sewer rate plan.

- Property tax revenue was marginally higher ($516,159 vs. $492,244). Property tax can vary do to economic and real estate market conditions.

- Investment earnings was flat ($18,020 vs. $18,662) in comparison to the prior year. The District uses the Local Agency Investment Fund (LAIF).

- Service contract revenue from the Tamalpais Community Services District remained stable from the prior year ($1,192,334 to $1,023,400), which is a decrease $168,934. Operation and maintenance costs remain reasonably flat. The variance reflects year to year changes in capital project improvement costs.

- Service reimbursement revenue from the City of Sausalito Pump Station operation and maintenance agreement totaled $86,821, which is an increase of $19,848 from prior year.

Table 1
FUND EQUITY

	June 30, 2013	June 30, 2012	Increase (Decrease)	%
Current assets	$ 7,231,347	$ 6,610,104	$ 621,243	9.4%
Capital assets	28,519,605	27,236,802	1,282,803	4.7%
Total assets	35,750,952	33,846,906	1,904,046	5.6%
Total current liabilities	691,350	1,256,023	(564,673)	-45.0%
Fund equity:				
Invested in capital assets, net	23,864,718	23,071,854	792,864	3.4%
Restricted Reserves:				
Operations	2,485,000	2,485,000	-	0.0%
Future capital improvements	1,810,000	1,810,000	-	0.0%
Renewal and replacements	332,000	332,000	-	0.0%
Unrestricted:	1,741,624	777,076	964,548	124.1%
Total fund equity	$ 30,233,342	$ 28,475,930	$ 1,757,412	6.2%

Table 2

Statement of Revenues, Expenditures and Changes in Fund Equity

	Fiscal 2013	Fiscal 2012	Increase (Decrease)	%
Operating revenues	$ 6,270,723	$ 5,840,861	$ 429,862	7.4%
Operating expenses	4,899,149	4,210,408	688,741	16.4%
Operating income (loss)	1,371,574	1,630,453	(258,879)	-15.9%
Nonoperating revenues	385,838	400,067	(14,229)	-3.6%
Net income	$ 1,757,412	$ 2,030,520	$ (273,108)	-13.5%

Table 3

LIABILITIES

	Fiscal 2013	Fiscal 2012	Increase (Decrease)	%
Current Liabilities	$ 691,350	$ 1,256,023	$ (564,673)	-45.0%
Noncurrent Liabilities				
Long Term Debt	4,442,524	3,992,011	$ 450,513	11.3%
Accrued OPEB's[1]	383,736	150,458	233,278	155.0%
Total Noncurrent liabilities	4,826,260	4,142,469	683,791	16.5%
Total Liabilities	$ 5,517,610	$ 5,398,492	$ 119,118	2.2%

[1] Other Post Employment Benefits

Operating Fund

The overall operating expenses increase 16.6 percent from fiscal year 2011/12 to 2012/2013. Most of this increase is a result of the pre-payment of the CaPERS pension side fund and GASB 45 reported unfunded liability for post retirement benefits other than pensions. Major Changes in operating expenses in fiscal year ending June 30, 2013 compared to fiscal year ending June 30, 2012 include the following:

- Salaries and Benefits: Staffing levels stayed at 12 FTE positions. Salary and benefit expenses decreased about $107,711 or eight (8) percent due to retirement and staff vacancies.

- Employee Retirement: The cost increase reflects the $168,250 CalPERS pension side fund payment. Also the new GASB 45 requirement to report the full unfunded liability for post retirement benefits other than pensions. The reported increase is $233,278.

- Consulting Services: Expenses increased $50,218 for consulting service related to the Sewer Rate Structure study and update of the District's Sewer System Management Plan.

- Monitoring and Laboratory: Expenses increased due to a required effluent toxicity testing carryover expense incurred in FY 2012/13. In addition, new regulatory required nutrient effluent monitoring.

Capital Fund

The District invested $2,572,387 on its capital program to renew infrastructure during the fiscal year ending June 30, 2013. Of this total, $2,281,207 was spent on major capital projects, $162,990 on capital outlay and $127,683 on renew and replacement projects. The following major capital project work was in progress or completed:

- Locust Street Pump Station Improvements Project: This project was completed in July of 2012. The Locust Street Pump Station Improvement Project consists of the replacement of a 50-year old pump station with a modern, new submersible pump station. The District received a low interest State Revolving Loan for the project. The District will start making loan payments in fiscal year 20012/13.

- Marin City Collection System Repair and Rehabilitation: This project was completed in December of 2012. The project consists of the renewal of approximately 10,500 linear feet of sewers in Marin City and 900 linear feet of 24-inch gravity sewer interceptor in Bridgeway from Napa Street to Locust Street. The project will improve the reliability of the collection system, reduce inflow and infiltration, and decrease maintenance costs.

- Pump Station Reliability Improvements Project: This project is complete. The District completed design of improvements at five sewer pump stations to improve pump station reliability. The project consists of the installation of bypass pumping connections, including underground vaults, piping and valves at five (5) District sewer pump stations (Marin City, Princess Street, Drake, Highway Booster and Main Street). In addition, a wet weather pumping bypass connection from the District gravity interceptor to the Scotty's sewer pump station force main.

- Main Street Pump Station Rehabilitation Project
The project is in progress and is scheduled to be completed in December, 2013. The project will include the replacement of the two (2) Main Street Pump Station 250 HP wet weather sewage pumps. The existing pumps have reached their expected service life. The replacement pumps will be a more modern design that incorporates pump design technology that reduces clogging due to rags and debris. In addition, a new150 HP standby submersible sewage pump will be installed in an existing wet well structure. The new 150 HP pump and the existing station 100 HP dry season pump will provide the required back-up pumping firm capacity should one of the two 250 HP pumps fail.

- Headworks and Primary and Secondary Treatment improvements Project: This is a multi-year project currently in design phase. The project involves upgrades to the wastewater treatment plant to improve reliability, operational flexibility and minimize plant maintenance. In addition, it would reduce wet weather blending events and address site constraints, including plant and truck loading access and administrative space constraints. The project also includes the conversion of an existing building to serve as the District office. Planning and preliminary engineering design work on the project is complete. The project environmental document and final design is scheduled for FY 2013/14 along with the project application to the National Park Service for approval.

Financial Condition

The District has enjoyed a stable financial condition over the past several years. The 2010 rate plan has provided adequate funding to execute its capital program. In addition, the District has been reasonably successful at stabilizing its operational expenses. The District has had a stable workforce of 12 full-time positions. A key financial strategic focus has been controlling employee salary and benefit expenses. Recently the District approved a change to phase in the employees paying their eight (8) percent of pension costs. The positive financial result to the District is significant. The District's reserve balance continues to track its financial model. Over the next few years reserves will continue to accumulate in anticipation of drawing them down over time for debt service payments to fund the $22.4 million Headworks, Primary and Secondary Treatment Improvements Project.

For the fiscal year ending June 30, 2013, the District was in the third year of a four year sewer service charge rate increase plan. In fiscal year 2012/13, residents in the City of Sausalito were charged $647 per year while the residents in unincorporated areas were charged $701 per year. (The additional $54 charge is to pay for the cost of collection system maintenance and rehabilitation).

Total Fund equity is a measure of an agencies financial position and, over time, a trend of increasing or decreasing equity is an indication of financial health of the organization. The District's total fund equity was $30,233,342 at June 30, 2013 (Table 1). This represents a $1,757,412 increase from last fiscal year and an upward equity trend over past budget cycles. The District's investment in capital assets at June 30, 2013 represents the largest portion of fund equity (94%). Assets were reallocated among the future capital improvements, Operations, and Renewal and Replacement Funds pursuant to the District's reserve policy. Reserves (restricted and unrestricted) increased by $964,548.

Request for Information

This financial report is to provide interested parties with a general overview of the District's finances. If you have any questions about this report or need additional information, you may submit a request in writing to: District Manager, Sausalito-Marin City Sanitary District, 1 East Road, Sausalito, Ca, 94965, or telephone (415) 332-0244.

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Craig A. Justice
General Manager

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SAUSALITO-MARIN CITY SANITARY DISTRICT
BALANCE SHEETS
JUNE 30, 2013 AND 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents (Note 2)	$7,019,362	$4,888,012
Accounts receivable	193,130	1,701,640
Interest receivable	3,805	4,127
Prepaid insurance	15,050	16,325
Total Current Assets	7,231,347	6,610,104
Capital assets, net of accumulated depreciation (Note 4)	28,519,605	27,236,802
Other Assets		
Notes receivable (Note 3)	4,814	27,516
Total Assets	$35,755,766	$33,874,422
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	$372,485	$958,212
Compensated absences (Note 1L)	77,016	80,574
Regional Water Quality Control Board liability (Note 12)		4,300
Current maturities of long-term debt (Note 5)	212,363	172,937
Total Current Liabilities	661,864	1,216,023
Noncurrent Liabilities		
Long-term debt (Note 5)	4,442,524	3,992,011
River watch liability (Note 13)	34,300	40,000
Accrued other post-employment benefits (Note 9)	383,736	150,458
Total Noncurrent Liabilities	4,860,560	4,182,469
Total Liabilities	5,522,424	5,398,492
Net Position (Note 1. I.)		
Net investment in capital assets	23,864,718	23,071,854
Unrestricted,		
Reserved for future capital improvements	2,485,000	2,485,000
Reserved for operations	1,810,000	1,810,000
Reserved for renewal and replacement	332,000	332,000
Unreserved	1,741,624	777,076
Total Net Position	30,233,342	28,475,930
Total Liabilities and Net Position	$35,755,766	$33,874,422

See accompanying notes to financial statements

SAUSALITO-MARIN CITY SANITARY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Sewer service charges	$4,968,933	$4,382,231
TCSD service contract	1,023,400	1,192,334
Marin City sewer fees	186,144	198,818
Other revenue	92,246	67,478
Total Operating Revenues	6,270,723	5,840,861
OPERATING EXPENSES		
Salaries	1,002,832	1,042,878
Depreciation (Note 4)	1,289,584	1,091,053
Repairs	184,561	177,965
Employee benefits	246,045	173,283
Employee retirement	692,330	331,003
OPEB retiree health	165,778	140,427
Power	213,733	212,408
Chemicals	211,005	198,844
Permits and fees	99,577	98,865
Lateral replacement program		2,835
Consulting services	202,579	152,361
Payroll taxes	72,112	82,911
Supplies	45,978	53,383
Monitoring and laboratory	107,572	84,911
Other	11,873	33,364
Legal and accounting	72,977	81,429
Safety	46,804	37,138
Solid disposal	64,047	59,870
Directors' expenses	23,429	23,680
Insurance	39,793	39,330
Vehicle maintenance	11,355	11,871
Workers' compensation	29,512	16,717
Telephone	18,182	16,995
Conference and training	9,129	8,459
Assessment roll fee	13,077	12,667
Fuel	11,146	9,321
Office	5,905	9,933
Water	8,234	6,507
Total Operating Expenses	4,899,149	4,210,408
Operating income	1,371,574	1,630,453
Nonoperating revenues (expenses)		
Property taxes	516,159	492,244
Investment income	17,698	16,963
Interest expense	(148,019)	(109,140)
Total nonoperating revenue, net	385,838	400,067
CHANGES IN NET POSITION	1,757,412	2,030,520
NET POSITION AT BEGINNING OF YEAR	28,475,930	26,445,410
NET POSITION AT END OF YEAR	$30,233,342	$28,475,930

See accompanying notes to financial statements

SAUSALITO-MARIN CITY SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$7,801,935	$4,890,524
Cash paid to employees	(1,877,265)	(1,622,123)
Cash paid to supplies	(2,097,032)	(1,061,752)
Cash Flows from Operating Activities	3,827,638	2,206,649
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	516,159	492,244
Net Cash Flows From Noncapital Financing Activities	516,159	492,244
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(2,572,387)	(4,377,143)
Issuance of long-term debt	710,987	1,587,386
Principal on long-term debt	(221,048)	(112,123)
Interest paid on long-term debt	(148,019)	(109,140)
Cash Flows from Capital and Related Financing Activities	(2,230,467)	(3,011,020)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	18,020	18,662
Cash Flows from Investing Activities	18,020	18,662
NET CASH FLOWS	2,131,350	(293,465)
Cash and cash equivalents at beginning of year	4,888,012	5,181,477
Cash and cash equivalents at end of year	$7,019,362	$4,888,012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$1,361,297	$1,630,453
Adjustment to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,299,861	1,091,053
Changes in operating assets and liabilities		
Accounts receivable	1,508,510	(950,337)
Prepaid expenses	1,275	19,169
Notes receivable	22,702	
Accounts payable	(585,727)	350,843
Accrued vacation	(3,558)	17,745
Accrued payroll		(3,007)
River watch liability	(5,700)	
Regional water Quality Control Board liability	(4,300)	
Accrued other post-employment benefits	233,278	50,730
Net cash provided by operating activities	$3,827,638	$2,206,649

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sausalito-Marin City Sanitary District (the District) is presented to assist in understanding the District's financial statements.

A. Description of reporting entity

The Sausalito-Marin City Sanitary District is a political subdivision of the State of California, located in Marin County, California. The District is an independent special district organized under the California Health & Safety Code, codifying the Sanitary District Act of 1923, for the purpose of collecting, conveying, treating and disposing of wastewater within its jurisdictional boundaries, which includes the City of Sausalito and unincorporated areas, including Marin City. The District provides wastewater conveyance, treatment and disposal service to the Tamalpais Community Services District (TCSD) and the National Park Service under contract and operates and maintains the City of Sausalito Pump Stations under contract.

B. Basis of accounting

The financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's operating revenues include all revenues derived from sewage services. Operating expenses include all costs related to sewage services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The proprietary funds apply all applicable Governmental Accounts Standards Board (GASB) pronouncements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Fund accounting

The District utilizes proprietary funds to account for its activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

D. Budgetary accounting

The District does not adopt an appropriated budget and is not required to adopt such a budget by law. However, the District does adopt a non-appropriated budget annually which is approved by the Board of Directors.

E. Cash and cash equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accounts receivable

District management considers all accounts receivable to be fully collectible. Accordingly, an allowance for doubtful accounts has not been recorded in these financial statements.

G. Capital assets

All capital assets are valued at historical cost or estimated historical cost if historical cost is not available. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the balance sheet as a reduction in the book value of capital assets. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is provided using the straight line method. The estimated useful lives are as follows:

Treatment plant	30-100 years
Equipment plant	10-25 years
Other	3-10 years

H. Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

I. Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position- Consists of net positions with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property taxes

Property taxes were levied July 1, 2012 and were payable in two installments on November 1, 2012 and February 1, 2013. Property tax revenues are recognized as revenue when received. The County of Marin bills and collects property taxes on behalf of the District on the schedule as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 31 (August 31)

K. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Compensated absences

The District records the expense of employee's vacation and sick leave benefits in the period in which they accumulate and become vested. The changes in compensated absences were as follows for the year ended June 30, 2013:

Beginning Balance	$80,574
Additions	181,269
Payments	(184,827)
Ending Balance	$77,016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the District as of June 30, 2013, consist of the following:

	Carrying amount	Bank balance	Fair value
Deposits in commercial accounts			
Checking - Insured (FDIC)	$78,810	$157,717	
Savings - Public Money Market Fund	443,588	443,588	
	522,398	$601,305	
Investment in investment pool			
California Local Agency Investment Fund	6,496,764		$6,498,539
	6,496,764		$6,498,539
Petty cash	200		
Total Cash and Cash Equivalents	$7,019,362		

As of June 30, 2013, $351,305 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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 government 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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

A. Investment is State Investment Pool

Although the District did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the District does have an investment in the California Local Agency Investment Fund (LAIF) in the amount of $6,496,764. Investments in LAIF are invested in accordance with the investment policy of the State Treasurer for LAIF accounts (see State Treasurer's investment policy for LAIF accounts and separately issued financial reports for LAIF at http://www.treasurer.ca.gov/pmia-laif/). Included in LAIF's investment portfolio are United States Treasury and federal agency securities, International Bank for Reconstruction and Development federal agency floating rate debentures, bank notes, certificates of deposit, commercial paper, corporate floaters and bonds, time deposits and California Assembly Bill 55 and State of California General Fund Loans. Participants equity in LAIF is determined by the dollar amount of the participant's deposits, adjusted for withdrawals and distributed investment income. At June 30, 2013 these investments matured in an average of 278 days.

Investment income is prorated to individual funds based on their average daily investment balances. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statue. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. The District's investment in the pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents.

The District does not maintain a formal investment policy.

NOTE 3 – NOTES RECEIVABLE

A. Proposition 1A

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state was required to repay this borrowing plus interest by June 30, 2013, which it did.

After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the accrual basis of accounting, the tax revenues were recognized in the fiscal year for which they were levied.

NOTE 3 – NOTES RECEIVABLE (Continued)

B. Private Sewer Lateral Rehabilitation Assistance Program

In fiscal 2013, the District began the Private Sewer Lateral Rehabilitation Assistance Program. The purpose of the program is to provide District loans to eligible property owners to facilitate a physical rehabilitation of privately owned sewer laterals within the unincorporated area of Marin City in the Sausalito-Marin City Sanitary District service area.

As of June 30, 2013, the District has one resident participating in the program. The remaining balance at year end is $4,814.

NOTE 4 – CAPITAL ASSETS

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

	Balance June 30, 2012	Additions	Transfers	Balance June 30, 2013
Nondepreciable capital assets				
Construction in progress	$4,418,572	$719,199	($3,902,592)	$1,235,179
Net nondepreciable capital assets	4,418,572	719,199	(3,902,592)	1,235,179
Depreciable capital assets				
Original conveyance and treatment facilities	2,456,434			2,456,434
Secondary treatment plant	12,836,807			12,836,807
General equipment, facility upgrade and renewal	11,952,162	366,750		12,318,912
Conveyance system upgrade and renewal	6,335,313	779,187	2,807,095	9,921,595
Collection system upgrade	183,653	697,451	1,095,497	1,976,601
Office equipment	88,263	9,800	(3,887)	94,176
Total depreciable capital assets	33,852,632	1,853,188	3,898,705	39,604,525
Less accumulated depreciation	(11,034,402)	(1,289,584)	3,887	(12,320,099)
Total depreciable capital assets, net	22,818,230	563,604	3,902,592	27,284,426
Net capital assets	$27,236,802	$1,282,803		$28,519,605

NOTE 5 – LONG-TERM DEBT

Long-term debt outstanding as of June 30, 2013 consist of the following:

	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Amount due within one year
Note payable - City National Bank 4.10%, due 5/8/28	$3,000,000	$2,577,562		$116,767	$2,460,795	$121,604
State Water Resources Control Board Loan 2.60%, due 5/15/32	2,298,373	1,587,386	$710,987	104,281	2,194,092	90,759
Total Long-Term Debt		$4,164,948	$710,987	$221,048	$4,654,887	$212,363

A. Note payable - City National Bank

On April 1, 2008, the District entered into an installment agreement with Municipal Finance Corporation for the acquisition and construction of wastewater system improvements. Municipal Finance Corporation assigned the loan to City National Bank. The note is payable in semi-annual principal and interest payments of $110,631 and is secured by a pledge of net revenues of the District. In addition, the District is obligated to set rates at a level such that the enterprise's unencumbered cash net revenues will at least be equal to 115 percent of that year's debt service on the loan.

B. State Water Resource Control Board

The District entered into a loan contract with the State of California (State Water Resources Control Board) on August 15, 2011, for the purpose of financing the Locust Street Pump Station Improvements project. The total loan amount cannot exceed $2,298,373, with a stated interest rate of 2.6% per annum. To date, the District has received $2,298,373. Principal and interest payments are due annually beginning on May 15, 2013 through the fiscal year 2032.

C. Summary of long-term liabilities service requirements

Long-term liabilities service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2014	$212,363	$156,705	$369,068
2015	219,763	149,309	369,072
2016	227,426	141,643	369,069
2017	235,372	133,696	369,068
2018	243,610	125,458	369,068
2019-2023	1,352,595	492,745	1,845,340
2024-2028	1,609,054	236,283	1,845,337
2029-2031	554,704	36,518	591,222
Total requirements	$4,654,887	$1,472,357	$6,127,244

NOTE 6 – DEFINED BENEFIT PENSION PLAN

A. Plan description

The Sausalito-Marin City Sanitary District has a defined benefit pension plan, the Miscellaneous Plan of the Sausalito-Marin City Sanitary District (the Plan), which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

On June 30, 2005, the District was placed into the Miscellaneous 2.7% at 55 Risk Pool by CalPERS, as the District has less than 100 employees. At this time, employer side funds were created to account for the difference between the funded status of an agency's individual plan and the funded status of the risk pool. The District's side fund was amortized over a ten year period.

The District satisfied its Miscellaneous Plan's unfunded liability by making a lump sum of $168,250 on June 12, 2013.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (or other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

B. Funding policy

The Plan provides for the contribution by active plan members of 8% of their annual covered salary. The employer has elected to make this contribution for the employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year ended June 30, 2013 was 23.445% for the District. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual pension cost

For the year ended June 30, 2013, the District's annual pension cost was $165,778 and the District actually contributed $165,778. The required contribution for the year ended June 30, 2013 was determined as part of the actuarial valuation as of June 30, 2011 using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases depending on age, service and type of employment ranging from 3.30% to 14.20%; (c) 2.75% inflation and (d) payroll growth of 3.0%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 15 year period. Changes in liability due to plan amendments, changes in actuarial assumptions or changes in actuarial methods are amortized as a level percentage of payroll over a closed twenty year period. The Plan has a net unfunded actuarial liability at June 30, 2013.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Trend information for the District's defined benefit pension plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$269,826	100%	$0
6/30/2012	315,887	100%	0
6/30/2013	165,778	100%	0

D. Funded status of the CalPERS pooled plan (reported in millions)

Actuarial Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability (Excess Assets) as a % of Payroll
6/30/2009	$2,140,439	$1,674,260	$466,179	78.2%	$440,071	105.9%
6/30/2010	2,297,871	1,815,672	482,199	79.0%	434,023	111.1%
6/30/2011	2,486,709	1,981,073	505,636	79.7%	427,300	118.3%

NOTE 7 – DISTRICT-PAID DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all full-time employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, death, or unforeseeable emergency. Total employee contributions to the plan during the year ended June 30, 2013 were $58,108. The District contributes 1.5% of unrepresented employee's salary as deferred compensation. Total District contributions to the plan during the year ended June 30, 2013 were $15,695.

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In order to insure for risks of loss, the District participates in a joint venture under a joint powers agreement with the California Sanitation Risk Management Authority (CSRMA). The relationship between the District and the CSRMA is such that the CSRMA is not a component unit of the District for financial reporting purposes.

The CSRMA arranges for and provides self-insured programs for liability, property and workers' compensation for member districts. The District currently participates in all of CSRMA's insurance programs. The CSRMA is governed by a board consisting of a representative from each member district.

NOTE 8 – RISK MANAGEMENT (Continued)

The board controls the operations of the CSRMA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the CSRMA. The District's share of surpluses and deficits cannot be determined, although District management does not expect such amounts, if any, to be material in relation to the financial statements.

The latest audited financial information for the CSRMA is for the fiscal year ended June 30, 2012 and the condensed financial information of the CSRMA is as follows:

Total assets	$30,047,691
Total liabilities	17,709,465
Net assets	$12,338,226
Total revenues	$8,879,110
Total expenses	12,460,997
Change in net assets	($3,581,887)

The entity did not have long-term debt outstanding at June 30, 2012 The District's share of the year end assets, liabilities or fund equity has not been calculated by the CSRMA.

The District is covered by the following types of insurance through the CSRMA as of June 30, 2013:

Coverage	Limits	Deductibles
General Liability, Errors and Omissions, and Employment Practices Liability (CSRMA pooled program)	$15,550,000	$42,500
Excess General Liability (Ironshore Specialty Insurance Company)	25,500,000	None
Public Entity Physical Damage (Beazley Insurance Company)	670,287	2,000
Special Form Property (Public Entity Program Insurance Program)	33,938,034	5,000
Workers' Compensation (CSRMA pooled program)	750,000	None
Excess Workers' Compensation (Safety National Casualty Corporation)	Statutory	None

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The District administers an Other Post-Employment Benefit (OPEB) Plan, a single-employer defined benefit plan. The District's OPEB Plan provides medical insurance for eligible retirees and spouses through the District's group health insurance, which covers both active and retired members. In order to be eligible to retire with District-paid health benefits, an employee must have been hired by the District prior to 2004 or, if hired after 2004, must have 10 years of service credit, 5 of which must be with the District. The activity and liability from the OPEB plan are included in these financial statements.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

B. Funding policy

The District pays 100% of the cost of the OPEB plan for employees hired before 2004. For employees hired after 2004 with 10 years of service, 5 of which must be with the District, the District pays 50% of the cost of the OPEB plan. The amount of health benefit increases proportionally based on the employee's credited years of service to 100% after 20 years. The District funds the plan on a pay-as-you-go basis and maintains reserves and records a liability for the difference between the pay-as-you-go and the actuarially determined annual OPEB cost.

C. Annual OPEB cost

The following table presents the components of the District's annual OPEB cost, amounts actually contributed of $165,778 to the Plan, and changes in net OPEB obligation for the year ended June 30, 2013:

Annual required contribution (ARC)	$402,252
Interest on net OPEB (obligation) asset	6,018
Adjustment to annual required contribution	(9,214)
Annual OPEB cost	399,056
Contributions made:	
Retired employees post employment medical benefit payments	(165,778)
Increase in net OPEB obligation	233,278
Net OPEB obligation, beginning of year	150,458
Net OPEB obligation, end of year	$383,736

D. Funded status of the plan

The most recent valuation dated July 1, 2012 includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $4,196,510. There are no plan assets because the District funds the plan on a pay-as-you-go basis and maintains reserves and records a liability for the difference between the pay-as-you-go and the actuarially determined annual cost.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

E. Schedule of funding progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the year ended June 30, 2013 (the transition year) follows:

Actuarial Valuation Date	Actuarial Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Actuarial Accrued Liability (UAAL) (A) – (B)	Funded Status (B) / (A)	Annual Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(A) – (B) / (C)]
7/1/2009	$1,956,161	$201,325	$1,754,836	10.3%	$1,137,221	154.3%
7/1/2012	4,196,510	0	4,196,510	0.0%	1,005,472	417.4%

F. Transition year trend information

The District's annual OPEB cost, percentage of annual OPEB costs contributed, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
6/30/2011	$176,000	$96,790	54.99%	$99,728
6/30/2012	193,446	140,427	72.59%	150,458
6/30/2013	402,252	165,778	41.21%	383,736

G. Actuarial methods and assumptions

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return and an annual healthcare cost trend rate of 7.3% initially, reduced by decrements to an ultimate rate of 5.5% after ten years. A level dollar amortization of the Unfunded Actuarial Accrued Liability is used over a closed 30-year period.

NOTE 10 – GOVERNING BOARD

The powers of the District are exercised by a Board of Directors consisting of five directors, each elected or a term of four years by the qualified electors within the District. As of June 30, 2013, the members of the District's Board of Directors were as follows:

	Term Expires
Ann Arnott, President	November 2013
Raymond Gergus, Vice President	November 2013
Donald Beers, Director	November 2015
William F. H. Ring, Director	November 2015
Dan J. Rheiner, Director	November 2013

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The District is involved in litigation arising in the ordinary course of its operations that, in the opinion of management, will not have a material effect on the District's results of operations.

In addition, the District has entered into construction and service contracts with various companies. Many of the contracts are considered fixed fee arrangements. However, work under these contracts could be discontinued at the direction of the District. Therefore, it is the opinion of the management that a fixed commitment does not exist.

NOTE 12 – REGIONAL WATER QUALITY CONTROL BOARD LIABILITY

The Regional Water Quality Control Board (RWQCB) imposes mandatory penalties for violations of effluent limits as contained in the District's National Pollutant Discharge Elimination System permit. The District has incurred violations over the last several years and each qualifying violation will be assessed at $3,000 each. During February 2009, the District incurred a sewage spill. Accordingly, the RWQCB assessed the District $258,000 in penalties due to the spill. There is no remaining liability as of June 30, 2013.

NOTE 13 – RIVER WATCH LIABILITY

The District entered into a Settlement and Release of Claims Agreement on July 31, 2008 with Northern California River Watch, a 501(c)(3) non-profit public benefit corporation to resolve allegations that the District violated Section 505 of the Federal Water Pollution Control Act. As part of the settlement, the District agreed to provide funding in the amount of $40,000 for a supplemental environmental project relating to a storm water pollution study or grant or reduced cost programs for lateral replacements. The District has recorded a liability in the amount of $40,000 for the supplemental environmental project. As of June 30, 2013, the liability outstanding is $34,300.

NOTE 14 – AGENCY SERVICE AGREEMENTS

The District maintains wastewater service agreements with the City of Sausalito, National Park Service (Golden Gate National Recreation Area) and Tamalpais Community Services District (TCSD). The agreements establish the terms and conditions related to the repair, operation and agency share costs of the wastewater collection system and treatment facility. The agreements are described below.

a. City of Sausalito

The District has a long standing agreement with the City to operate and maintain three sewer pump station that are owned by the City. The agreement is on-going and has no sunset date. Under the agreement, the District estimates the annual cost in the fiscal year budget. The District invoices the City on a quarterly basis for actual expenses incurred by the District, which includes equipment, supplies, labor, overhead and administrative expenses.

b. National Park Service (Golden Gate National Recreation Area)

The District and NPS have a long standing right-of -way easement agreement. The existing 50-year agreement term is set to expire in 2017. Under the agreement, the District provides wastewater treatment at no cost to the NPS. In turn, the NPS has approved the right-of -way easement agreement which allows the District to operate and maintain the wastewater treatment facility of Federal NPS lands.

c. Tamalpais Community Services District (TCSD)

The District and TCSD approved an updated agreement in 2012. The agreement is valid for a 30-year term to expire in 2042. The District approves the estimated TCSD operation and maintenance and capital improvement expenses as part of the annual fiscal year budget adoption. TCSD then pays the estimated budget costs with two annual payments to the District. Following the fiscal year audit completion, the District completes reconciliation of budget vs. actual expenses for the year and invoices TCSD as either a credit or an additional expense, if over the estimated budget amount.