

LAS GALLINAS VALLEY SANITARY DISTRICT

SAN RAFAEL, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal years ended June 30, 2012 and 2011





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Fiscal years ended June 30, 2012 and 2011



Mark R. Williams, General Manager

Prepared by:

Susan M. McGuire, CPA – Administrative Services Manager



LAS GALLINAS VALLEY SANITARY DISTRICT

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LAS GALLINAS VALLEY SANITARY DISTRICT

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INTRODUCTORY SECTION



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**DISTRICT BOARD**

Megan Clark
Russ Greenfield
Larry Loder
Craig K. Murray
Judy Schriebman

DISTRICT ADMINISTRATION

Mark R. Williams,
General Manager
Michael Cortez,
District Engineer
Janice Mandler,
Collection System/Safety Manager
Susan McGuire,
Administrative Services Manager
Mark Von Aspern,
Plant Manager

October 31, 2012

To the Ratepayers and Honorable Board of Directors of
Las Gallinas Valley Sanitary District
San Rafael, California

It is our pleasure to submit this Comprehensive Annual Financial Report (CAFR) of the Las Gallinas Valley Sanitary District for the fiscal year ended June 30, 2012. This report was prepared by the District staff who collected and analyzed the financial statements and other information presented herein. The management of the District assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive system of internal controls that is 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.

METHOD OF PRESENTATION

This CAFR follows the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada and is divided into the following sections:

Introductory

The reader is introduced to the Report and the District. The transmittal letter, organization chart, District administration, and other pertinent information are included in this section. This section is unaudited.

Financial

The District's basic financial statements have been audited by Burr Pilger Mayer, Inc. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2012 were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors have issued an unqualified ("clean") opinion on the Las

Gallinas Valley Sanitary District's financial statements for the fiscal year ended June 30, 2012. Their audit report is presented as the first component of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. This letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it. Following the MD&A, are the Basic Financial Statements, Notes to the Financial Statements, and Supplementary Information.

Statistical

Statistical information depicting the financial trend of the District for the past 10 years, revenue capacity data, debt capacity data, operations, demographics and other information are included in this section. This section is unaudited.

FINANCIAL CONTROLS AND ACCOUNTING SYSTEMS

Internal Controls

To ensure that accounting data is compiled and properly recorded, and to permit the preparation of financial statements in accordance with generally accepted accounting principles, the management staff of the District is responsible for establishing and maintaining an accounting system and internal controls structure. These controls are designed to ensure that the assets of the District are adequately protected from loss, theft, unauthorized use or disposition, or other misuse. The internal controls structure is designed to provide reasonable, but not absolute, assurance that this objective is met while recognizing that: (1) the cost of the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management. We believe that the District's internal accounting controls adequately safeguard its assets and provide reasonable assurance that financial transactions are recorded properly and are free of any material misstatements.

Budgetary Controls

The District is not required by statute to adopt a budget; however, in its commitment to maintain fiscal responsibility, the District adopts an annual budget prior to June 30th each year. In preparation for drafting a budget, management staff meets with the District's Board of Directors to update the District's Strategic Plan to determine the strategic goals and visions for the upcoming year. The budget outlines and reflects the major elements of the upcoming fiscal year operating and capital plans, from which management allocates funds that are necessary for specific departmental activities and capital projects. During the most recent five year rate review, which was adopted by the Board in June 2009, long-term capital priorities were outlined for the fiscal years 2009 through 2014. Management integrates these priorities into the annual budget. Budgetary control is maintained at the detailed line item level. The General Manager may approve

expenditures in excess of budgeted amounts up to \$15,000; items in excess of this must be approved by the Board of Directors.

Accounting System

Las Gallinas Valley Sanitary District is an independent special district. The District's accounting structure, insofar as practical and in accordance with generally accepted accounting principles, complies with the Uniform System of Accounts for Waste Disposal Districts provided by the California State Controller's office.

The District reports its activities as an Enterprise Fund under the broad category of funds called proprietary funds. The District uses the full accrual basis of accounting. The District tracks expenditures by department, with each department delineated by function and specific activity, in order to provide management and the Board of Directors with better cost control measures. At the end of each fiscal year, these costs are combined to arrive at the financial position and results of operations reflected in the District's basic financial statements.

Debt Administration

The District financed two large capital projects which commenced in fiscal years 2010 and 2011. For the District's primary clarifier upgrade, management was able to take advantage of low interest rates offered by the State of California's State Revolving Fund, resulting in a \$4.3 million fixed, 20 year loan at 2.7%. For the District's recycled water treatment facility, the District obtained financing from a community based bank. Using a bank based in our county with local ties to the community was an important factor in the loan analysis performed by management. This project is being financed with two loans, one is a \$4.6 million loan with a fixed interest rate of 3.88% to be repaid over 20 years; the other is a \$2 million loan with fixed interest rate of 3.25% to be repaid over 10 years.

Cash Management

The Administrative Services Manager acts as the District's Treasurer. In her capacity as Treasurer, she is responsible for the District's cash and investments. The District's Board of Directors has adopted an Investment Policy which conforms to legal and statutory requirements of the State of California. The Treasurer periodically, but at least annually, reviews the District's investment of excess cash and makes presentation to the Board of the recommended strategy for the upcoming year. The District maintains balances in a community based bank located in Marin County and in an account with the State of California's Local Agency Investment Fund (LAIF). Balances at the bank are invested in interest bearing savings accounts and certificates of deposit. LAIF is available to local governments and is administered by the Office of the State Treasurer. It invests primarily in fixed income securities, following an investment strategy of safety, liquidity and rate of return. It is considered a cash equivalent, since the funds are subject to withdrawal or transfer at any time.

Note 3 of the Notes to the Financial Statements describes policies, practices and also various risks applicable to the District's cash and cash equivalents.

Risk Management

The District has a comprehensive risk management program. Insurance is outsourced through participation in the California Sanitation Risk Management Authority (CSRMA), a joint powers authority established for the operation of common risk management and loss prevention programs, workers' compensation, general liability, and property insurance needs. The District has a Safety Manager who promotes and implements safety programs and training. Note 12 of the Notes to the Financial Statements describe details of the risk management and insurance issues.

HISTORY AND PROFILE OF THE DISTRICT

The District was established on April 6, 1954 pursuant to the California Health and Safety Code, Division 6 – Sanitary District Act of 1923. It is located approximately two miles northeast of the City of San Rafael and 20 miles north of San Francisco. It covers an area of about sixteen square miles in the northern part of the City of San Rafael and surrounding unincorporated areas in Marin County, California including the communities of Lucas Valley, Marinwood, Santa Venetia and Terra Linda. The District's boundaries are Hamilton Field (a former air force base) to the north, San Pablo Bay to the east, and central San Rafael to the south. The District serves a population of approximately 32,000 people. The District is primarily residential and built out resulting in a fairly stable customer base. As of July 1, 2011, it is comprised 97.6% residential (13,285 units) and 2.4% commercial/industrial (326 units).

Sewage Collection

- The District operates a sanitary sewer collection system comprised of approximately 105 miles of gravity sewer lines, 6.72 miles of force mains, and 28 pump stations. There are 2,985 manholes and 52.5 miles of laterals.
- Smoke testing of the entire District was completed in 2009; a new round of testing commenced in 2011. It is a process whereby smoke is blown into the sewer mains, lower and upper laterals, to determine where there may be cracked pipes or storm water cross connections. This process helps to identify where there may be Infiltration and Inflow (I&I) into the sewage collection system. I&I is a major concern for wastewater treatment plants since large storms may produce flows that overwhelm the capacity of the sewage collection system and possibly the plant, resulting in sewage spills, plant violations, overflows and fines.
- The District televised all of its sewer mains in 2008 and has started a second round of inspections. Televising these lines allows District staff to identify future repair and replacement projects as well as monitor the integrity of the system.

Sewage Treatment

- The District operates a sewage treatment plant with a permitted dry weather average capacity of 2.92 million gallons per day (MGD).
- The District treated an average daily flow of 2.85 MGD of sewage per day in calendar 2011.
- The District's treatment plant uses primary treatment to separate the solids from the wastewater; trickling filters and deep bed filters to provide secondary treatment. Treated effluent is disposed of through a discharge pipes into San Pablo Bay during discharge season, November through May. Discharge coincides with wet weather when treated effluent is diluted by higher levels of bay water due to rain.
- All solids and grit removed from the wastewater stream are pumped through a degritter where grit is removed and disposed of in a landfill. The solids are treated by gravity thickening and anaerobic digestion, and then pumped to one or more of three storage ponds, where they are typically retained for one year prior to surface disposal. The treatment plant produced 295 dry tons of biosolids during 2011.

Reuse of Treated Wastewater

- The District produced 278 million gallons of treated effluent during the non-discharge months of June through October. Ninety four million gallons were diverted to the District's water reclamation project and 116 million gallons were delivered to Marin Municipal Water District (MMWD).
- The District has a water reclamation project on 385 acres of diked baylands located to the northeast of the treatment plant. This project includes a 20 acre wildlife marsh pond, 40 acres of storage ponds, 200 acres of irrigated pasture, and 3.5 miles of public trails which are part of the San Francisco Bay Trail.
- MMWD further treats the effluent so that it can be used for irrigation of landscapes, including golf courses and playing/recreation fields, dual plumbing, toilet flushing, cooling water uses, and car washes within the District's boundaries.
- The District is in the final construction phase of building a new recycled water treatment facility which will take the plant effluent not utilized by MMWD and treat it to recycled water standards so it can be distributed by North Marin Water District.

Lab and Public Outreach

- The District operates its own lab which collects samples, completes analysis, and performs other testing to comply with the plant discharge permit issued by the State Water Resources Control Board.
- Central Marin Sanitation Agency and lab staff manage the District's source control program. This includes a Fats Oils and Grease (FOG) Program which is designed to prevent

customers from discharging substances that are harmful to the sewage treatment process or that may cause clogs to sewer mains and pump stations.

- Lab staff participate in the Marin County Sanitation Agencies Public Education Program. This program allows the participating agencies to combine resources and have a unified message to educate the public about the proper disposal of and to collect pharmaceuticals, mercury, batteries and other household hazardous waste in the County. They participate in programs with school children, the Marin County Fair and various farmer's markets and festivals. The participating agencies won the Redwood Empire Public Education Award Large Budget from the California Water Environment Association for 2011.
- The District implemented a program to minimize discharge of mercury in 2011 through adoption of the dental amalgam discharge reduction program. Working collaboratively through its participation in the Marin County Sanitation Agencies Pollution Prevention Program, an education, outreach and inspection program was adopted. During calendar year 2011, all dental offices were inspected for proper equipment and practices to reduce the amount of mercury discharged to the sanitary sewer system.
- The District offers tours of the plant treatment works and enhanced wetlands upon request from schools, community groups and other members of the public.
- The District produces a newsletter twice a year to educate the public about the sewer collection system, treatment plant and their sewer laterals. Staff have noted an increase in knowledge by homeowners regarding maintaining their sewer laterals.
- The District adopted a Private Sewer Lateral Assistance Program in March 2012. The program allows property owners to obtain a low interest advance of up to \$10,000 to repair or replace their sewer lateral. The advances are repaid through the property tax bills and a lien is recorded against the property to ensure repayment. This program was authorized by California Assembly Bill 741 which was effective January 1, 2012. Prior to the passage of this legislation, sanitary agencies did not have the authority to offer such programs unless they were under regulatory order.
- The District has a website at www.lgvsd.org where it posts current developments, public education topics and information about what is happening at the Board meetings, the plant and in the District.

Solid Waste (Garbage) Services and Recycling

The District manages the garbage collection service for the unincorporated areas in its District. The franchise has been awarded to Marin Sanitary Service which provides curbside recycling, solid waste, yard waste and food scraps hauling, and safe hazardous waste disposal services that are helping achieve Marin County's goal of zero waste.

ECONOMIC CONDITIONS AND OUTLOOK

The District is comprised primarily of residential units with commercial and some light industrial areas. It is substantially built out with in-fill developments in pockets of undeveloped land and

redevelopment of commercial areas that were built over twenty years ago. The District does not expect significant new, customers in the near future. The connection fee for new users is \$6,200 per unit and has remained at this rate since July 1, 2007.

The Board of Directors adopted a five year rate review and capital improvement plan in June 2009. At that time they contemplated increasing the then sewer use charge of \$303 per unit to \$680 by fiscal year 2014. The current rate for fiscal year 2012 of \$590 is below the average for neighboring agencies in Marin County.

Compared to neighboring jurisdictions, Las Gallinas customers in the unincorporated area enjoy one of the lowest garbage and recycling rates. As of January 1, 2012, customers could expect to pay monthly \$21.90 for a 20-gallon cart and \$25.77 for the service for a 32-gallon cart. This is below the Marin County average of \$31.94 per month for a 32-gallon cart.

ACKNOWLEDGMENTS

This Comprehensive Annual Financial Report is the culmination of the hard work and dedication of many District employees and the audit team under the direction of Jim Babcock of the accounting firm Burr, Pilger and Mayer, Inc. Las Gallinas Valley Sanitary District staff would like to acknowledge the support of the Board of Directors for its continuing direction and oversight in providing value to the community of San Rafael.



Mark R. Williams
General Manager



Susan M. McGuire, CPA
Administrative Services Manager

LAS GALLINAS VALLEY SANITARY DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

MISSION STATEMENT

Fiscal Year Ended June 30, 2012

Our Mission

The Mission of the Las Gallinas Valley Sanitary District is to protect public health and our environment by providing effective wastewater collection, treatment, and recycling services.

Vision

Recognizing that sanitation and wastewater treatment is a vital component of protecting the public health, the LGVSD will

- ❖ manage our treatment and collection infrastructure in a planned and sustainable way;
- ❖ strive toward beneficial recycling of wastewater, biosolids and other resources using safe and effective processes and systems to achieve our zero waste vision;
- ❖ collaborate with neighboring agencies to achieve efficiencies for the public;
- ❖ cooperate with stakeholders to leverage opportunities for protecting the bay and regional water resources for the people we serve;
- ❖ maintain a safe, high quality workplace to promote a sustainable, motivated, long-term and cohesive workforce;
- ❖ increase public participation, acceptance and understanding of what we do;
- ❖ responsibly manage the refuse franchise;
- ❖ maintain our zero spill goal;
- ❖ consider climate change and flooding when developing and designing new projects;
- ❖ reduce our impact on natural resources; and
- ❖ collaborate with public and private parties to improve watersheds within the District's boundaries;

Our Core Values

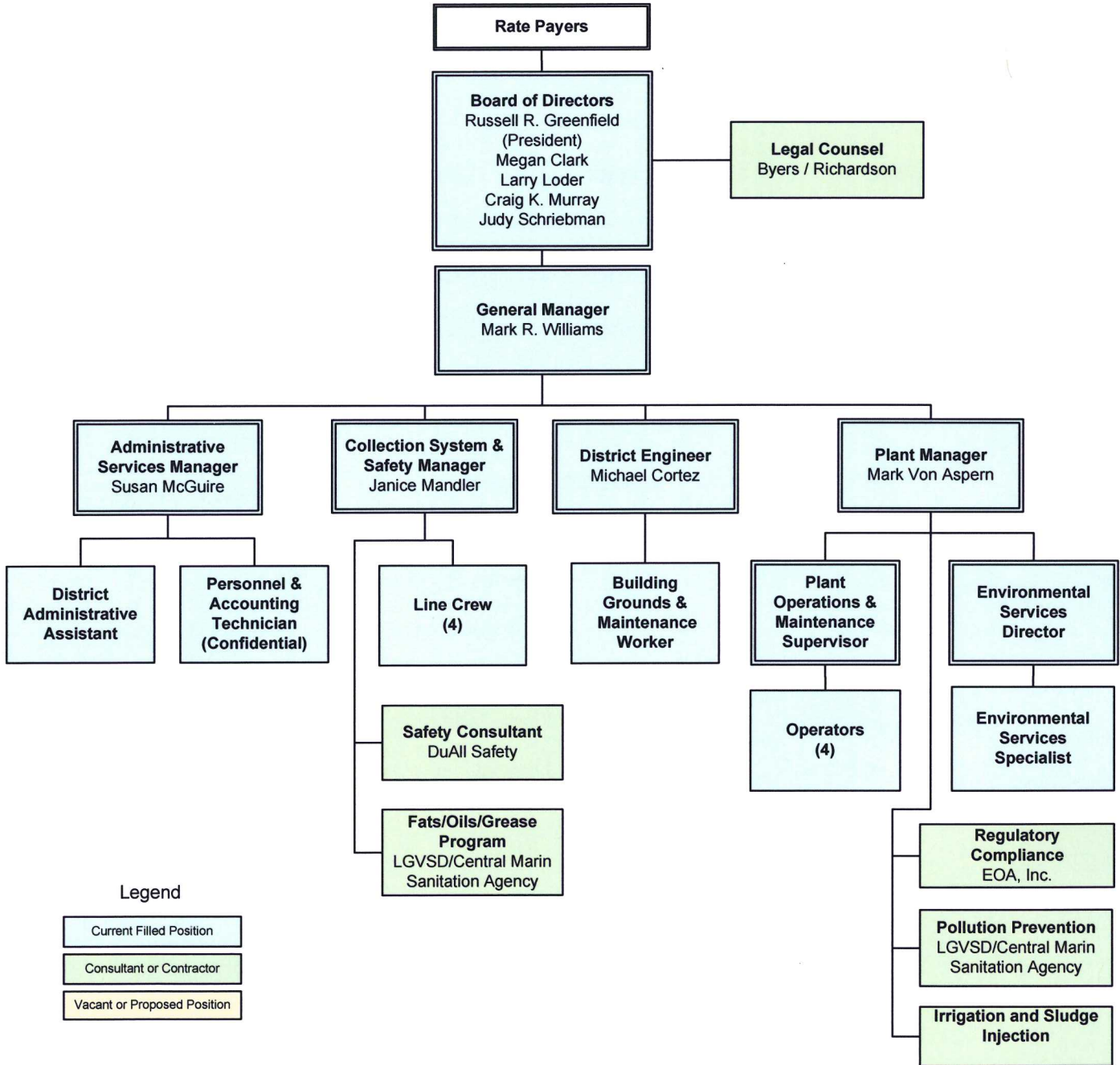
- ❖ Does it reflect our commitment to the Public Health and to the Environment?
- ❖ Will it support high quality customer service and public outreach?
- ❖ Does it enhance our infrastructure, facility maintenance and system reliability?
- ❖ Will it support best workforce practices?
- ❖ Does it establish equitable, reasonable, and necessary rates by responsible use of the Public's funds now and in the future?
- ❖ Does it build on and leverage our network of Partners?
- ❖ Will it support our ability to govern as a Board team with honesty, transparency, and respect?
- ❖ Will it support our commitment to practical innovative methods?

LAS GALLINAS VALLEY SANITARY DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

Organizational Chart



LAS GALLINAS VALLEY SANITARY DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

DIRECTORY OF OFFICIALS

Fiscal Year Ended June 30, 2012

BOARD OF DIRECTORS

Russ Greenfield	President	12/10/2009 – 12/12/2013
Megan Clark	Director	12/10/2009 – 12/12/2013
Larry H. Loder	Director	12/10/2009 – 12/12/2013
Craig K. Murray	Director	12/16/2011 – 12/10/2015
Judy Schriebman	Director	12/16/2011 – 12/10/2015

ADMINISTRATION

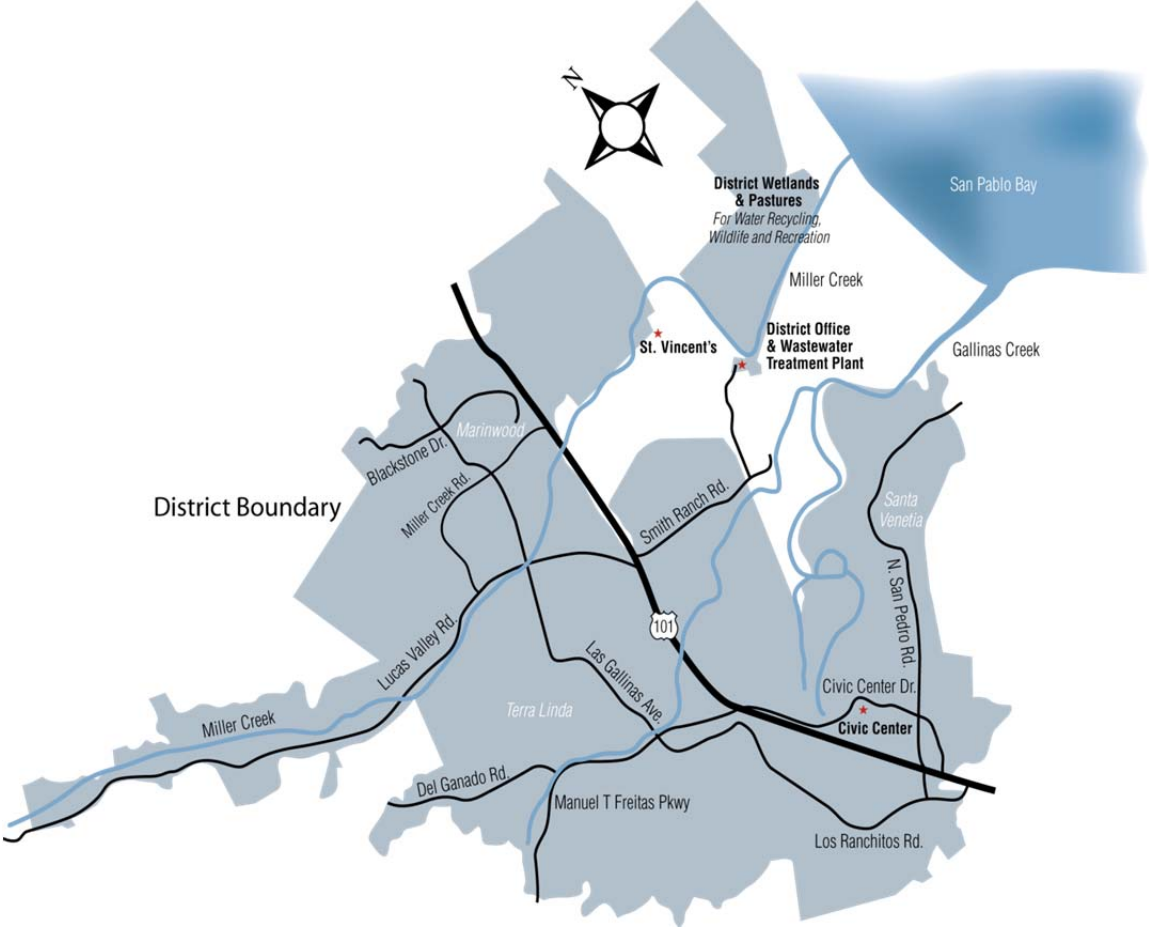
Mark R. Williams	General Manager
Michael P. Cortez, P.E.	District Engineer
Janice Mandler	Collection System/Safety Manager
Susan McGuire, CPA	Administrative Services Manager
Mark Von Aspern	Plant Manager
Carolyn A. Memmott	District Secretary

LAS GALLINAS VALLEY SANITARY DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

DISTRICT SERVICE AREA

Fiscal Year Ended June 30, 2012





FINANCIAL SECTION

THERMOMETERS FROM HOUSEHOLD HAZARDOUS WASTE COLLECTION



TRANSFORMING THE FRONT GATE AT THE TREATMENT PLANT



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Las Gallinas Valley Sanitary District
San Rafael, California

We have audited the accompanying financial statements of Las Gallinas Valley Sanitary District (the District), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Las Gallinas Valley Sanitary District. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Las Gallinas Valley Sanitary District as of June 30, 2011 were audited by other auditors whose report dated October 16, 2011 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Las Gallinas Valley Sanitary District's financial statements as a whole. The introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Las Gallinas Valley Sanitary District as of June 30, 2012 and the changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Burr Pilger Mayer, Inc.

San Jose, California
October 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAS GALLINAS VALLEY SANITARY STAFF AT WORK:



LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

The following discussion and analysis of the Las Gallinas Valley Sanitary District's (District) financial performance provides an overview and analysis of the District's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the District financial statements and accompanying notes, which follow this section.

HIGHLIGHTS

Financial Highlights

- Operating Revenues increased by approximately \$421,000 over the previous year. This increase was due to an increase in the sewer service charge from \$563 to \$590 per sanitary unit.
- The District's operating expenses, net of depreciation, increased by \$291,000 due to the increase in personnel costs related to hiring a supervisor in the Operations Department as part of the staffing succession plan; achievement of additional certification in electrical work by staff; an increase in the actuarial determined cost of Other Post-Employment Benefits as part of the biennial valuation of the plan; and increases in fuel costs.
- The District participates in the North Bay Water Reuse Authority (NBWRA) which is a group of water and wastewater agencies that surround the San Pablo Bay. NBWRA received a \$7.3 million American Recovery and Reinvestment Act (ARRA) grant in July 2010 and a \$1.3 million federal WaterSMART grant in May 2011 to fund recycled water treatment and distribution improvements. The District received \$1,206,000 of these grants which have been drawn on as of June 30, 2012.
- The District also applied for and was awarded a Proposition 84/Integrated Water Resources Management Program grant from the California Department of Water Resources. The grant of \$300,000 was awarded in September 2011 and subsequently increased to \$381,250 which will also be used to fund the recycled water facility construction. The District expects to draw these funds during 2012/13.
- Interest income decreased by \$27,875 due to a drop in interest rates. Management analyzed the available investment options taking into account risk and liquidity issues, and shifted funds to the LAIF managed by the California State Treasurer. While the interest rates paid are at historic lows, they still allow the District to maximize interest earnings while minimizing risk.
- The District issued \$10 million Certificates of Participation (COP) in 2005/06 to fund additional capital improvements for both the treatment plant and the collection

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

HIGHLIGHTS, CONTINUED

Financial Highlights, continued

system. As of June 30, 2012, a total of \$223,172 remaining COP funds are available for capital improvement projects. The District expended the balance of these funds in 2012/13.

District Highlights

- The District completed construction of a \$4.2 million upgrade to the treatment plant in 2012. The project is financed through a State Revolving Fund loan. The interest rate on this loan of 2.7% will provide a substantial savings to our ratepayers.
- The District treated 940.4 million gallons for wastewater and produced 145 million gallons of effluent for recycled water treatment and distribution by MMWD during the year ended June 30, 2012.
- The District has two photovoltaic systems which power the reclamation pump station and the treatment plant. These systems generated 210,000 kWh of electricity for operations resulting in the District utilizing net 296,000 kWh of electricity for operating the plant during the year. Based on the monetary credits generated by energy production during peak energy usage times during the summer, the District was able to offset its cost for power drawn from the power grid.
- The District continued with its sewer main rehabilitation program by repairing and replacing 1.6 miles of sewer mains; 77 lower laterals and 29 upper laterals.
- The District adopted an innovative Private Sewer Lateral Assistance Program in March 2012. This Program allows property owners to apply for low interest loans, currently 2% interest, to obtain up to \$10,000 to replace their upper, lower or both laterals. The loans are repaid through special assessments over ten years through their property taxes. The Program is innovative since it was developed voluntarily by the District and not as part of condition imposed upon it by the State Water Resources Control Board. As of June 30, 2012, there was \$205,000 of funding available for this Program.
- The District maintained its achievement of having among the lowest reported sewer overflow rate in Marin County.
- The District continued to not have any lost time work related injuries during the fiscal year.

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

USING THIS ANNUAL REPORT

This annual report consists of four parts: Management's Discussion and Analysis, Financial Statements, Supplementary Information and Statistical Section. The Financial Statements also include notes that explain in more detail some of the information contained in those statements.

REQUIRED FINANCIAL STATEMENT

District financial statements report information about the District's use of accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all District assets and liabilities which provides information about the nature and amounts of investments in resources and obligations to creditors. It also provides the basis for computing 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 revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts, cash disbursements and net changes in cash resulting from operations, investing and capital and noncapital financing activities.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. The difference between assets and liabilities (net assets) is one way to measure financial health or financial position. Over time, increases or decreases in District net assets are one indicator of whether the financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

FINANCIAL ANALYSIS OF THE DISTRICT, CONTINUED

Changes in Net Assets

The District's net assets increased in 2012 by \$4,845,608 and in 2011 by \$4,199,753. The following condensed financial statements show net asset position, statement of net assets and statement of revenues, expenses and changes in net assets.

CONDENSED STATEMENTS OF NET ASSETS

Fiscal years ended June 30, 2012, 2011 and 2010

	2012	2011	2010
ASSETS			
Current assets	\$15,335,473	\$ 13,468,347	\$ 9,781,829
Capital assets, net of accumulated depreciation	52,464,200	41,205,772	40,423,711
Other noncurrent assets	<u>2,351,582</u>	<u>5,513,534</u>	<u>827,519</u>
Total assets	<u>70,151,255</u>	<u>60,187,653</u>	<u>51,033,059</u>
LIABILITIES			
Current liabilities	8,399,074	2,695,434	1,776,605
Noncurrent liabilities	<u>11,605,366</u>	<u>12,191,012</u>	<u>8,155,000</u>
Total liabilities	<u>20,004,440</u>	<u>14,886,446</u>	<u>9,931,605</u>
NET ASSETS			
Invested in capital assets, net of related debt	36,552,914	32,830,123	32,640,063
Restricted	2,085,374	5,231,394	592,106
Unrestricted	<u>11,508,527</u>	<u>7,239,690</u>	<u>7,869,285</u>
Total net assets	<u>\$50,146,815</u>	<u>\$ 45,301,207</u>	<u>\$ 41,101,454</u>

Analysis of Changes in Statements of Net Assets

Current assets increased by \$1,867,126 in 2012 and \$3,686,518 in 2011 due to the increases in cash and receivables. The District has built up cash to pay for construction projects and has additional accounts receivables for grant reimbursements which have been earned as of June 30, 2012. Capital assets, net of accumulated depreciation increased by \$11,258,428 in 2012 and \$782,061 in 2011 due to construction costs related to treatment plant improvements and the recycled water treatment facility. Other noncurrent assets decreased by \$3,161,952 in 2012 and increased by \$4,686,015 in 2011. This is primarily due to the loan proceeds for construction of the recycled water treatment facility which were received in June 2011

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

FINANCIAL ANALYSIS OF THE DISTRICT, CONTINUED

Analysis of Changes in Statements of Net Assets, continued

and spent down in 2012. In addition, two debt service reserve funds were established in 2011 and 2012 to comply with loan covenants.

Current liabilities increased by \$5,703,640 in 2012 and \$918,829 due to accounts payable for construction related projects and the construction loan from the State Water Resourced Control Board. Noncurrent liabilities decreased by \$585,646 in 2012 due to regularly scheduled debt payments; they increased in 2011 due to the receipt of \$4,600,000 in loan proceeds to construct the recycled water treatment facility and were offset by regularly scheduled debt payments.

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

FINANCIAL ANALYSIS OF THE DISTRICT, CONTINUED

Changes in Net Assets

Changes in District net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Assets.

	2012	2011	2010
REVENUE			
Operating revenues			
Sewer use charges	\$ 9,233,153	\$ 8,834,558	\$ 7,592,325
Miscellaneous	54,185	32,046	41,417
Non-operating revenues			
Tax revenues	1,004,835	1,009,341	1,054,291
Federal grants	1,107,034	74,841	-
Interest income and other	94,495	128,678	113,493
	<u>11,493,702</u>	<u>10,079,464</u>	<u>8,801,526</u>
EXPENSES			
Operating expenses	6,348,283	6,057,127	5,886,299
Non-operating expenses	328,158	352,579	361,374
	<u>6,676,441</u>	<u>6,409,706</u>	<u>6,247,673</u>
Change in net assets	<u>4,817,261</u>	<u>3,669,758</u>	<u>2,553,853</u>
CAPITAL CONTRIBUTIONS - CONNECTION FEES	28,347	529,995	(8,373)
Net assets - beginning of year	<u>45,301,207</u>	<u>41,101,454</u>	<u>38,555,974</u>
Net assets - end of year	<u>\$50,146,815</u>	<u>\$45,301,207</u>	<u>\$41,101,454</u>

Analysis of Changes in Statement of Revenues, Expenses and Changes in Net Assets

Revenue of the District increased in 2012 due to a planned 4.8% sewer use charge rate change from \$563 to \$590 per unit and in 2011 due to an increase of 18.3% from \$476 to \$563. Miscellaneous income increased in 2012 by \$22,139 due to the reimbursement of costs incurred by the District for reviewing developer's plan and projects prior to connection to the District and from grant reimbursements for the construction of the recycled water treatment facility. Miscellaneous income in 2011 decreased by \$9,371 due to a decrease in insurance dividends for liability and worker's compensation policies.

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

FINANCIAL ANALYSIS OF THE DISTRICT, CONTINUED

Analysis of Changes in Statement of Revenues, Expenses and Changes in Net Assets, Continued

Operating expenses increased by \$291,156 in 2012 and by \$170,828 in 2011 due to increases in personnel costs including funding of the Other Post-Employment Benefits plan.

Non-operating revenues increased by \$993,504 in 2012 due to grant reimbursements of \$1,032,193 which was offset by a decrease in interest income of \$27,875. For 2011, there was an increase of \$45,076 due to interest income of \$16,547 which was offset by a decrease in property tax revenues of \$44,950.

Non-operating expenses decreased by \$24,421 in 2012 as interest expense on the certificates of participation decreased as the principal is repaid and due to the capitalization of \$238,751 of interest related to construction projects. In 2011, there was a decrease in non-operating expense due to the repayment of debt which lowered interest expense by \$8,795.

Connection fees decreased in 2012 due to smaller projects connecting to the District while in 2011 they increased due to the connection of an 82 unit complex.

DESIGNATED RESERVES

The District's current policy, adopted as part of the five year rate plan and the Board Policies and Procedures in 2009, established a goal of increasing the reserves, originally established in 2002, to meet updated financial needs.

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

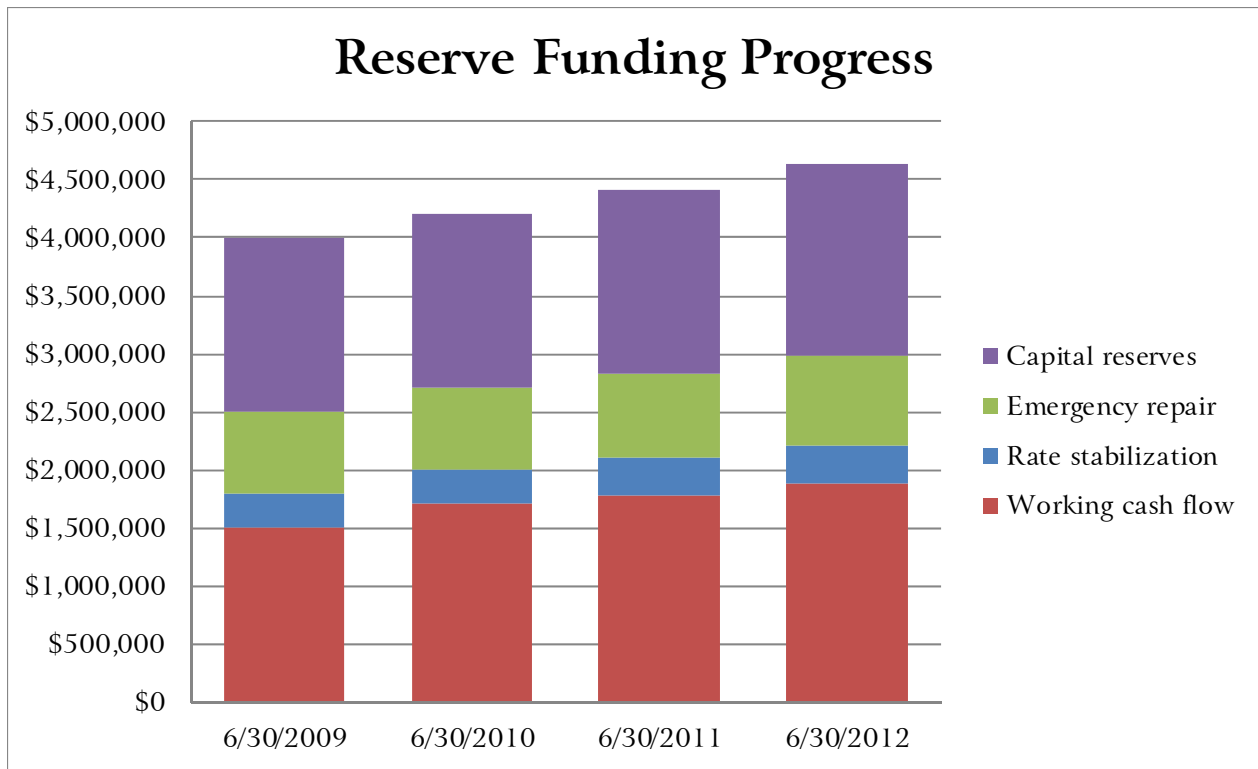
Fiscal year ended June 30, 2012 and 2011

DESIGNATED RESERVES, CONTINUED

Unrestricted net assets were designated for the following at June 30, 2012:

	<u>June 30, 2012</u>	<u>Target Balance</u>	<u>Prior Target</u>
Operating reserves:			
Working cash flow	\$ 1,874,250	\$ 2,590,000	\$ 1,500,000
Rate stabilization	330,750	300,000	300,000
Emergency repair	<u>771,750</u>	<u>1,000,000</u>	<u>700,000</u>
Total operating reserves	2,976,750	3,890,000	2,500,000
Capital reserves	<u>1,653,750</u>	<u>4,000,000</u>	<u>1,500,000</u>
Total reserves	<u>\$ 4,630,500</u>	<u>\$ 7,890,000</u>	<u>\$ 4,000,000</u>

The following chart illustrates the District’s progress on meeting this goal:



LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the District had \$52,464,200 (net of accumulated depreciation) invested in capital assets. The District's investment in capital assets increased by \$13,100,471 from \$79,041,339 at the beginning of the fiscal year to \$92,141,810 at the end of the fiscal year. The assets include: land, subsurface lines, the sewage collection, treatment and disposal system, and equipment.

Major capital asset events during the year included the following:

- Construction of treatment plant improvements were completed.
- Construction of the recycled water facility began in November 2011.
- Sewer main rehabilitation.
- Upgrades to pump stations including generator replacements.

The following summarizes District capital assets for the fiscal year ended June 30, 2012:

	Audited Balance June 30, 2011	Additions	Transfers to Capital Assets Being Depreciated	Audited Balance June 30, 2012
Land	\$ 2,867,571	\$ -	\$ -	\$ 2,867,571
Construction-in-progress	3,331,591	9,878,414	(1,675,578)	11,534,427
Subsurface lines	14,143,970	48,060	-	14,192,030
Facilities and equipment	58,698,207	262,665	378,431	59,339,303
	79,041,339	3,222,057	1,675,578	77,739,812
Less: Accumulated depreciation	(37,835,567)	(1,842,043)	-	(39,677,610)
Capital assets, net of accumulated depreciation	<u>\$ 41,205,772</u>	<u>\$ 11,258,428</u>	<u>\$ -</u>	<u>\$ 52,464,200</u>

Additional information on the capital assets can be found in Note 5 of the notes to the financial statements of this report.

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION, CONTINUED

Construction Loan

The District applied for a State Revolving Fund loan which was executed in May 2010 and amended in September 2010. This is a construction loan with a maximum amount of \$4,314,750. Construction began in April 2011 and was completed in June 2012.

The following is a summary of activity for the construction loan for the year:

	<u>Audited Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Audited Balance</u> <u>June 30, 2012</u>
Construction Loan				
State Revolving Fund Loan	<u>\$ 220,649</u>	<u>\$ 3,499,625</u>	<u>\$ -</u>	<u>\$ 3,720,274</u>

Additional information about the construction loan can be found in Note 7 of the notes to the financial statements of this report.

Long-Term Debt

On November 15, 2005, the District issued \$10,000,000 of Certificates of Participation with an average interest rate of 4% to fund general plant upgrades. The District also received a \$4,600,000 loan from Bank of Marin for the construction of the recycled water facility. This project is under construction at June 30, 2012 and expected to be completed in September 2012.

The following is a summary of long-term debt for the year:

	<u>Audited Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Audited Balance</u> <u>June 30, 2012</u>
Bonds Payable				
Certificates of Participation	<u>\$ 8,155,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	<u>\$ 7,745,000</u>
Notes Payable				
Bank of Marin	<u>\$ 4,600,000</u>	<u>\$ -</u>	<u>\$ (153,988)</u>	<u>\$ 4,446,012</u>

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION, CONTINUED

Long-Term Debt, continued

Additional information on the long-term debt can be found in Note 8 of the notes to the financial statements of this report.

ECONOMIC FACTORS, RATES AND BUDGETARY CONTROL

The District is a California Special District maintained as an enterprise fund. As a special district, charges to customers are made only to those who receive services. The District is not typically subject to general economic conditions such as increases or decreases in property tax values or other types of revenues that vary with economic conditions such as sales taxes. However, it does receive approximately 10% of its budget from property taxes and Educational Revenue Augmentation Funds which are dependent upon property tax valuations. Accordingly, the District sets its user rates and capacity charges to cover the costs of operation, maintenance and recurring capital replacement and debt financed capital improvements, plus increments for known or anticipated changes in program costs.

The District, as a wastewater treatment plant, is subject to increasing regulatory compliance regulations. These regulations require upgrades to plant and equipment as well as increased staff to effectively operate the system. The District undertook a rate review process in 2008 in light of necessary improvements and is in the third year of the five year plan.

The expected revenue from sanitary service charges is as follows:

<u>Fiscal Year</u>	<u>Price per Sanitary Unit</u>	<u>Projected Total Revenue</u>	<u>Status</u>
2009-10	\$ 476	\$ 7,187,600	Approved June 2009
2010-11	\$ 563	\$ 8,741,250	Approved June 2010
2011-12	\$ 590	\$ 9,145,000	Approved June 2011
2012-13	\$ 642	\$ 9,694,200	Approved May 2012
2013-14	\$ 680	\$ 10,268,000	Proposed

The District and its Board adopts an annual budget to serve as its approved financial plan. The Board sets all fees and charges required to fund the District's operations and capital programs. The budget is used as a key control device (1) to ensure Board approval for amounts set for operations and capital projects; (2) to monitor expenses and project progress;

LAS GALLINAS VALLEY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended June 30, 2012 and 2011

ECONOMIC FACTORS, RATES AND BUDGETARY CONTROL, CONTINUED

and (3) as compliance that approved spending levels have not been exceeded. All operating activities and capital activities of the District are included within the approved budget.

The District is monitoring the changes in the current financial and credit markets. Reserve funds are invested in two manners. A portion, in the LAIF which is an investment pool managed by the Treasurer of the State of California. The Treasurer's office is regularly updating the pool members of the impact of changes in the investment landscape on the

portfolio. The balance is invested in savings accounts with Bank of Marin. Community based banks tend to be more conservative in their lending decisions and retain funds within the locality. Funds on deposit with the bank are covered by insurance from the Federal Deposit Insurance Corporation up to \$250,000. In addition, the funds are collateralized 110% by securities held in trust.

REQUEST FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District finances and demonstrate District accountability for the money it received. If you have any questions about this report, or need additional financial information, contact the General Manager at 300 Smith Ranch Road, San Rafael, CA 94903.

BASIC FINANCIAL STATEMENTS



LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents, non-restricted	\$14,216,800	\$12,853,990
Receivables		
Connection fees	600	480
Grant reimbursements	335,119	74,841
User charges	150,036	191,335
Interest	7,761	4,212
Other	278,969	4,486
Inventory of supplies	281,545	274,480
Prepaid expenses	64,643	64,523
TOTAL CURRENT ASSETS	15,335,473	13,468,347
Restricted cash		
Debt service	615,920	332,762
Purchase of capital assets	1,469,454	4,898,632
TOTAL RESTRICTED CASH	2,085,374	5,231,394
NONCURRENT ASSETS:		
CAPITAL ASSETS:		
Property, plant and equipment, net of accumulated depreciation	52,464,200	41,205,772
OTHER ASSETS AND DEFERRED CHARGES:		
Bond issuance costs, net of accumulated amortization	102,646	110,297
Bond discount, net of accumulated amortization	48,995	52,647
Loan fees, net of accumulated amortization	55,581	58,519
Receivables, noncurrent		
Connection fees	-	600
User charges	2,182	3,273
Other	56,804	56,804
TOTAL OTHER ASSETS	266,208	282,140
TOTAL ASSETS	\$70,151,255	\$60,187,653

The accompanying notes are an integral part of these financial statements.

LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF NET ASSETS (CONTINUED)

June 30, 2012 and 2011

	2012	2011
CURRENT LIABILITIES:		
Accounts payable	\$ 3,495,616	\$ 1,406,574
Accrued payroll	45,627	30,671
Accrued compensated absences	378,517	340,302
Accrued interest payable	101,492	42,801
Current portion of long-term debt	585,646	563,988
Construction loan	3,720,274	220,649
Deferred connection fees	71,902	90,449
TOTAL CURRENT LIABILITIES	8,399,074	2,695,434
NONCURRENT LIABILITIES:		
Notes payable, long-term	4,285,366	4,446,012
Bonds payable, long-term	7,320,000	7,745,000
TOTAL NONCURRENT LIABILITIES	11,605,366	12,191,012
TOTAL LIABILITIES	20,004,440	14,886,446
NET ASSETS:		
Invested in capital assets, net of related debt	36,552,914	32,830,123
Restricted	2,085,374	5,231,394
Unrestricted	11,508,527	7,239,690
TOTAL NET ASSETS	\$ 50,146,815	\$ 45,301,207

The accompanying notes are an integral part of these financial statements.

LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Fiscal years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES:		
Sewer use charges, net of refunds	\$ 9,233,153	\$ 8,834,558
Miscellaneous	54,185	32,046
TOTAL OPERATING REVENUES	9,287,338	8,866,604
OPERATING EXPENSES:		
Sewage collection and pump stations	936,839	854,508
Sewage treatment	1,295,487	1,137,935
Sewage and solid waste disposal	146,728	142,772
Laboratory	386,656	352,763
Engineering	258,184	265,879
General and administrative	1,468,105	1,431,011
Depreciation and amortization	1,856,284	1,872,259
TOTAL OPERATING EXPENSES	6,348,283	6,057,127
INCOME FROM OPERATIONS	2,939,055	2,809,477
NONOPERATING REVENUES:		
Property taxes	1,004,835	1,009,341
Federal grant	1,107,034	74,841
Franchise fees	25,000	25,000
Intergovernmental fees	4,797	4,755
Gain on disposal, net	-	6,350
Interest income	64,698	92,573
TOTAL NONOPERATING REVENUES	2,206,364	1,212,860
NONOPERATING EXPENSES:		
Interest expense	328,158	352,579
TOTAL NONOPERATING EXPENSES	328,158	352,579
INCOME BEFORE CAPITAL CONTRIBUTIONS	4,817,261	3,669,758
CAPITAL CONTRIBUTIONS - CONNECTION FEES	28,347	529,995
INCREASE IN NET ASSETS	4,845,608	4,199,753
NET ASSETS - BEGINNING OF YEAR	45,301,207	41,101,454
NET ASSETS - END OF YEAR	\$50,146,815	\$45,301,207

The accompanying notes are an integral part of these financial statements.

LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF CASH FLOWS

Fiscal years ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 9,297,293	\$ 8,870,255
Cash payments to employees	(1,928,549)	(1,824,956)
Cash payments to suppliers	(2,654,312)	(2,396,521)
Other receipts	32,855	24,688
Net cash provided by operating activities	4,747,287	4,673,466
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental fees	4,797	4,755
Franchise fees	25,000	25,000
Property taxes received	1,005,282	1,008,118
Net cash provided by noncapital financing activities	1,035,079	1,037,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from grants	846,759	-
Connection fees collected	10,280	35,445
Connection fees refunded	-	(14,580)
Long-term debt issuance costs	-	(58,764)
Acquisition and construction of capital assets	(7,650,309)	(1,491,528)
Proceeds from sale of assets	-	6,350
Proceeds from long-term debt	-	4,600,000
Principal payments, long-term debt	(563,988)	(395,000)
Net cash provided (used) by capital and related financing activities	(7,357,258)	2,681,923
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest expense, net of interest income	(208,318)	(246,832)
Net cash used by investing activities	(208,318)	(246,832)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,783,210)	8,146,430
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	18,085,384	9,938,954
CASH AND CASH EQUIVALENTS - END OF YEAR	\$16,302,174	\$18,085,384

The accompanying notes are an integral part of these financial statements.

LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

Fiscal years ended June 30, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,939,055	\$ 2,809,477
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,856,284	1,872,259
Changes in assets and liabilities:		
User charges receivable	42,390	24,951
Other receivables	419	3,388
Inventory of supplies	(7,065)	(128,285)
Prepaid expenses	(120)	(5,139)
Accounts payable	(136,847)	107,655
Accrued payroll	14,956	(62,366)
Accrued compensation	38,215	51,526
	<u>\$ 4,747,287</u>	<u>\$ 4,673,466</u>
Net cash provided by operating activities	<u>\$ 4,747,287</u>	<u>\$ 4,673,466</u>
 SUPPLEMENTARY INFORMATION CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
 NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	\$ 13,375,820	\$ 2,642,773
Financed through accounts payable	(2,225,886)	(930,596)
Financed through construction loan draws	(3,499,625)	(220,649)
	<u>\$ 7,650,309</u>	<u>\$ 1,491,528</u>
Cash paid for acquisition and construction of capital assets	<u>\$ 7,650,309</u>	<u>\$ 1,491,528</u>

The accompanying notes are an integral part of these financial statements.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

1. Reporting Entity

The Las Gallinas Valley Sanitary District (the District) was formed on April 6, 1954 as a special district of the State of California. The District provides sewage collection, treatment, disposal, and wastewater recycling services, as well as manages the garbage franchise. The District provides these services to approximately 32,000 people in an area of twelve square miles, from Santa Venetia to Lucas Valley and the Marin County Civic Center to Marinwood, in Marin County, California. Revenues are derived principally from sewer charges collected from commercial and residential users within the District.

The scope of this report extends exclusively to the financial information presented for the Las Gallinas Valley Sanitary District. The Board of Directors of the District has no oversight responsibility for any other governmental unit or agency. As such, the Board's governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters extends only to the affairs of the Las Gallinas Valley Sanitary District.

The District is governed by a five person Board of Directors elected for four year terms.

2. Summary of Significant Accounting Policies

Basis of Accounting

On July 1, 2003, the District adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB 34), *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debts".

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 (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. 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 flow takes place.

Operating revenues, such as charges for sewer services, 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. Non-operating revenues, such as property taxes, and investment income, result from non-exchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

The District receives the majority of its revenue from sewer use charges and property taxes which are collected by the County of Marin through the annual property tax bills. The County has implemented the Teeter policy, whereby the District receives all of the amounts billed whether or not the County collects the monies from the assessed property owners. This ensures that the District has the funds to operate without being dependent upon the timing of the collection of the remittances from the covered property owners.

For the fiscal year ended June 30, 2012, the District has elected under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, to apply all GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements. There were no significant or material impacts in applying this statement to the financial statements.

Budgetary Accounting

The District is not required by statute to adopt a budget; however, in its commitment to maintain fiscal responsibility, the District adopts an annual budget prior to June 30th each year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for depreciation and amortization which are not included and annual principal payments on debt service which are included. All annual appropriations lapse at fiscal year end.

Budgetary control is maintained at the detailed line item level; the General Manager may approve expenditures in excess of budgeted amounts up to \$15,000. Items in excess of this must be approved by the Board of Directors. A budget revision is usually presented to the Board of Directors in the fall to adjust for changes in capital projects funding after the close of the prior fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash-on hand, demand deposits, and short-term investments, with original maturities of three months or less from the date of acquisition. These items are valued at cost. Please see Note 3 for additional information on investment policies and practices for both the State of California and the District.

Inventory of Supplies

Inventory consists of materials and supplies, such as chemicals, pipe fittings, valves, pumps and filters, which are stated at cost, using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment owned by the District are recorded at cost or at estimated historical cost if cost information is not practically determinable. The District's policy is to include in construction-in-progress the capitalized interest cost of related borrowings, net of interest earned on unspent proceeds of the related borrowings.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

2. Summary of Significant Accounting Policies, continued

Property, Plant and Equipment, continued

The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The cost of normal repairs and maintenance are recorded as expenses. Improvements that add to the value or extend the life of assets are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Subsurface lines	50 – 75 years
Facilities and structures	15 – 40 years
Equipment	5 – 20 years

Intangible Assets

Intangible assets consist of easements and internally generated computer software. All intangible assets are recognized in the statement of net assets only if they are considered identifiable. They are amortized over their estimated useful life unless the life is indefinite.

Deferred Bond Issuance Costs, Bond Discount and Loan Fees

The District incurs underwriting, various costs related to bond issuances and loan fees. These costs are shown on the statement of net assets as bond issuance costs, bond discount and loan fees, and are amortized over the repayment term of the related bonds and loans.

Compensated Absences

The District provides vacation and sick leave benefits to its employees. Upon termination of employment, employees are paid for accumulated vacation days, accrued administrative or compensated time off (overtime hours for which pay is not taken), and one-half of accumulated sick days. The District recognizes the related expense as the benefits are earned.

Restricted Assets and Liabilities

Restricted assets are items that have been restricted by either bond indentures, loan agreements or are to be used for specified purposes based on contract provisions, such as debt service. Restricted liabilities relate to assets restricted for their payment.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

2. Summary of Significant Accounting Policies, continued

Grants

The District's grants are cost-reimbursement grants which are earned as it makes the allowable expenditures under the agreement. A receivable is recorded when the criteria established for requesting reimbursement under the grant agreement has been satisfied and the amount of reimbursement is determinable.

Connection Fees

The District charges connection fees to developers to reserve system capacity. Amounts charged are recorded as liabilities (deferred connection fees) until connections are actually made. Once connections are made, the fees are recognized as increases to capital contributions. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the capital contributions are recorded in the statements of revenues, expenses and changes in net assets.

Property Taxes

The County of Marin levies taxes and places liens on real property as of January 1st on behalf of the District. Property taxes are due on the following November 1st and March 1st and become delinquent December 10th and April 10th for the first and second installments, respectively. All taxes collected for debt service are maintained in separate funds designated for payment of the debt (see Note 8).

The District receives property taxes and Education Revenue Augmentation Funds (ERAF) from the County of Marin. The ERAF allows the state legislature to reallocate property tax amounts to local governments. For the years ended June 30, 2012 and 2011, the District received \$699,509 and \$690,968, respectively, in property taxes and \$305,326 and \$318,373, respectively, in ERAF.

Interest

The District capitalizes the interest cost incurred for assets that require an acquisition period to get them ready for use. The interest cost capitalization period begins when the following three conditions are met: expenditures have occurred; activities necessary to prepare the asset, including administrative activities before construction, have begun; and interest cost has been incurred. Interest cost is not capitalized during delays or interruptions, other than for brief periods. For assets that are financed with tax-exempt debt, the interest income earned on unexpended funds is offset against the interest expenditures in determining the amount of interest to capitalize. When the project is

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

2. Summary of Significant Accounting Policies, continued

Interest, continued

completed, the interest cost will be included in the amount of the asset that is capitalized and depreciated over the assets useful life.

Use of Estimates

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

Reclassification

In order to comply with current year presentation, certain prior year amounts have been reclassified.

3. Cash and Cash Equivalents

At June 30, 2012, the District maintained the majority of its cash in the Bank of Marin and the State of California LAIF pooled investment funds. Balances in the Bank of Marin are insured by the Federal Deposit Insurance Corporation up to \$250,000, are collateralized by securities at 110% of the balance, and consist of checking and savings accounts.

The LAIF funds invest deposits of the District, counties, various schools and other special districts primarily in cash equivalents, as prescribed by the California Government Code. Balances are stated at cost, which is approximately market value. Each participating agency is allocated realized investment gains, losses, and interest based on average daily balances invested. Copies of financial statements for LAIF may be obtained from the California State Treasurer at <http://www.treasurer.ca.gov/pmia-laif/reports.asp>.

Restricted Cash

Restricted cash consists of funds to be used for construction projects of \$1,469,454 and debt service reserve funds of \$615,920 as of June 30, 2012 and \$4,898,632 and \$332,762, respectively as of June 30, 2011.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

3. Cash and Cash Equivalents, continued

Restricted Cash, continued

In accordance with the Consolidated Reassessment and Refunding District of 2003 (Note 8) bond covenants, the District established restricted accounts to be used for capital improvements and for paying principal and interest. The accounts are not considered to be the assets of the District and are not reflected in the financial statements. The restricted cash balance at June 30, 2012 and 2011 was \$302,992 and \$345,509, respectively, and was maintained by the Marin County Treasurer.

Cash and cash equivalents consist of the following at June 30, 2012:

	Reported/Fair Value	
	<u>Unrestricted</u>	<u>Restricted</u>
Cash in bank and on hand:		
Bank of Marin	\$ 5,701,371	\$ 1,862,202
Petty cash	<u>1,246</u>	<u>-</u>
Total cash in bank and on hand	<u>5,702,617</u>	<u>1,862,202</u>
Investments:		
Local Agency Investment Fund (LAIF)	<u>8,514,183</u>	<u>223,172</u>
Total investments	<u>8,514,183</u>	<u>223,172</u>
Total cash and cash equivalents as of June 30, 2012	<u>\$ 14,216,800</u>	<u>\$ 2,085,374</u>

Cash and cash equivalents consist of the following at June 30, 2011:

	Reported/Fair Value	
	<u>Unrestricted</u>	<u>Restricted</u>
Cash in bank and on hand:		
Bank of Marin	\$ 9,281,085	\$ 4,933,820
Petty cash	<u>917</u>	<u>-</u>
Total cash in bank and on hand	<u>9,282,002</u>	<u>4,933,820</u>
Investments:		
Bank of Marin	3,061,361	-
Local Agency Investment Fund (LAIF)	<u>510,627</u>	<u>297,574</u>
Total investments	<u>3,571,988</u>	<u>297,574</u>
Total cash and cash equivalents as of June 30, 2011	<u>\$ 12,853,990</u>	<u>\$ 5,231,394</u>

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

3. Cash and Cash Equivalents, continued

For the purpose of the statements of cash flows, cash and cash equivalents include all items of cash and investments with original maturities of three months or less.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized by the District. The table also identifies certain provisions of the District's investment policy that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bonds issued by the District	none	not applicable	none	none
U.S. Treasury Obligations	none	not applicable	none	none
U.S. Agency Securities	none	not applicable	none	none
Registered State Warrants or Treasury Notes or Bonds issued by the State of California	none	not applicable	none	none
Local Agency Bonds, Notes, Warrants or Pooled Investment Accounts	none	not applicable	none	none
Bankers' Acceptances	270 days	not applicable	40%	30%
Prime Commercial Paper	180 days	Aaa/AAA	15%-30%	none
Negotiable Certificates of Deposit	none	not applicable	30%	none
Repurchase/Reverse Repurchase Agreements	none	not applicable	none	none
Medium-Term Notes	5 years	A	30%	none
Money Market Mutual Funds	none	Aaa/AAA	15%	none
Collateralized Bank Deposits	none	not applicable	none	none
Mortgage Pass-Through Securities	5 years	not applicable	30%	none

Debt Proceeds

Unspent debt proceeds for the District are invested in interest bearing accounts at either the financial institution that advanced the funds or in a separate LAIF fund managed by the Trustee of the Bond Indenture.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

3. Cash and Cash Equivalents, continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 9 months.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of its investments:

		Maturity Date
LAIF	<u>\$ 8,737,355</u>	<u>270 days average</u>

Credit Risk

Generally, credit risk is the risk of an issuer that 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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 nor will it be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 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 or investments, 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. California law also allows financial institutions to secure District deposits by pledging

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

3. Cash and Cash Equivalents, continued

first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investment 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). The State of California has no additional requirements for custodial credit risk, nor does the District.

Investment in State Investment Pool

The District is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The District's proportionate share of that value was \$8,737,355 and \$808,201 as of June 30, 2012 and 2011, respectively. There are no derivatives included in the portfolio. Included in LAIF's investment portfolio are asset-backed securities totaling \$1,297 million and \$2,221 million as of June 30, 2012 and 2011, respectively, and structured notes totaling \$800 million and \$1,100 million as of June 30, 2012 and 2011, respectively. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The current and prior year changes in fair value were not material to the financial statements as a whole and therefore have not been presented.

4. Accounts Receivable

The majority of the District's sewer user charge revenue and all of the property tax revenue are collected by the County of Marin through charges on the tax rolls. The collections are remitted to the District as follows: 55% in December, 40% in April, 3% in June and 2% in July. The June and July remittances allow the County as the collection agent to true-up any changes for revisions in the sewer charges after the initial calculation in August. In addition, \$56,804 of property tax funds were borrowed by the State of California under Proposition 1A as part of the State's 2009-10 budget. The District did not participate in the Proposition 1A Securitization Program and does not expect to receive the funds until fiscal year 2012-13. The receivable is considered long-term.

The District received an ARRA grant in July 2010 through its participation in the NBWRA. The District's portion of the grant is \$871,000 and will be used for

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

4. Accounts Receivable, continued

constructing a recycled water facility. Planning and design occurred in the spring of 2011 and construction began in fall 2011. The project must be completed by September 30, 2012. The grant requires a 75% match by the District. As of June 30, 2012 the District exhausted all of the ARRA grant funds; as of June 30, 2011, the District was eligible for \$74,841 of grant funds which were received in September 2011.

The District received approximately \$335,000 federal WaterSMART grant in May 2011 through NBWRA for the water recycling facility. The grant requires a 75% match by the District. As of June 30, 2012, the District was eligible for \$335,119 of grant funds.

5. Property, Plant and Equipment

A summary of property, plant and equipment transactions for the year ended June 30, 2012 is as follows:

	Beginning Balance at July 1, 2011	Increases	Transfers to Capital Assets Being Depreciated	Ending Balance at June 30, 2012
Capital assets not being depreciated:				
Land	\$ 2,867,571	\$ -	\$ -	\$ 2,867,571
Construction-in-progress	3,331,591	9,878,414	(1,675,578)	11,534,427
Total capital assets, not being depreciated	6,199,162	9,878,414	(1,675,578)	14,401,998
Capital assets being depreciated:				
Subsurface lines	14,143,970	48,060	-	14,192,030
Facilities and equipment				
Sewage collection	19,903,930	18,321	55,323	19,977,574
Sewage treatment	25,028,341	3,049,071	1,601,980	29,679,392
Sewage disposal	8,194,272	-	-	8,194,272
General plant/administration	1,148,905	20,776	55	1,169,736
Laboratory and pump stations	3,284,104	55,983	-	3,340,087
Reclamation	1,138,655	29,846	18,220	1,186,721
Total capital assets being depreciated	72,842,177	3,222,057	1,675,578	77,739,812
Less:				
Accumulated depreciation	(37,835,567)	(1,842,043)	-	(39,677,610)
Total capital assets being depreciated, net	35,006,610	1,380,014	1,675,578	38,062,202
Capital assets, net	\$ 41,205,772	\$ 11,258,428	\$ -	\$ 52,464,200

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

5. Property, Plant and Equipment, continued

A summary of property, plant and equipment transactions for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance at July 1, 2010</u>	<u>Increases</u>	<u>Transfers to Capital Assets Being Depreciated</u>	<u>Ending Balance at June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 2,867,571	\$ -	\$ -	\$ 2,867,571
Construction-in-progress	<u>1,329,914</u>	<u>2,380,108</u>	<u>(378,431)</u>	<u>3,331,591</u>
Total capital assets, not being depreciated	<u>4,197,485</u>	<u>2,380,108</u>	<u>(378,431)</u>	<u>6,199,162</u>
Capital assets being depreciated:				
Subsurface lines	14,143,970	-	-	14,143,970
Facilities and equipment				
Sewage collection	19,903,930	-	-	19,903,930
Sewage treatment	24,894,861	108,159	25,321	25,028,341
Sewage disposal	8,194,272	-	-	8,194,272
General plant/administration	1,124,871	24,034	-	1,148,905
Laboratory and pump stations	2,806,115	124,879	353,110	3,284,104
Reclamation	<u>1,133,062</u>	<u>5,593</u>	<u>-</u>	<u>1,138,655</u>
Total capital assets being depreciated	<u>72,201,081</u>	<u>262,665</u>	<u>378,431</u>	<u>72,842,177</u>
Less:				
Accumulated depreciation	<u>(35,974,855)</u>	<u>(1,860,712)</u>	<u>-</u>	<u>(37,835,567)</u>
Total capital assets being depreciated, net	<u>36,226,226</u>	<u>(1,598,047)</u>	<u>378,431</u>	<u>35,006,610</u>
Capital assets, net	<u>\$ 40,423,711</u>	<u>\$ 782,061</u>	<u>\$ -</u>	<u>\$ 41,205,772</u>

6. Deferred Water Disposal Expense and Disposal Service Commitment

In 1988, the District entered into a water-reclamation agreement with MMWD to provide for the disposal of treated wastewater. In this contract, the District agreed to pay \$360,000 towards the construction of a MMWD wastewater reclamation plant. The District also agreed to provide sludge and wash water disposal from the reclamation plant, which was valued at \$330,000.

The services to be provided to MMWD, valued at \$330,000 at the commencement of the agreement in 1988, were recognized as revenue ratably over the term of the contract. As of June 30, 2007, all amounts under the original contract have been recognized. The contract, which was set to expire in December 2005, has been extended until December 31, 2013.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

7. Construction Loan

The District entered into a loan agreement with the State Water Resources Control Board on May 25, 2010 to borrow \$6,122,500; the agreement was amended on September 21, 2010 to reduce the amount to \$4,314,750 based on the contract price for the financed improvements. The loan is for a major treatment plant improvement which began construction in April 2011 and was completed in June 2012. The District has drawn \$3,720,274 for construction costs as of June 30, 2012. The District expects to draw the full amount of the loan to fund the construction costs.

The loan bears interest at 2.7%, requires that a reserve fund equal to one year's debt service or \$282,035 be established by June 1, 2012, and annual principal and interest payments beginning June 1, 2013 through 2032. The net revenues of the District are pledged to repay the loan.

Future minimum payments are as follows:

Fiscal year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2013	\$ 165,537	\$ 116,498	\$ 282,035
2014	170,006	112,029	282,035
2015	174,596	107,439	282,035
2016	179,310	102,724	282,034
2017	184,152	97,883	282,035
2018 to 2022	998,079	412,094	1,410,173
2023 to 2027	1,140,295	269,879	1,410,174
Thereafter	<u>1,302,775</u>	<u>107,398</u>	<u>1,410,173</u>
	<u>\$ 4,314,750</u>	<u>\$ 1,325,944</u>	<u>\$ 5,640,694</u>

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Construction Loan					
State Revolving Fund	\$ 220,649	\$ 3,499,625	\$ -	\$ 3,720,274	\$ 282,035

8. Long-Term Debt

A. Wastewater Revenue Certificates of Participation, Series 2005

The District issued \$10,000,000 of Wastewater Revenue Certificates of Participation Bonds rated AA on November 15, 2005. The bonds have maturity dates ranging from December 1, 2006 through December 1, 2025 and carry an average interest rate of 4%.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

8. Long-Term Debt, continued

A. Wastewater Revenue Certificates of Participation, Series 2005 (continued)

Principal payments are due each December 1st; interest payments are due each December 1st and June 1st through 2025. The bonds are payable solely from net revenues of the District. Net revenues consist generally of all revenues after payment of adjusted operation and maintenance costs and include property taxes received by the District. The net proceeds from the sale, after paying issuance costs, underwriter fees, and the reserve surety bond premium was \$9,774,000. Amortization expense for bond issuance costs and bond discount were \$7,651, for both 2012 and 2011. The District is required to use the proceeds to construct several wastewater system improvements, including improvements to the collection system, pumping station, reclamation system and treatment pond. As of June 30, 2012, the balance remaining in the account consists of interest earned on the unspent funds since issuance. The funds were completely drawn down in August 2012 to reimburse the District for costs incurred prior to June 30, 2012.

Future minimum payments are as follows:

Fiscal year ending	Principal	Interest	Total
June 30,			
2013	\$ 425,000	\$ 312,825	\$ 737,825
2014	440,000	295,525	735,525
2015	460,000	277,525	737,525
2016	475,000	258,825	733,825
2017	495,000	239,425	734,425
2018 to 2022	2,765,000	875,730	3,640,730
2023 to 2027	2,685,000	240,273	2,925,273
	\$ 7,745,000	\$ 2,500,128	\$10,245,128

B. Notes Payable – Bank of Marin

The District also entered into a financing agreement with Bank of Marin on June 10, 2011 for \$4,600,000. The loan is for the recycled water facility which was under construction at year end and expected to be completed by September 30, 2012. The loan bears interest at 3.88%, requires a reserve fund equal to one year's debt service or \$332,681, and monthly principal and interest payments of \$27,723 beginning July 2011 through June 10, 2031. The District incurred legal and loan origination costs of \$58,764 which are being amortized over the twenty year loan term. Amortization expense was \$2,938 and \$245 for the years ended June 30, 2012 and 2011. The loan

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

8. Long-Term Debt, continued

B. Notes Payable – Bank of Marin, continued

requires the District to maintain a debt coverage ratio of earnings before interest, depreciation and amortization over scheduled principal payments of 1.2 to 1.0.

Future minimum payments are as follows:

Fiscal year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2013	\$ 160,646	\$ 172,035	\$ 332,681
2014	167,081	165,601	332,682
2015	173,773	158,908	332,681
2016	180,318	152,364	332,682
2017	187,957	144,725	332,682
2018 to 2022	1,058,574	604,833	1,663,407
2023 to 2027	1,288,361	375,046	1,663,407
Thereafter	1,229,302	101,423	1,330,725
	<u>\$ 4,446,012</u>	<u>\$ 1,874,935</u>	<u>\$ 6,320,947</u>

C. Consolidated Reassessment and Refunding District of 2003

The District authorized and issued coupon bonds in order to finance construction of sewer improvements and related costs. Payment of the bond principal and interest will be provided through special assessments collected on the tax rolls by the County of Marin from property owners within the assessment districts. The District is not liable for the repayment of the debts other than the amounts held in the reserve and redemption funds. The District acts as an agent for the property owners and facilitates the repayment of the bonds by collecting the annual assessments and remitting the required payments of principal and interest to the bondholders. As such, the District does not maintain the bond liability, the annual assessment receipts or interest payments on the financial statements.

On July 30, 2003, the District issued new bonds totaling \$1,736,409 for the purpose of (a) providing funds to refund the remaining principal amount of the North Circle Road Assessment District bonds, with an interest rate of 6.474% per annum and the Los Ranchitos Assessment District bonds, with an interest rate of 6.042% per annum; (b) funding a reserve for the bonds; and (c) paying certain costs associated with the issuance of the bonds. The new bonds, Consolidated Reassessment and Refunding District of 2003, bear an interest rate starting at 1.50% in 2004 and gradually

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

8. Long-Term Debt, continued

C. Consolidated Reassessment and Refunding District of 2003, continued

increasing each year until the rate reaches 4.625% in 2016. Interest is payable on March 2 and September 2. Maturity dates of each bond range through September 2, 2016; occasionally bonds are called early as property owners pay off their obligations or if excess funds accumulate in the reserve accounts. For the years ending June 30, 2012 and 2011, \$50,000 and \$10,000 in bonds were called. For the years ending June 30, 2012 and 2011, the outstanding principal balance of the bonds was \$665,000 and \$860,000, respectively.

For all of the District debt outstanding during the year ended June 30, 2012, the District incurred interest expense of \$566,909, of which \$238,751 was incurred for the construction of capital assets and was capitalized as part of construction project costs. During the year ended June 30, 2011, the District incurred interest expense of \$367,236; \$14,657 was incurred for the construction of capital assets and was capitalized as part of construction project costs.

The following is a summary of the debt activity for the year ended June 30, 2012:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Bonds Payable					
Certificates of Participation	\$ 8,155,000	\$ -	\$ (410,000)	\$ 7,745,000	\$ 425,000
Notes Payable					
Bank of Marin	<u>\$ 4,600,000</u>	<u>\$ -</u>	<u>\$ (153,988)</u>	<u>\$ 4,446,012</u>	<u>\$ 160,646</u>
Total debt activity	<u>\$ 12,975,649</u>	<u>\$ 3,499,625</u>	<u>\$ (563,988)</u>	<u>\$ 15,911,286</u>	<u>\$ 867,681</u>

9. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, available to all permanent, full-time District employees, permits employees to defer a portion of their current salary until future years. Employees may defer up to the Internal Revenue Code limits. Generally deferred compensation is payable upon retirement, termination of employment, disability or death. Deferred amounts are held in a 457 plan trust established by the District for the exclusive benefit of the participants and their beneficiaries. Contributions are made to the Supplemental Income Plan administered

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

9. Deferred Compensation Plan, continued

by CalPERS for the benefit of each individual participant. Employees may choose from twenty five investment options. Employees contributed \$81,514 and \$53,450 to the plan for the years ended June 30, 2012 and 2011, respectively. This trust is an entity separate from the District and, accordingly, the trust assets are not considered to be assets of the District itself. Additional information about the trust may be obtained from the CalPERS Supplemental Income Plan which has a mailing address of 400 Q Street, Room E2812, Sacramento, CA 95814.

10. Commitments and Contingencies

The District was contractually committed to contractors and vendors for various projects for approximately \$1,036,300 and \$2,542,000 as of June 30, 2012 and 2011, respectively.

11. Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS); an agent multiple-employer public employee defined benefit pension plan. All permanent full-time employees participate in the "Miscellaneous Retirement Plan 2.7% at 55". 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 entities within the State of California. Benefit provisions and all other requirements are established by state statute. The benefits are based on: the plan formula "Miscellaneous Retirement Plan 2.7% at 55", member's years of service, age and final compensation. Because the District has less than 100 active members, it is required by CalPERS to participate in a risk pool of similar agencies which all have the same contract formula. Copies of CalPERS' annual financial report may be obtained from its Executive Office at 400 P Street, Sacramento, CA 95814.

Funding Policy and Annual Pension Cost

Participants are required to contribute 8% of their annual covered salary. Due to contractual arrangements, the District pays half of the required contribution of plan members. For members of the management group, the District contributes an additional amount based on 7% of their covered payroll. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

11. Defined Benefit Pension Plan, continued

Funding Policy and Annual Pension Cost, continued

for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS. Covered payroll consists of the employees' regular rate of pay without inclusion of overtime, stand by pay, or termination pay of accrued time off which prevents spiking of retirement benefits.

The required contribution to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010 were made based on the covered payroll and required rates as follows:

	June 30,		
	2012	2011	2010
Covered payroll per fiscal year	\$ 1,756,886	\$ 1,581,710	\$1,324,153
Actuarially required employer contribution rate	18.661%	16.123%	16.584%
Annual Employer Required Contribution (ARC), as calculated	327,852	255,019	219,598
Employer paid member contributions in dollars	75,153	72,285	63,457
Annual Pension Cost (APC)	403,005	327,304	283,055
Actual Contributions Made	(403,005)	(327,304)	(283,055)
Net Pension Obligation (NPO)	\$ -	\$ -	\$ -
Percentage of APC Contributed	100%	100%	100%

Required Information in Compliance with GASB 27 for Cost Sharing Multiple-Employer Defined Benefit Plans

Effective June 30, 2003, CalPERS risk pools were established for plans containing less than 100 active members as of that valuation date. The District is included in the risk pool for "Miscellaneous Retirement Plan 2.7% at 55". In the latest Annual Valuation Report as of June 30, 2010, the CalPERS Board approved certain assumptions and methods used to determine the contractually required contributions for the cost sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2010 (last available)
Actuarial Cost Method	Entry Age Actuarial Cost Method

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

11. Defined Benefit Pension Plan, continued

Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increase	3.55% to 14.45% depending on Age, Service, and Type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3% and annual production growth of 0.25%

12. Postemployment Benefits Other Than Pension Benefits

Plan Description

In addition to the pension benefits described in Note 11, the District provides other post-employment benefits (OPEB) in the form of health insurance to employees in accordance with the Memorandum of Understanding between the District and its employees. These employees must meet certain service requirements and retire directly from employment with the District. According to the most current post-employment medical benefits plan, effective July 1, 2004 there are three tiers of benefits. Employees who retired prior to January 1, 2003, with five years of service, receive a benefit that is indexed by 6% each year and are eligible for spousal coverage up to the benefit cap which was \$518 per month as of July 1, 2011. Employees who were employed prior to January 1, 2003 and retire with five years of District service, receive a monthly benefit that is set by the California Department of Personnel Administration. This benefit is only available to the employee without any spousal coverage. Employees hired after January 1, 2003 are part of the state of California's statutory plan. They are eligible for benefits from 50% to 100% of the rate established by the California Department of Personnel Administration. They have to work for the District for at least five years,

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

12. Postemployment Benefits Other Than Pension Benefits, continued

Plan Description, continued

retire from the District, and have a minimum of 10 years of CalPERS agency service to receive a 50% benefit. The benefit increases 5% each year after that until the maximum coverage is reached at 20 years of service.

As part of the five year rate study that the District prepared in 2008/09, the District evaluated the recommendations of the GASB statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB No. 45). The District performed an initial actuarial valuation of the plan as of July 1, 2008 to determine the projected cost of benefits without establishing an irrevocable trust to hold the assets. Effective, July 1, 2009, the District decided to join the California Employers' Retiree Benefit Trust (CERBT) in order to pre-fund the retiree medical costs. The objective of the CERBT is to seek favorable returns that reflect the broad investment performance through asset allocation. The employers who participate in the CERBT own units of the fund's portfolio which is invested in accordance with the approved strategic asset allocation; they do not have direct ownership of the securities in the portfolio. The unit value changes with market conditions. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of CERBT's annual financial report may be obtained from its Affiliate Program Services Division at 400 Q Street, Sacramento, CA 95811.

The following is a summary of the District's market value assets on deposit with its CalPERS CERBT account as follows:

	June 30,		
	2012	2011	2010
Market value - beginning of year	\$ 160,698	\$ 63,348	\$ -
Contributions	102,594	79,656	69,393
Gain (loss) on investments	5,841	17,815	(6,035)
Administrative expenses	(238)	(121)	(10)
	\$ 268,895	\$ 160,698	\$ 63,348
Change	3.49%	27.93%	-8.71%

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

12. Postemployment Benefits Other Than Pension Benefits, continued

Actuarial Value of Assets

Effective July 1, 2009, the District has implemented GASB Statement No. 45. This statement requires the District to account for the postemployment benefits on an accrual basis rather than on the pay-as-you-go method used in the past. Using the accrual method allows the employer to recognize the cost of providing the benefit during the employees' working lifetimes. The CERBT requires biannual valuation. In order to comply with the above requirements, the Actuarial Valuation of Postemployment Healthcare Benefits was prepared for the District as of July 1, 2011 by Nicolay Consulting. The expenses for the fiscal year ended June 30, 2011 were based on the valuation dated July 1, 2009.

The actuary used the following actuarial method and assumptions:

Valuation Date	July 1, 2011 (last available)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Closed period, 28 years remaining, level percent of payroll
Average Remaining Period	28 Years as of the Valuation Date
Asset Valuation Method	Based on market value of assets
Actuarial Assumptions:	
Investment Rate of Return	7.06% (net of administrative expenses)
Projected Salary Increase	Not applicable
Inflation	General - 3.00% per year; Medical premium increases ranging from 7.3% in early years to 5% for 2021 and later.
Rates of death and disability	California PERS rates for public agencies from most recent CalPERS valuation, June 30, 2010
Number of retirees receiving benefits	15

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

12. Postemployment Benefits Other Than Pension Benefits, continued

Actuarial Value of Assets, continued During 2011, the CERBT changed the investment strategies available to employers. Prior to July 1, 2011, the investment strategy assumed an investment rate of return of 7.75%. After that date, three investment strategies were offered with the following discount rates: 7.61%, 7.06% and 6.39%. A higher discount rate results in a higher projected investment return. This in turn results in a lower the actuarial liability and a lower required contribution by the employer. The District evaluated the various strategies in light of the funding progress, demographics and risk of return and chose to use the 7.06% strategy. This choice along with changes in demographics resulted in a substantial increase in the Actuarial Accrued Liability (AAL). The AAL was projected to be \$1,616,389 for fiscal 2011/12 based on the July 1, 2009 valuation but was determined to be \$2,146,184 for fiscal 2011/12 based on the July 1, 2011 valuation. This change resulted in an increase in the ARC from \$143,722 to \$184,099 for the fiscal year ended June 30, 2012.

Annual OPEB Cost

The District contributes to the plan through payment of the monthly benefits for 15 retirees and their eligible spouses totaling \$65,114 and \$63,568 for the fiscal years ended June 30, 2012 and 2011, respectively. In addition, the District made deposits to the CERBT of \$118,930 for 2012 and \$75,202 for 2011 based on the valuations dated July 1, 2011 for 2012 and July 1, 2009 for 2011.

Funding Policy

GASB Statement No. 45 sets rules for computing the employer's expense for retiree benefits other than pensions called OPEB. The expense, called the Annual OPEB Cost (AOC) is determined similarly to pensions. The Annual Required Contribution (ARC) of the employer represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. When an agency contributes more than the ARC, there is a Net OPEB Asset; when the contribution is less, a Net OPEB obligation (NOO). After the first year, the expense includes adjustments for interest and amortization of the NOO.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

12. Postemployment Benefits Other Than Pension Benefits, continued

Funding Policy, continued

The following is a summary of the Annual OPEB Costs and Net OPEB Obligation:

	June 30,		
	2012	2011	2010
Annual required contribution	\$ 184,099	\$ 138,770	\$ 133,995
Interest on net OPEB obligation	-	-	-
Annual OPEB cost	184,099	138,770	133,995
Contribution made - payment of benefits	(184,044)	(143,224)	(129,541)
Increase in net OPEB obligation (asset)	55	(4,454)	4,454
Net OBEP Obligation at the beginning of the year	-	4,454	-
Net OBEP Obligation at the end of the year	\$ 55	\$ -	\$ 4,454

Disclosure of annual OPEB cost, percent contributed, and net OPEB is required for the current fiscal year and each of the two preceding fiscal years. In the year of adoption of GASB 45, the initial liability for post-employment benefits is zero.

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disaster. The District's insurance coverage is carried through CSRMA in pooled programs and through a commercial insurance carrier.

CSRMA is a public entity risk pool currently operating as a common risk management and insurance program for member sanitary districts located throughout California. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group. Although CSRMA may assess additional premiums to a member district in the event of losses in excess of reserves, no additional assessments have occurred nor are they contemplated.

LAS GALLINAS VALLEY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Fiscal years ended June 30, 2012 and 2011

13. Risk Management, continued

The financial statements of CSRMA are available at the District office. Condensed financial information for CSRMA is presented below for the years ended June 30:

	2011 <small>(most recent available)</small>	2010
Total assets	\$ 31,453,997	\$30,183,456
Total liabilities	<u>15,533,884</u>	<u>16,996,071</u>
Retained earnings	<u>\$ 15,920,113</u>	<u>\$13,187,385</u>
Total revenues	\$ 10,355,129	\$10,635,989
Total expenditures	<u>7,622,401</u>	<u>11,926,934</u>
Net income (loss)	<u>\$ 2,732,728</u>	<u>\$ (1,290,945)</u>

14. Subsequent Events

The District evaluated subsequent events for recognition and disclosure through October 30, 2012, the date which these financial statements were available to be issued. Management concluded that a material subsequent event occurred since June 30, 2012 that required disclosure but not recognition in such financial statements.

On July 27, 2012, the District entered into a loan agreement with Bank of Marin to borrow \$2,000,000 to fund the construction of the recycled water treatment facility. The loan calls for monthly principal and interest payments of \$19,612 beginning September 10, 2012 through August 10, 2022; bears interest at 3.25%; and requires a reserve fund of one year's debt service or \$235,344. The loan covenants are consistent with the existing requirements for the District's other outstanding debt.



REQUIRED SUPPLEMENTARY INFORMATION



LAS GALLINAS VALLEY SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal years ended June 30, 2012 and 2011

PENSION PLANS SCHEDULE OF FUNDING PROGRESS - CALPERS

Actuarial Valuation Date	(1) <u>Actuarial Asset Value</u>	(2) Entry Age Actuarial Accrued Liability	(3) Unfunded Liability/ (excess Assets) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded Actuarial Liability as a % of Covered Payroll ((2) - (1))/(5)
6/30/2008	\$ 1,529,548,799	\$ 1,823,366,479	\$ 293,817,680	83.9%	\$ 414,589,514	70.9%
6/30/2009	\$ 1,674,260,302	\$ 2,140,438,884	\$ 466,178,582	78.2%	\$ 440,071,499	105.9%
6/30/2010	\$ 1,815,671,616	\$ 2,297,871,345	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%

Effective with the June 30, 2004 valuation, CalPERS switched all employers with less than 100 active participants into a pool, as reflected in the above. Note 10 describes the Pension Plan including the plan description, funding policy and annual pension cost.

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS - CERBT

Actuarial Valuation Date	(1) <u>Actuarial Asset Value</u>	(2) Actuarial Liability (AAL) Entry Age	(3) Unfunded Liability/ (excess Assets) (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Liability as a % of Covered Payroll ((2) - (1))/(5)
7/1/2009	\$ -	\$ 1,465,852	\$ 1,465,852	0.0%	\$ 1,424,683	102.9%
7/1/2011	\$ 160,698	\$ 2,146,184	\$ 1,985,486	7.5%	\$ 1,756,886	113.0%

The requirements of GASB No. 45 were implemented in the previous fiscal year and, accordingly, there are no factors that significantly affect the identification of trends in the amounts reported. Three year funding progress will be shown when data becomes available.



SUPPLEMENTARY INFORMATION



LAS GALLINAS VALLEY SANITARY DISTRICT

BUDGETARY COMPARISON SCHEDULE

Fiscal year ended June 30, 2012

	Original Appropriated Budget	Final Appropriated Budget	Actual	Variance From the Budget
REVENUES:				
Sewer use charges	\$ 9,195,000	\$ 9,233,000	\$ 9,233,153	\$ 153
Miscellaneous	26,000	30,000	54,185	24,185
Property taxes	994,800	1,002,800	1,004,835	2,035
Federal grant	1,081,000	1,081,000	1,107,034	26,034
State grant	247,500	247,500	-	(247,500)
Intergovernmental fees	4,300	4,300	4,797	497
Franchise fees	25,000	25,000	25,000	-
Interest income	62,100	62,100	64,698	2,598
TOTAL REVENUES	11,635,700	11,685,700	11,493,702	(191,998)
EXPENDITURES:				
Personnel Costs:				
Salaries and wages	1,899,670	1,937,550	1,927,528	10,022
Employee benefits	1,058,810	1,092,880	957,970	134,910
Payroll processing fees	6,600	6,600	7,206	(606)
Operations Expense:				
Insurance	156,250	156,250	130,460	25,790
Repairs and maintenance	263,465	280,965	164,975	115,990
Chemicals	135,000	139,000	108,818	30,182
Pollution prevention	18,000	16,000	23,754	(7,754)
Laboratory services	52,000	68,000	69,318	(1,318)
Small tools	5,600	6,350	7,064	(714)
Sludge disposal contract services	15,000	18,000	14,979	3,021
Outside services	63,000	62,500	89,532	(27,032)
Damage claim	10,000	10,000	3,238	6,762
Reclamation expense	85,000	87,000	74,682	12,318
Engineering consultants	142,000	142,000	140,265	1,735
Operating supplies	60,300	56,300	81,405	(25,105)
Safety program and supplies	69,000	64,000	52,665	11,335
Fuel, gas and oil	37,000	35,000	53,022	(18,022)
Private lateral inspection program	60,000	60,000	52,036	7,964
Equipment rents	20,000	20,000	14,164	5,836
Permits and fees	35,000	36,000	39,451	(3,451)
Employee training	12,000	11,000	15,610	(4,610)
Utilities	94,520	96,720	95,937	783

LAS GALLINAS VALLEY SANITARY DISTRICT
BUDGETARY COMPARISON SCHEDULE (CONTINUED)

Fiscal year ended June 30, 2012

	Original Appropriated Budget	Final Appropriated Budget	Actual	Variance From the Budget
General and Administrative Expense:				
Conferences	\$ 32,000	\$ 32,000	\$ 34,355	\$ (2,355)
Mileage and travel	1,500	1,500	991	509
Office expense	16,500	18,000	21,665	(3,665)
Computer support and supplies	26,000	30,000	35,158	(5,158)
Election costs	35,000	-	250	(250)
Publications and legal ads	5,000	5,000	6,596	(1,596)
Public education	48,000	45,000	48,347	(3,347)
Rents and leases	8,500	8,500	8,569	(69)
Property and other taxes	3,200	3,200	5,697	(2,497)
Memberships	28,000	30,000	32,324	(2,324)
Legal and professional	125,000	125,000	136,033	(11,033)
Bank charges and collection fees	37,200	35,200	31,820	3,380
Employee recognition	3,200	3,000	2,253	747
Miscellaneous	4,000	4,000	3,862	138
	<u>4,671,315</u>	<u>4,742,515</u>	<u>4,491,999</u>	<u>250,516</u>
EXPENDITURES BEFORE DEPRECIATION				
OPERATING AND MAINTENANCE SURPLUS BEFORE DEPRECIATION	<u>\$ 6,964,385</u>	<u>\$ 6,943,185</u>	<u>\$ 7,001,703</u>	<u>\$ 58,518</u>

Note: This schedule is prepared based on the Operating and Maintenance budget. It does not include depreciation since this expense is not budgeted.

LAS GALLINAS VALLEY SANITARY DISTRICT

GLOSSARY OF ACRONYMS

Fiscal Year Ended June 30, 2012

In order to help the reader better understand the terms and abbreviations used in this document, management is providing a list of acronyms and their definitions.

AAL	Actuarial Accrued Liability	The actuarial present value of all post-employment benefits attributable to past service
AOC	Annual OPEB Cost	An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The annual OPEB cost is the amount that must be calculated and reported as an expense.
APB	Accounting Principles Board	Accounting Principles Board (APB) is the former authoritative body of the American Institute of Certified Public Accountants (AICPA). It was created by the American Institute of Certified Public Accountants in 1959 and issued pronouncements on accounting principles until 1973, when it was replaced by the Financial Accounting Standards Board (FASB).
ARB	Accounting Research Bulletin	Accounting Research Bulletins, were documents issued by the Committee on Accounting Procedure between 1938 and 1959 on various accounting problems.
ARC	Annual Required Contribution	The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
ARR	American Recovery and Reinvestment Act of 2009	An economic stimulus package enacted by the 111 th United State Congress in response to the late-2000s recession.
CAF	Comprehensive Annual Financial Report	A set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the GASB.
CalPERS	California Public Employees Retirement System	The California Public Employees' Retirement System is an agency in the California executive branch that "manages pension and health benefits for more than 1.6 million California public employees, retirees, and their families.
CERBT	California Employers' Retiree Benefit Trust	An investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB.
CSRMA	California Sanitation Risk Management Association	A joint powers authority which provides broad coverage and risk management services to its members who are primarily local government agencies that provide water and wastewater services.

LAS GALLINAS VALLEY SANITARY DISTRICT

GLOSSARY OF ACRONYMS (CONTINUED)

Fiscal Year Ended June 30, 2012

COP	Certificates of Participation	A financial document that is used by a municipal government or other government entity creates a bond issue. Revenues of the issuer are pledged to repay the bonds rather than being secured by property.
ERAF	Education Revenue Augmentation Funds	A fund used to collect the property taxes in each county that are shifted from cities, the county, and special districts prior to their reallocation to K-14 school agencies. The county treasurer maintains the ERAF on behalf of the county auditor.
FASB	Financial Accounting Standards Board	Financial Accounting Standards Board (FASB) is a private, not-for-profit organization whose primary purpose is to develop generally accepted accounting principles (GAAP) within the United States in the public's interest.
FOG	Fats, Oils and Grease	Substances than can cause overflows of sanitary sewer systems if not disposed of properly.
GASB	Governmental Accounting Standards Board	Currently the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States of America
GFOA	Government Finance Officers Association of the United States and Canada	An organization with a mission to enhance and promote the professional management of governments for the public benefit.
I&I	Infiltration and Inflow	Infiltration is groundwater entering sanitary sewers through defective pipe joints and broken pipes. Inflow is water entering sanitary sewers from inappropriate connections such as roof drains, cellar drains, and yard drains.
LAIF	Local Agency Investment Fund	A fund managed by the Office of the Treasurer of the State of California which is available for local governments.
MD&A	Management Discussion and Analysis	An integrated part of a company's annual financial statements The purpose of the MD&A is to provide a narrative explanation, through the eyes of management, of how an entity has performed in the past, its financial condition, and its future prospects.
MGD	Million Gallons per Day	Measurement unit used for calculating volume of wastewater treated at the plant
MMWD	Marin Municipal Water District	Water agency for Marin County serving areas south of Ignacio
NBWRA	North Bay Water Reuse Authority	A coordinated regional group of water and sanitation agencies in Sonoma, Marin, and Napa Counties to offset portable water demand by promoting water reuse for agriculture, urban, and

LAS GALLINAS VALLEY SANITARY DISTRICT

GLOSSARY OF ACRONYMS (CONTINUED)

Fiscal Year Ended June 30, 2012

		environmental uses.
NMWD	North Marin Water District	Water agency for Marin County serving areas north of Ignacio and some coastal communities
NOO	Net OPEB Obligation	The cumulative difference since the effective date of GASB Statement 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
OPEB	Other Post-Employment Benefits	Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, except benefits defined as special termination benefits.



STATISTICAL SECTION

MARK R. WILLIAMS, GENERAL MANAGER OF LAS GALLINAS VALLEY SANITARY DISTRICT
WITH OUR RECYCLED WATER DISTRIBUTION PARTNER FOR HAMILTON, CHRIS DEGABRIELE
GENERAL MANAGER OF NORTH MARIN WATER DISTRICT



LAS GALLINAS VALLEY SANITARY DISTRICT

INTRODUCTION TO THE STATISTICAL SECTION

This section of the Las Gallinas Valley Sanitary 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 health.

Financial Trend Information

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Statements of Net Assets

Statements of Revenues, Expenses and Changes in Net Assets

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its largest single own-source revenue: sewer service charges.

Sewer Service Charge Revenue

Sewer Service Charge Rates per Eligible Dwelling Unit

Principal Revenue Payers

Debt Capacity Information

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.

Debt Service Coverage

Outstanding Debt per Connection

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

Demographic and Economic Statistics

Principal Employers

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Daily Average Influent Flow

Recycled Water Production

Full-time Equivalent Employees by Function



LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF NET ASSETS FOR THE LAST TEN FISCAL YEARS (in thousands)

	For Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ASSETS										
Current Assets	\$ 15,335	\$ 18,699	\$ 10,374	\$ 8,687	\$ 8,013	\$ 7,387	\$ 9,009	\$ 5,580	\$ 8,419	\$ 12,301
Capital and other assets	54,816	41,488	40,659	40,107	39,969	40,207	38,697	32,971	28,556	27,789
TOTAL ASSETS	<u>70,151</u>	<u>60,187</u>	<u>51,033</u>	<u>48,794</u>	<u>47,982</u>	<u>47,594</u>	<u>47,706</u>	<u>38,551</u>	<u>36,975</u>	<u>40,090</u>
LIABILITIES										
Total current liabilities	8,399	2,695	1,777	1,688	1,052	1,234	1,189	897	610	1,561
Total noncurrent liabilities	11,605	12,191	8,155	8,550	8,930	9,300	9,655	297	361	2,156
TOTAL LIABILITIES	<u>20,004</u>	<u>14,886</u>	<u>9,932</u>	<u>10,238</u>	<u>9,982</u>	<u>10,534</u>	<u>10,844</u>	<u>1,194</u>	<u>971</u>	<u>3,717</u>
NET ASSETS:										
Invested in capital assets, net of related debt	36,553	32,830	32,640	31,867	32,261	33,141	33,229	32,664	28,164	-
Restricted	2,085	5,231	592	-	2	55	171	-	-	-
Unrestricted	11,509	7,240	7,869	6,689	5,737	3,864	3,462	4,693	7,840	-
TOTAL NET ASSETS	<u>\$ 50,147</u>	<u>\$ 45,300</u>	<u>\$ 41,101</u>	<u>\$ 38,556</u>	<u>\$ 38,000</u>	<u>\$ 37,059</u>	<u>\$ 36,862</u>	<u>\$ 37,356</u>	<u>\$ 36,004</u>	<u>\$ 36,373</u>

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

Note: GASB Statement No. 34 was implemented as of July 1, 2003 therefore the reporting model is different for 6/30/2003.

LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE LAST TEN FISCAL YEARS (in thousands)

	For Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING REVENUES:										
Sewer use charges, net of refunds	\$ 9,233	\$ 8,835	\$ 7,592	\$ 5,006	\$ 4,685	\$ 3,938	\$ 3,237	\$ 2,688	\$ 2,224	\$ 2,209
Miscellaneous	<u>54</u>	<u>32</u>	<u>41</u>	<u>60</u>	<u>61</u>	<u>40</u>	<u>51</u>	<u>70</u>	<u>97</u>	<u>40</u>
TOTAL OPERATING REVENUES	<u>9,287</u>	<u>8,867</u>	<u>7,633</u>	<u>5,066</u>	<u>4,746</u>	<u>3,978</u>	<u>3,288</u>	<u>2,758</u>	<u>2,321</u>	<u>2,249</u>
OPERATING EXPENSES:										
Sewage collection and pump stations ¹	937	854	1,009	882	783	-	-	-	-	-
Sewage collection ¹	-	-	-	-	-	531	565	403	344	422
Sewage treatment	1,295	1,138	1,088	1,142	1,000	1,119	1,251	1,175	1,206	1,284
Sewage and solid waste disposal	147	143	85	205	146	121	180	168	219	283
Laboratory ¹	387	353	313	255	241	-	-	-	-	-
Laboratory and pump stations ¹	-	-	-	-	-	414	309	276	129	-
General and administrative	1,726	1,697	1,552	1,233	1,113	993	1,099	967	1,024	876
Depreciation and amortization	<u>1,856</u>	<u>1,872</u>	<u>1,839</u>	<u>1,732</u>	<u>1,706</u>	<u>1,527</u>	<u>1,252</u>	<u>1,246</u>	<u>1,156</u>	<u>1,225</u>
TOTAL OPERATING EXPENSES	<u>6,348</u>	<u>6,057</u>	<u>5,886</u>	<u>5,449</u>	<u>4,989</u>	<u>4,705</u>	<u>4,656</u>	<u>4,235</u>	<u>4,078</u>	<u>4,090</u>
INCOME (LOSS) FROM OPERATIONS										
	<u>2,939</u>	<u>2,810</u>	<u>1,747</u>	<u>(383)</u>	<u>(243)</u>	<u>(727)</u>	<u>(1,368)</u>	<u>(1,477)</u>	<u>(1,757)</u>	<u>(1,841)</u>
NONOPERATING REVENUES:										
Property taxes	1,005	1,009	1,054	1,031	1,176	951	756	697	675	637
Federal grant	1,107	75	-	-	-	-	-	-	-	-
Franchise fees	25	25	25	25	31	-	6	6	6	6
Intergovernmental fees	5	5	5	5	5	2	5	5	5	5
Gain on disposal, net	-	6	7	70	-	-	-	-	-	-
Interest income	<u>65</u>	<u>93</u>	<u>76</u>	<u>153</u>	<u>280</u>	<u>361</u>	<u>272</u>	<u>122</u>	<u>124</u>	<u>295</u>
TOTAL NONOPERATING REVENUES	<u>2,207</u>	<u>1,213</u>	<u>1,167</u>	<u>1,284</u>	<u>1,492</u>	<u>1,314</u>	<u>1,039</u>	<u>830</u>	<u>810</u>	<u>943</u>

¹ In prior years, pump stations were classified with different departments.

LAS GALLINAS VALLEY SANITARY DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE PAST TEN FISCAL YEARS (Continued) (in thousands)

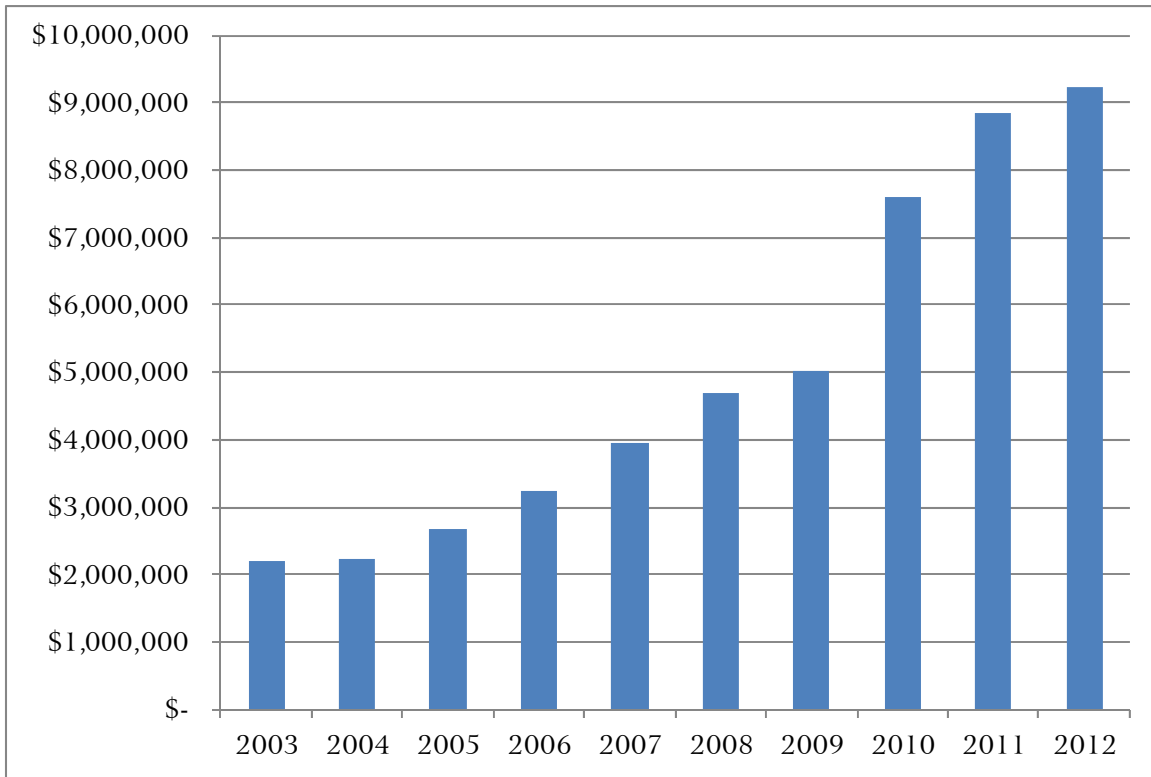
	For Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
NONOPERATING EXPENSES:										
Loss on disposals, net	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ 24	\$ -	\$ -	\$ -
Interest expense	<u>328</u>	<u>353</u>	<u>361</u>	<u>382</u>	<u>389</u>	<u>403</u>	<u>241</u>	<u>-</u>	<u>-</u>	<u>118</u>
 TOTAL NONOPERATING EXPENSES	 <u>328</u>	 <u>353</u>	 <u>361</u>	 <u>382</u>	 <u>402</u>	 <u>403</u>	 <u>265</u>	 <u>-</u>	 <u>-</u>	 <u>118</u>
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	 4,818	 3,670	 2,553	 519	 847	 184	 (594)	 (647)	 (947)	 (1,016)
 CAPITAL CONTRIBUTIONS - CONNECTION FEES PROPERTY	 28 <u>-</u>	 530 <u>-</u>	 (8) <u>-</u>	 37 <u>-</u>	 44 <u>50</u>	 13 <u>-</u>	 99 <u>-</u>	 767 <u>1,233</u>	 1,041 <u>-</u>	 80 <u>-</u>
 INCREASE (DECREASE) IN NET ASSETS	 4,846	 4,200	 2,545	 556	 941	 197	 (495)	 1,353	 94	 (936)
 NET ASSETS - BEGINNING OF YEAR	 <u>45,301</u>	 <u>41,101</u>	 <u>38,556</u>	 <u>38,000</u>	 <u>37,059</u>	 <u>36,862</u>	 <u>37,357</u>	 <u>36,004</u>	 <u>35,910</u>	 <u>37,309</u>
 NET ASSETS - END OF YEAR	 <u>\$ 50,147</u>	 <u>\$ 45,301</u>	 <u>\$ 41,101</u>	 <u>\$ 38,556</u>	 <u>\$ 38,000</u>	 <u>\$ 37,059</u>	 <u>\$ 36,862</u>	 <u>\$ 37,357</u>	 <u>\$ 36,004</u>	 <u>\$ 36,373</u>

Source: Las Gallinas Valley Sanitary District Basic Financial Statements.

Note: GASB Statement No. 34 was implemented as of July 1, 2003 therefore the reporting model is different for 6/30/2003.

LAS GALLINAS VALLEY SANITARY DISTRICT

SEWER SERVICE CHARGE REVENUE FOR THE PAST TEN FISCAL YEARS



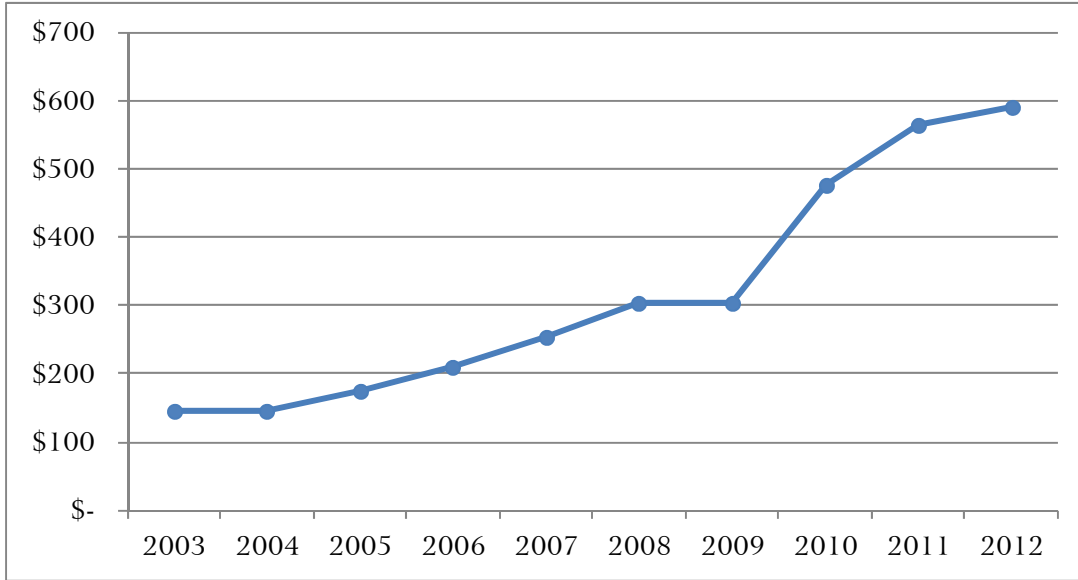
HISTORIC SEWER SERVICE REVENUES

Fiscal Year Ended June 30	Sewer Service Revenues	Percentage Change
2003	\$ 2,209,209	NA
2004	\$ 2,223,955	0.67%
2005	\$ 2,687,670	20.85%
2006	\$ 3,237,227	20.45%
2007	\$ 3,937,800	21.64%
2008	\$ 4,684,972	18.97%
2009	\$ 5,006,202	6.86%
2010	\$ 7,592,325	51.66%
2011	\$ 8,834,558	16.36%
2012	\$ 9,233,000	4.51%

Sources:
Las Gallinas Valley Sanitary District records

LAS GALLINAS VALLEY SANITARY DISTRICT

SEWER SERVICE RATES PER ELIGIBLE DWELLING UNIT FOR THE PAST TEN FISCAL YEARS



HISTORIC SEWER SERVICE RATES

Fiscal Year Ended June 30,	Sewer Service Rates	Percentage Change
2003	\$ 146	0.0%
2004	\$ 146	0.0%
2005	\$ 176	20.5%
2006	\$ 211	19.9%
2007	\$ 253	19.9%
2008	\$ 303	19.8%
2009	\$ 303	0.0%
2010	\$ 476	57.1%
2011	\$ 563	18.3%
2012	\$ 590	4.8%

Sources:

Las Gallinas Valley Sanitary District records

LAS GALLINAS VALLEY SANITARY DISTRICT

PRINCIPAL REVENUE PAYERS FOR THE CURRENT FISCAL YEAR AND NINE YEARS PRIOR

FY 2011/12			FY 2002/03		
Payer	Total Paid	Percentage of Revenue Collected	Payer	Total Paid	Percentage of Revenue Collected
County of Marin	\$ 262,971	2.85%	Contempo Marin	\$ 58,400	2.64%
Contempo Marin	243,672	2.64%	Northgate Mall	50,224	2.27%
Marin Valley Mobile Home Park	185,850	2.01%	Marin Valley Mobile Home Park	45,990	2.08%
Northgate Mall	164,612	1.78%	County of Marin	45,196	2.05%
Bay Apartment Communities	151,042	1.64%	Bay Apartment Communities	37,230	1.69%
Embassy Suites	120,362	1.30%	Deer Valley Apartments	25,112	1.14%
Deer Valley Apartments	101,482	1.10%	San Rafael Manor	23,360	1.06%
San Rafael Manor	94,402	1.02%	Embassy Suites	22,484	1.02%
Northbay Properties II	88,502	0.96%	Northbay Properties II	21,900	0.99%
Sheraton Four Points	79,652	0.86%	Sheraton Four Points	21,316	0.96%
Total	<u>\$1,492,547</u>	<u>16.16%</u>	Total	<u>\$ 351,212</u>	<u>15.90%</u>

Sources:

Las Gallinas Valley Sanitary District records

LAS GALLINAS VALLEY SANITARY DISTRICT

DEBT SERVICE COVERAGE FOR THE YEARS ENDED

Fiscal Year Ended June 30,	Gross Revenues ¹	Operating Expense ²	Net Revenues	Debt Service ³	Debt Coverage Ratio
2006	\$ 4,426,000	\$ 3,404,000	\$ 1,022,000	\$ 206,906	4.94
2007	\$ 5,305,000	\$ 3,178,000	\$ 2,127,000	\$ 749,625	2.84
2008	\$ 6,282,000	\$ 3,283,000	\$ 2,999,000	\$ 745,625	4.02
2009	\$ 6,387,000	\$ 3,717,000	\$ 2,670,000	\$ 746,125	3.58
2010	\$ 8,792,000	\$ 4,047,000	\$ 4,745,000	\$ 741,125	6.40
2011	\$ 10,609,459	\$ 4,184,360	\$ 6,425,099	\$ 740,625	8.68
2012	\$ 10,415,015	\$ 4,492,000	\$ 5,923,015	\$ 1,354,241	4.37

Sources:

Las Gallinas Valley Sanitary District records

Notes:

The Debt Service Coverage requirement came into effect in June of 2006. Before this date, there were no existing Debt Service Coverage requirements

The Debt Service for June 30, 2012 includes the deposit to the debt service reserve fund for the State Revolving Fund loan which will convert to a term loan during 2012/13. The first principal and interest payment is due June 1, 2013.

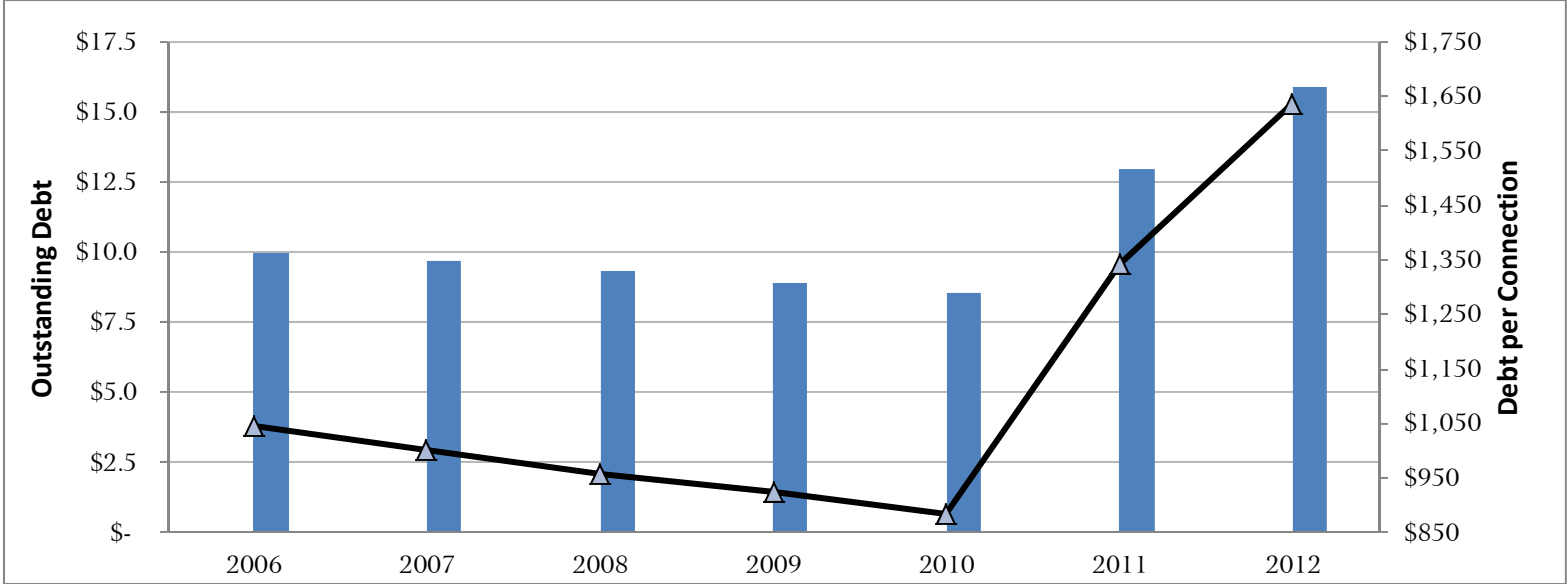
¹ Gross Revenues includes all operating and non-operating revenues, except grants, and connection fees.

² Operating expense includes all operating expense and non-debt service related interest expense.

³ Debt service includes principal and interest payments due in the current fiscal year.

LAS GALLINAS VALLEY SANITARY DISTRICT

OUTSTANDING DEBT PER CONNECTION FOR THE PAST TEN FISCAL YEARS



Fiscal Year Ended June 30,	Type of Debt			Total Outstanding Debt	Debt per Capita ^{1,2}	Total Connections	Debt per Connection
	COP	SRF	Notes Payable				
2003	\$ -	\$ -	\$ -	\$ -	\$ -	9,435	\$ -
2004	\$ -	\$ -	\$ -	\$ -	\$ -	9,429	\$ -
2005	\$ -	\$ -	\$ -	\$ -	\$ -	9,519	\$ -
2006	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ 352	9,574	\$ 1,044
2007	\$ 9,655,000	\$ -	\$ -	\$ 9,655,000	\$ 340	9,636	\$ 1,002
2008	\$ 9,300,000	\$ -	\$ -	\$ 9,300,000	\$ 327	9,693	\$ 959
2009	\$ 8,930,000	\$ -	\$ -	\$ 8,930,000	\$ 314	9,645	\$ 926
2010	\$ 8,550,000	\$ -	\$ -	\$ 8,550,000	\$ 294	9,650	\$ 886
2011	\$ 8,155,000	\$ 220,649	\$ 4,600,000	\$ 12,975,649	\$ 447	9,655	\$ 1,344
2012	\$ 7,745,000	\$ 3,720,274	\$ 4,446,012	\$ 15,911,286	\$ 548	9,735	\$ 1,634

Sources:

Las Gallinas Valley Sanitary District records

¹ District population of 28,201 per the 2000 Census data for zip code 94903

² District population of 29,040 per the 2010 Census data for zip code 94903

LAS GALLINAS VALLEY SANITARY DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS FOR THE PAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population ¹	Personal Income (\$000) ¹	Per Capita Personal Income (\$000) ¹	School Enrollment ²	Unemployment Rate ³
2003	245,030	\$ 16,663,401	\$ 68,919	28,597	5.3%
2004	243,677	\$ 18,114,794	\$ 76,309	28,506	4.7%
2005	244,024	\$ 19,485,341	\$ 81,628	28,429	4.0%
2006	244,336	\$ 21,265,962	\$ 89,197	28,764	3.8%
2007	246,100	\$ 22,590,008	\$ 91,729	29,081	3.7%
2008	248,345	\$ 23,135,609	\$ 93,263	29,100	4.7%
2009	250,750	\$ 22,351,575	\$ 89,139	29,615	8.1%
2010	252,789	\$ 20,965,394	\$ 82,936	30,140	8.2%
2011	unavailable	unavailable	unavailable	30,574	8.1%
2012	unavailable	unavailable	unavailable	unavailable	6.7%

Source:

County of Marin Comprehensive Annual Financial Report for FY 2010/11

Notes:

¹ US Department of Commerce, Bureau of Economic Analysis - www.bea.gov, the most recently available data is for 2010.

² California Department of Education, Educational Demographics Office - www.ed-data.k12.us, the most recently available data is for 2011.

³ Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov

LAS GALLINAS VALLEY SANITARY DISTRICT

PRINCIPAL EMPLOYERS IN MARIN COUNTY FOR THE CURRENT FISCAL YEAR AND NINE YEARS AGO

FY 2011/12 ¹			FY 2002/03 ¹		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
County of Marin	2,135	1.64%	County of Marin	2,000	1.53%
San Quentin State Prison	2,058	1.58%	Fireman's Fund	1,700	1.28%
Kaiser Permanente Medical Center	1,330	1.02%	San Quentin Prison	1,550	1.18%
Safeway, Inc.	1,200	0.92%	Kaiser Permanente	1,500	1.14%
Marin General Hospital	1,090	0.84%	Lucasfilm Ltd.	1,400	1.07%
Fireman's Fund Insurance Co.	950	0.73%	Marin General Hospital	1,300	0.99%
Autodesk, Inc.	928	0.71%	Autodesk, Inc.	1,100	0.84%
Novato Unified School District	832	0.64%	Novato Unified School District	1,097	0.84%
BioMarin Pharmaceutical	700	0.54%	Golden Gate Transit	900	0.69%
Comcast	619	0.47%	Safeway, Inc.	820	0.63%
Total	<u>11,842</u>	<u>9.09%</u>	Total	<u>13,367</u>	<u>10.19%</u>

Sources:

County of Marin Comprehensive Annual Financial Report for FY 2010/11
Community Profile, County of Marin

Notes:

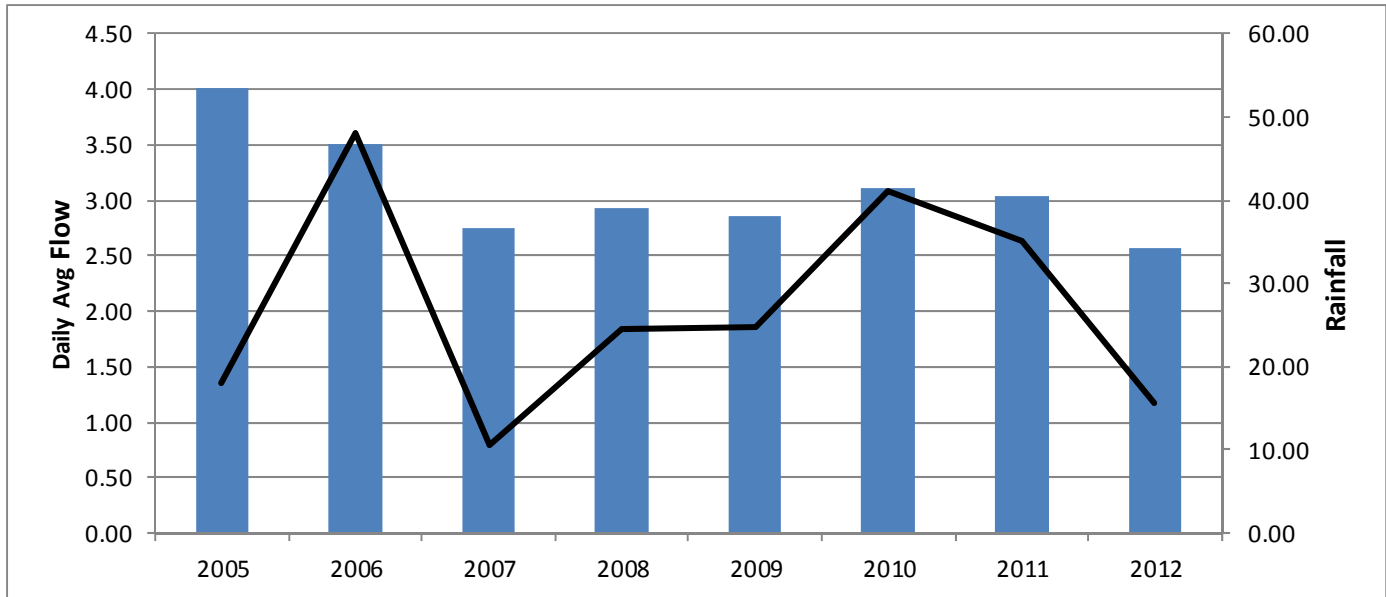
¹ 2011 and 2002 employee counts are reflected because employee counts are unavailable for 2012 and 2003
Percentage of Total County Employment = Population x (100% - unemployment rate)

2011 Marin Annual Financial Report

http://www.co.marin.ca.us/depts/AC/Main/finance/pages/2011_MarinCAFR.pdf

LAS GALLINAS VALLEY SANITARY DISTRICT

DAILY AVERAGE INFLUENT FLOW FOR THE PAST TEN FISCAL YEARS



Fiscal Year Ended June 30,	Daily Average Flow (MGD) ¹	Increase (Decrease)	Rainfall ²	Increase (Decrease)
2003	2.84		40.00	NA
2004	2.95	3.87%	16.25	-59.38%
2005	4.01	35.99%	18.00	10.77%
2006	3.50	-12.73%	48.00	166.67%
2007	2.74	-21.61%	10.50	-78.13%
2008	2.93	6.62%	24.50	133.33%
2009	2.85	-2.65%	24.75	1.02%
2010	3.11	9.27%	41.00	65.66%
2011	3.05	-2.17%	35.00	-14.63%
2012	2.57	-15.60%	15.75	-55.00%

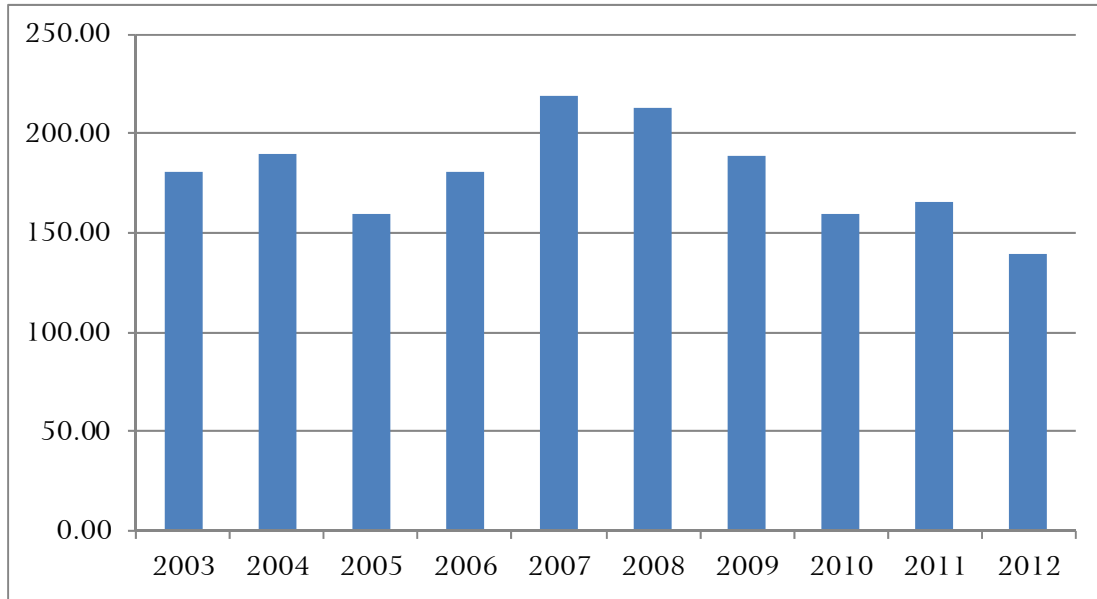
Sources:

¹ Las Gallinas Valley Sanitary District records

² Western Regional Climate Center, www.wrcc.dri.edu rainfall reporting for the San Rafael Civic Center, California July 1 - June 30th

LAS GALLINAS VALLEY SANITARY DISTRICT

RECYCLED WATER PRODUCTION FOR THE PAST TEN FISCAL YEARS



Fiscal Year Ended June 30,	Million Gallons Produced	Increase (Decrease)
2003	180.58	
2004	190.05	5.24%
2005	159.95	-15.84%
2006	180.26	12.70%
2007	219.26	21.64%
2008	213.15	-2.79%
2009	188.60	-11.52%
2010	159.48	-15.44%
2011	165.39	3.71%
2012	139.35	-15.74%

Sources:
Las Gallinas Valley Sanitary District records

LAS GALLINAS VALLEY SANITARY DISTRICT

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION FOR THE PAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Operations	Engineering	Laboratory ¹	Collection System	Administra tion	Board	Total
2003	5	-	1.5	4	3	5	18.5
2004	5	-	1.5	4	3	5	18.5
2005	5	-	1.5	5	4	5	20.5
2006	5	-	1.5	5	4	5	20.5
2007	5	-	1.5	5	4	5	20.5
2008	5	-	1.5	5	4	5	20.5
2009	5	-	2	5	4	5	21
2010	5	1	2	5	4	5	22
2011	6	2	2	5	4	5	24
2012	6	2	2	5	4	5	24

Sources:

Las Gallinas Valley Sanitary District records

Notes:

¹ 2003-2008 counts associated with paid interns

