



NORTH MARIN WATER DISTRICT
AGENDA - REGULAR MEETING
 October 15, 2013 – 7:30 p.m.
 District Headquarters
 999 Rush Creek Place
 Novato, California

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| Est. Time | Item | Subject |
|--------------|--|---|
| 7:30 p.m. | CALL TO ORDER | |
| | 1. | APPROVE MINUTES FROM REGULAR MEETING , October 1, 2013 |
| | 2. | GENERAL MANAGER'S REPORT |
| | 3. | OPEN TIME: (Please observe a three-minute time limit) This section of the agenda is provided so that the public may express comments on any issues not listed on the agenda that are of interest to the public and within the jurisdiction of the North Marin Water District. When comments are made about matters not on the agenda, Board members can ask questions for clarification, respond to statements or questions from members of the public, refer a matter to staff, or direct staff to place a matter of business on a future agenda. The public may also express comments on agenda items at the time of Board consideration. |
| | 4. | STAFF/DIRECTORS REPORTS |
| | 5. | MONTHLY PROGRESS REPORT w/ Customer Service Questionnaire |
| | CONSENT CALENDAR The General Manager has reviewed the following items. To his knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person. | |
| | 6. | Consent – Approve Text for Fall <i>Water Line</i> , Volume 14, Issue 30 |
| | ACTION CALENDAR | |
| | 7. | Approve: Notice of Public Hearing to consider proposed ordinance authorizing revision to Policy #13 – Board of Directors Compensation Procedure |
| | 8. | Approve: Date of Special Meeting – Planning Workshop |
| | 9. | Approve: Rental Agreement - 15 Gustafson Court Residence |
| 8:00 p.m. | INFORMATION ITEMS | |
| | 10. | Review of Outside Audit Report |
| | 11. | STP Solar Power Facility – 1 st Year Status Report |
| | 12. | Mirabel Inflatable Dam Operation Presentation |
| | 13. | TAC Meeting – October 7, 2013 |

All times are approximate and for reference only.
 The Board of Directors may consider an item at a different time than set forth herein.

(Continued)

14. **MISCELLANEOUS**

Disbursements

Self-Insured Workers' Comp – 1st Quarter Status Report

Sonoma Marin Saving Water Partnership Wins 2013 EPA WaterSense Excellence Award

LAFCO Selection of Alternate Special District Member

News Articles:

Mailbag: What will Marin/Sonoma Narrows look like?

Latest rainfall and water use

Jury trial underway on JM Eagle whistle-blower lawsuit

8:30 p.m.

15. **ADJOURNMENT**

1

1 DRAFT
2 NORTH MARIN WATER DISTRICT
3 MINUTES OF REGULAR MEETING
4 OF THE BOARD OF DIRECTORS
5 October 1, 2013

6 **CALL TO ORDER**

7 President Fraites called the regular meeting of the Board of Directors of North Marin Water
8 District to order at 7:30 p.m. at the District Headquarters and the agenda was accepted as
9 presented. Present were Directors Jack Baker, Stephen Petterle, Dennis Rodoni and John
10 Schoonover. Also present were General Manager Chris DeGabriele, Secretary Katie Young,
11 Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

12 Employee Association Members, Brad Stompe (Treatment and Distribution Supervisor),
13 Pablo Ramudo (Water Quality Supervisor), Nancy Holton (Sr. Accountant), Kerry Lemos
14 (Maintenance Supervisor), Dianne Landeros (HR/Accounting Supervisor), Stacie Goodpaster (Sr.
15 Chemist), Nancy Williamson (Sr. Accountant), Carmela Chandrasekera (Associate Engineer),
16 Robert Clark (Operations/Maintenance Superintendent), and Doug Moore
17 (Construction/Maintenance Superintendent) were in the audience.

18 **MINUTES**

19 On motion of Director Petterle, seconded by Director Schoonover and carried by the
20 following vote, the Board approved the minutes from the previous meeting as presented:

21 AYES: Directors Baker, Petterle, Rodoni, Schoonover

22 NOES: None

23 ABSENT: None

24 ABSTAIN: President Fraites

25 **GENERAL MANAGER'S REPORT**

26 **Recycled Water Subcommittee**

27 Mr. DeGabriele informed the Board that he, Drew McIntyre, Directors Baker and Schoonover
28 and Novato Sanitary District's Board Members, Long and Di Giorgio, and Deputy Engineer Karkal
29 met on Tuesday, September 24th as the Recycled Water Subcommittee to review last year's
30 performance and future expansion. He stated that the reason for the meeting was to discuss the
31 District's potential to continue its membership in the North Bay Water Reuse Authority phase 2
32 project. Mr. DeGabriele said that he was willing to meet with Ms. James to discuss some options to
33 bring back to the Board for consideration.

1 Director Schoonover asked if Mr. DeGabriele has given any thought about the future
2 participation in of the NBWRA Phase 2. Mr. DeGabriele stated that he has sent an email to the
3 General Manager at Novato Sanitary District to start that discussion.

4 Water Shortage Update

5 Mr. DeGabriele provided an update to the Board on the water storage in Lake Mendocino.
6 He noted that the storage is still above the critical storage curve and that the Temporary Urgency
7 Change Order ends October 28th. He stated that flows have been reduced to reserve lake water for
8 the fish and that Chinook salmon are starting to appear in the Russian River system. Mr. DeGabriele
9 informed the Board that he has suggested the water contractors and SCWA still meet regularly
10 throughout the fall and that the flows are scheduled to increase at the end of October.

11 Doug Moore Retirement

12 Mr. DeGabriele advised the Board that Doug Moore, Construction/Maintenance
13 Superintendent has submitted his retirement notice for the end of this calendar year. He stated that
14 Doug is a good man and he will be sorely missed.

15 The Board expressed its' gratitude and wished him well.

16 **OPEN TIME**

17 President Fraites asked if anyone in the audience wished to bring up an item not on the
18 agenda and there was no response.

19 **STAFF/DIRECTORS REPORTS**

20 President Fraites asked if staff or Directors wished to bring up an item not on the agenda
21 and there was no response.

22 **CONSENT CALENDAR**

23 On motion of Director Petterle, seconded by Director Schoonover and unanimously carried,
24 the following item was approved on the Consent Calendar:

25 **SALARY SCHEDULE REVISION**

26 Title 2 of the California Code of Regulations, Section 570.5, requires that the pay schedule of
27 every CalPERS agency be approved and adopted by the agency's governing body pursuant to
28 public meeting laws. The Board approved the Salary Schedule Revision, which increased total
29 salaries by 3.36% effective October 1, 2013.

1 **ACTION CALENDAR**

2 **DUPLICATE MEDICAL APPEAL**

3 David Bentley provided an overview of the duplicate medical appeal continued from the
4 previous Board meeting. He stated that pursuant to the Boards request staff has surveyed ten
5 agencies to determine their handling of duplicate medical coverage and found that two agencies do
6 not have a sharing program, five agencies allow a sharing program when all family members are
7 covered by alternate insurance and three agencies have some sort of "hybrid" plan. Mr. Bentley
8 advised the Board that he spoke with the District's employment attorney, Joe Wiley, who provided
9 options for the Board to consider: 1) Reopen the Memorandum of Understanding to renegotiate the
10 policy; 2) Grandfather in the existing employees, not allowing new employees to be added in the
11 future; and 3) Stick with the policy as written. He informed the Board that Mr. Wiley suggests sticking
12 to the policy as written as it would be the least risky choice. Mr. Bentley stated that staff continues to
13 recommend that the Board confirm that employees without alternative health insurance for their
14 entire family are not eligible to receive the cafeteria plan contribution in cash.

15 Kerry Lemos, President of the Employee Association, reminded the Board of the 2010
16 change in the policy to match the practice at that time. He stated that in 2011 there was a extension
17 to the contract and in 2012 the policy was brought up as a statement, not to the table in writing. Mr.
18 Lemos reiterated the Employee Association position that the issue was never brought back to
19 negotiate and that it should still be in the contract today.

20 Director Baker stated that he believes the District should stick with the policy that was
21 originally negotiated in 2005 as part of a comprehensive agreement and he supported the staff
22 recommendation.

23 Director Petterle asked about grandfathering in the current "hybrid" employees. David
24 Bentley stated that attorney Joe Wiley indicated that the District could be subject to a claim and
25 have to defend their reasoning for not letting another employee in a similar situation into the group.

26 Director Petterle asked when the next negotiations would be. David Bentley responded 2018.

27 Director Rodoni stated that the Board has been more than cooperative over the last couple
28 of years not following the policy and that if the employees wanted to revisit this they could do so in
29 the next negotiations. He continued to state that the District needed to stick with what was decided
30 in 2005.

31 Director Schoonover stated that he has been extremely conflicted with this issue but agrees
32 that the District should stick to the policy.

1 President Fraites stated that he has to follow the attorney's recommendation and he was not
2 happy about it but stated that it was a policy.

3 On motion of Director Baker, seconded by Director Rodoni and approved by the following
4 vote, the Board confirmed that employees without alternative health insurance for their entire family
5 are not eligible to receive the cafeteria plan contribution in cash.

6 AYES: Director Baker, Fraites, Rodoni, Schoonover

7 NOES: Director Petterle

8 ABSENT: None

9 ABSTAIN: None

10 **ATHERTON TANK RECOAT/MIXING SYSTEM – APPROVE FILING OF NOTICE OF EXEMPTION**

11 Drew McIntyre informed the Board that the purpose of the Atherton Tank Recoat Project is to
12 replace the interior and exterior protective coating of the tank, install a new mixing system, and
13 perform miscellaneous repairs as necessary to maintain the structural integrity of the tank. He noted
14 that the existing tank coating is approximately 40 years old and may require lead. Mr. McIntyre
15 stated the project is scheduled to be completed over a two fiscal year period. He stated that staff
16 has reviewed the project to determine the level of environmental review required per the California
17 Environmental Quality Act (CEQA) and because of the small size of the project staff determined that
18 the project is categorically exempt from CEQA. Mr. McIntyre stated that staff recommends that the
19 District file a Notice of Exemption for the construction of the said project.

20 On motion of Director Baker, seconded by Director Schoonover and unanimously carried, the
21 Board approved filing the Notice of Exemption for the Atherton Tank Recoat/Mixing System Project.

22 **INFORMATION ITEMS**

23 **CITY OF NOVATO REQUEST TO CONSIDER REDUCTION IN FEES FOR NEW ACCESSORY**
24 **DWELLING UNITS**

25 Mr. DeGabriele informed the Board that he received a letter from the Novato Mayor
26 requesting the District to consider a reduction in fees for new accessory dwelling units. He reminded
27 the Board that there was a discussion in July with City of Novato's Community Development
28 Director, Bob Brown, urging the Board to take action on this issue. Mr. DeGabriele stated that the
29 Novato's Mayor has requested the District consider the reduction to encourage construction of new
30 second units in Novato. He informed the Board that currently the connection fee is set equivalent to
31 an apartment for an accessory dwelling unit and suggested reducing the fee to that equivalent to a
32 mobile home. Mr. DeGabriele asked for suggestions and comments from the Board.

1 President Fraites asked what the motivation behind this request is. Mr. DeGabriele stated
2 that the City would like to promote accessory dwelling unit development as a means of addressing
3 affordable housing needs.

4 Director Schoonover stated he was curious about the consensus of the Novato community.
5 Mr. DeGabriele stated that the letter is from Mayor Eklund and there has been a lot of debate in
6 public meetings about affordable housing and which likely included a suggestion to reduce the
7 development fees.

8 Director Schoonover asked if the reduction would be enough and Mr. DeGabriele responded
9 that he would hope it would be a step in the right direction and that it was indicated that the Mayor
10 planned outreach to President Fraites. He stated that one option could be to wait until the City
11 reaches out again.

12 Director Petterle stated that he would be okay with dropping the fee to that equivalent to a
13 mobile home but no more than that.

14 Director Rodoni suggested putting a time limit on the fee reduction and including a deed
15 restriction, insuring the property would remain a long term rental and not be converted to a
16 commercial operation such as a Bed and Breakfast. Director Petterle agreed with Director Rodoni
17 and the deed restriction along with affordable rates. Mr. DeGabriele stated in his prior discussions
18 with Bob Brown, the City did not intend to include deed restrictions on accessory dwelling units.

19 Mr. DeGabriele thanked the Board for their input and stated that he will wait to hear from the
20 City again.

21 **RECYCLED WATER EXPANSION NORTH SERVICE AREA – CLOSE OUT SUMMARY**

22 Drew McIntyre provided a close out summary for the Recycled Water Expansion North
23 Service Area project. He stated that all planned on-site irrigation retrofits have not been completed
24 and the current North Service Area Project cost is \$6.44M paid for with \$1.54M from federal and
25 state grants, \$4.4M from state low interest loans, and \$500K from District reserve funds.

26 **NORTH BAY WATERSHED ASSOCIATION – OCTOBER 4, 2013**

27 President Fraites advised the Board that he and Director Baker will be attending the NBWA
28 meeting on October 4th.

29 **MISCELLANEOUS**

30 The Board received the following miscellaneous items: Disbursements and Marin County
31 Invitation to Provide Debt Information.

1 The Board also received the following news articles: Bill would create California quake
2 warning system, City Urges Water Conservation, Letter to Editor – North Marin Water District, and
3 Weather forecasting a key concern for Sonoma County Water Agency.

4 **CLOSED SESSION**

5 President Fraites adjourned the Board into closed session at 8:16 p.m. in accordance with
6 Government Code Section 54956.8 Conference with Real Property Negotiator (Chris DeGabriele &
7 David Bentley) regarding 15 Gustafson Ct, Novato, CA and Government Code Section 54956.8
8 Conference with Real Property Negotiator (Chris DeGabriele & David Bentley) regarding 42
9 Spinosa, Novato, CA.

10 **OPEN SESSION**

11 Upon returning to regular session at 8:29 p.m., President Fraites stated that during the
12 closed session the Board had discussed the issues and no reportable action had been taken.

13 **ADJOURNMENT**

14 President Fraites adjourned the meeting at 8:30 p.m.

15 Submitted by

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17

18

19

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Katie Young
District Secretary

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NORTH MARIN WATER DISTRICT
MONTHLY PROGRESS REPORT FOR September 2013
 October 15, 2013

1.

Novato Potable Water Prod - RR & STP Combined - in Million Gallons - FYTD

| Month | FY13/14 | FY12/13 | FY11/12 | FY10/11 | FY09/10 | 14 vs 13 % |
|-------------------|--------------|--------------|--------------|--------------|--------------|------------|
| July | 385 | 389 | 371 | 379 | 360 | -1% |
| August | 360 | 396 | 373 | 368 | 367 | -9% |
| September | 335 | 346 | 347 | 358 | 335 | -3% |
| FYTD Total | 1,080 | 1,131 | 1,091 | 1,106 | 1,061 | -5% |

West Marin Potable Water Production - in Million Gallons - FY to Date

| Month | FY13/14 | FY12/13 | FY11/12 | FY10/11 | FY09/10 | 14 vs 13 % |
|-------------------|-------------|-------------|-------------|-------------|-------------|------------|
| July | 9.3 | 9.8 | 9.2 | 9.9 | 10.0 | -5% |
| August | 9.3 | 9.7 | 9.4 | 9.9 | 10.6 | -5% |
| September | 8.5 | 8.3 | 8.7 | 9.2 | 9.6 | 3% |
| FYTD Total | 27.1 | 27.9 | 27.4 | 29.0 | 30.2 | -3% |

Stafford Treatment Plant Production - in Million Gallons - FY to Date

| Month | FY13/14 | FY12/13 | FY11/12 | FY10/11 | FY09/10 | 14 vs 13 % |
|-------------------|------------|------------|------------|------------|------------|------------|
| July | 98 | 49 | 115 | 109 | 152 | 101% |
| August | 83 | 83 | 126 | 108 | 150 | 0% |
| September | 56 | 72 | 77 | 112 | 155 | -22% |
| FYTD Total | 237 | 204 | 318 | 329 | 457 | 16% |

Recycled Water Production - in Million Gallons - FY to Date

| Month | FY13/14 | FY12/13 | FY11/12 | FY10/11 | FY09/10 | 14 vs 13 % |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| July | 27.6 | 11.2 | 11.0 | 11.9 | 12.0 | 147% |
| August | 24.6 | 10.5 | 12.2 | 11.2 | 12.9 | 134% |
| September | 18.6 | 8.5 | 9.6 | 9.5 | 10.2 | 119% |
| FYTD Total | 70.8 | 30.2 | 32.8 | 32.7 | 35.1 | 135% |

2. **Stafford Lake Data**

| | September Average | September 2012 | September 2013 |
|--------------------------|-------------------|----------------|----------------|
| Rainfall this month | 0.23 Inches | 0 Inches | 0.33 Inches |
| Rainfall this FY to date | 0.30 Inches | 0.1 Inches | 0.33 Inches |
| Lake elevation* | 182.9 Feet | 181.1 Feet | 182.0 Feet |
| Lake storage** | 588 MG | 511 MG | 545 MG |

* Spillway elevation is 196.0 feet

** Lake storage less 390 MG = quantity available for delivery

Temperature (in degrees)

| | Minimum | Maximum | Average |
|-------------------------|---------|---------|---------|
| September 2012 (Novato) | 46 | 105 | 68 |
| September 2013 (Novato) | 43 | 112 | 73 |

7. Energy Cost

| FYE | | September | | | Fiscal Year-to-Date thru September | | |
|------|-------------|-----------|-------|----------|------------------------------------|-------|----------|
| | | Kwh | ¢/Kwh | Cost/Day | Kwh | ¢/Kwh | Cost/Day |
| 2014 | Stafford TP | 43,722 | 5.5¢ | \$67 | 221,250 | 10.8¢ | \$247 |
| | Pumping | 197,998 | 15.7¢ | \$973 | 565,828 | 16.0¢ | \$997 |
| | Other* | 53,078 | 21.7¢ | \$360 | 149,594 | 21.9¢ | \$360 |
| | | 294,797 | 15.3¢ | \$1,454 | 936,672 | 15.7¢ | \$1,620 |
| 2013 | Stafford TP | 136,088 | 13.3¢ | \$335 | 218,640 | 15.3¢ | \$319 |
| | Pumping | 68,479 | 37.1¢ | \$909 | 378,925 | 19.0¢ | \$776 |
| | Other* | 31,080 | 23.9¢ | \$225 | 131,655 | 24.4¢ | \$335 |
| | | 235,647 | 21.6¢ | \$1,499 | 729,221 | 18.9¢ | \$1,482 |
| 2012 | Stafford TP | 82,528 | 16.8¢ | \$434 | 278,782 | 17.3¢ | \$530 |
| | Pumping | 130,969 | 14.8¢ | \$719 | 590,700 | 14.4¢ | \$933 |
| | Other* | 39,608 | 21.3¢ | \$291 | 126,969 | 21.3¢ | \$300 |
| | | 253,105 | 16.5¢ | \$1,491 | 996,451 | 16.1¢ | \$1,703 |

*Other includes West Marin Facilities

8. Water Conservation Update

| | Month of September 2013 | Fiscal Year to Date | Program Total to Date |
|--|----------------------------|------------------------|--------------------------|
| High Efficiency Toilet (HET) Rebate (\$100 each) | 16 | 54 | 2,678 |
| Retrofit Certificates Filed | 26 | 89 | 4,858 |
| Cash for Grass Rebates Paid Out | 2 | 9 | 531 |
| Washing Machine Rebates | 32 | 88 | 6,239 |
| Water Smart Home Survey | 20 | 78 | 1,495 |

9. Utility Performance Metric

| CUSTOMER SERVICE INTERRUPTIONS | September No. of Customers Impacted |
|----------------------------------|--|
| PLANNED | |
| Duration Between 0.5 and 4 hours | 9 |
| Duration Between 4 and 12 hours | |
| Duration Greater than 12 hours | |
| UNPLANNED | |
| Duration Between 0.5 and 4 hours | |
| Duration Between 4 and 12 hours | |
| Duration Greater than 12 hours | |
| SERVICE LINES REPLACED | September |
| Polybutylene | 8 |
| Copper (Replaced or Repaired) | 1 |

3. Number of Services

| September 30 | Novato Water | | | Recycled Water | | | West Marin Water | | | Oceana Marin Swr | | |
|-----------------------|--------------|--------|--------|----------------|------|--------|------------------|------|--------|------------------|------|--------|
| | FY14 | FY13 | Incr % | FY14 | FY13 | Incr % | FY14 | FY13 | Incr % | FY14 | FY13 | Incr % |
| Total meters | 20,708 | 20,747 | -0.2% | 45 | 8 | 463% | 819 | 820 | -0.1% | - | - | - |
| Total meters active | 20,479 | 20,498 | -0.1% | 42 | 2 | 2000% | 776 | 776 | 0.0% | - | - | - |
| Active dwelling units | 23,941 | 23,943 | 0.0% | 0 | 0 | - | 811 | 811 | 0.0% | 227 | 227 | 0.0% |

4. Oceana Marin Monthly Status Report (September)

| Description | September 2012 | September 2013 |
|---------------------------------|----------------|----------------|
| Effluent Flow Volume (MG) | 0.481 | 0.410 |
| Irrigation Field Discharge (MG) | 0.603 | 0.377 |
| Treatment Pond Freeboard (ft) | 3.9 | 4.9 |
| Storage Pond Freeboard (ft) | 7.4 | 6.8 |

5. Developer Projects Status Report (September)

| Job No. | Project | % Complete | % This month |
|---------|----------------------------|------------|--------------|
| 2670 | Canyon Green | 80 | 10 |
| 2763 | City Administration Office | 21 | 10 |
| 2759 | Novato High School | 99 | 5 |
| 2760 | San Marin High School | 99 | 5 |

District Projects Status Report - Const Dept (September)

| Job No. | Project | % Complete | % This month |
|---------|---|------------|--------------|
| 7139.00 | PB Replacement- City Measure A, Group 5 | 70 | 0 |
| 7118.10 | Gunn Dr- Waterline Relocation | 100 | 1 |
| 7135.00 | DeLong to Cain Looping | 90 | 90 |

Employee Hours to Date, FY 13/14

As of Pay Period Ending September 30, 2013
Percent of Fiscal Year Passed = 25%

| Developer Projects | Actual | Budget | % YTD Budget | District Projects | | | |
|--------------------|--------|--------|--------------|-------------------|--------|--------------|----|
| | | | | Actual | Budget | % YTD Budget | |
| Construction | 55 | 1,400 | 40 | Construction | 723 | 5,607 | 13 |
| Engineering | 242 | 1,480 | 16 | Engineering | 1,269 | 3,698 | 34 |

6. Safety/Liability

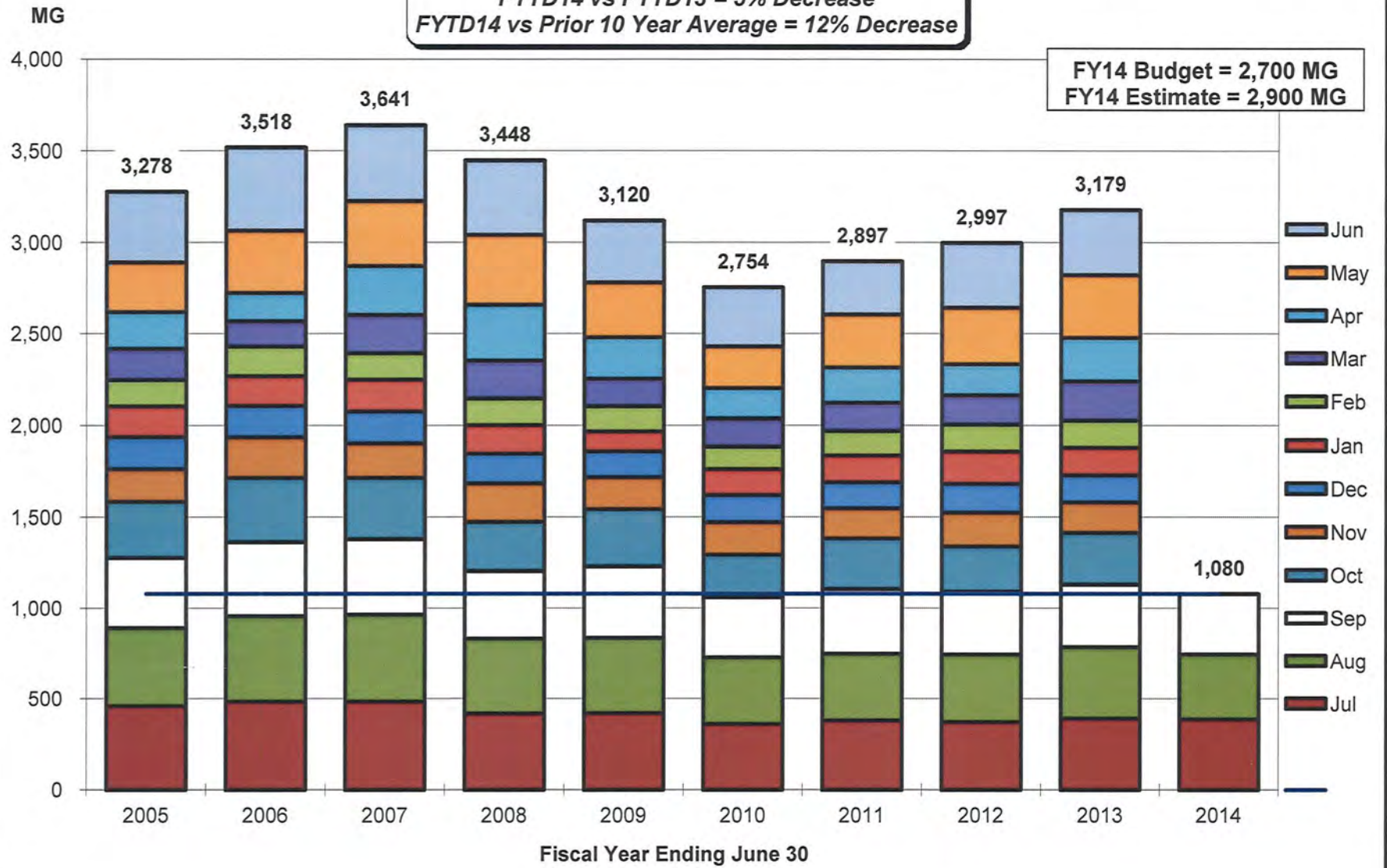
| | Industrial Injury with Lost Time | | | | Liability Claims Paid | |
|-------------------------|----------------------------------|---------------------------|----------------------|------------------|-----------------------|------------------|
| | Lost Days | OH Cost of Lost Days (\$) | No. of Emp. Involved | No. of Incidents | Incurred (FYTD) | Paid (FYTD) (\$) |
| FY through September 13 | 41 | 17,056 | 1 | 0 | 2 | 2,892 |
| FY through September 12 | 0 | 0 | 0 | 0 | 0 | 853 |

Days without a lost time accident through September 30, 2013= 112 days

Novato Potable Water Production

FYTD14 vs FYTD13 = 5% Decrease
FYTD14 vs Prior 10 Year Average = 12% Decrease

FY14 Budget = 2,700 MG
FY14 Estimate = 2,900 MG



NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Orders September 2013

10/11/2013

| Type | Sep-13 | Sep-12 | Action Taken September 2013 |
|--|-----------|-----------|-----------------------------|
| <u>Consumers' System Problems</u> | | | |
| Service Line Leaks | 15 | 31 | Notified Consumer |
| Meter Leak Consumer's Side | 0 | 0 | ~ |
| House Plumbing | 0 | 0 | ~ |
| Noisy Plumbing | 0 | 0 | ~ |
| Seepage or Other | 0 | 0 | ~ |
| House Valve / Meter Off | 4 | 9 | Turned Back On |
| Nothing Found | 8 | 8 | Notified Consumer |
| Low Pressure | 1 | 4 | PSI @ 70. Pressure is good. |
| High Pressure | 0 | 1 | ~ |
| Water Waster Complaints | 0 | 0 | ~ |
| Total | 28 | 53 | |
| <u>Service Repair Reports</u> | | | |
| Register Replacements | 0 | 0 | ~ |
| Meter Replacement | 1 | 1 | Replaced |
| Meter Box Alignment | 0 | 0 | ~ |
| Meter Noise | 0 | 0 | ~ |
| Dual Service Noise | 0 | 0 | ~ |
| Box and Lids | 2 | 4 | Replaced |
| Water Off/On Due To Repairs | 4 | 8 | Notified Consumer |
| Misc. Field Investigation | 3 | 3 | Notified Consumer |
| Total | 10 | 16 | |
| <u>Leak NMWD Facilities</u> | | | |
| Main-Leak | 0 | 0 | ~ |
| Mains-Nothing Found | 0 | 0 | ~ |
| Mains-Damage | 1 | 1 | Repaired |
| Service- Leak | 5 | 9 | Repaired |
| Services-Nothing Found | 3 | 4 | Notified Consumer |
| Service-Damaged | 0 | 0 | ~ |
| Fire Hydrant-Leak | 2 | 2 | Repaired |
| Fire Hydrants-Nothing Found | 0 | 0 | ~ |
| Fire Hydrants-Damaged | 0 | 0 | ~ |
| Meter Replacement | 2 | 0 | Replaced |
| Meters-Leak | 0 | 0 | ~ |
| Meters-Nothing Found | 0 | 0 | ~ |
| Meters Damaged | 0 | 0 | ~ |
| Washer Leaks | 11 | 15 | Replaced |
| Total | 24 | 31 | |
| <u>High Bill Complaints</u> | | | |
| Consumer Leaks | 2 | 8 | Notified Consumer |
| Meter Testing | 0 | 0 | ~ |
| Meter Misread | 8 | 0 | Notified Consumer |
| Nothing Found | 36 | 46 | Notified Consumer |
| Projected Consumption | 0 | 0 | ~ |
| Excessive Irrigation | 3 | 7 | Notified Consumer |
| Total | 49 | 61 | |

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Orders September 2013

10/11/2013

| Type | Sep-13 | Sep-12 | Action Taken September 2013 |
|--|-------------------|-------------------|---|
| <u>Low Bill Reports</u> | | | |
| Meter Misread | 0 | 0 | ~ |
| Stuck Meter | 0 | 0 | ~ |
| Nothing Found | 0 | 0 | ~ |
| Projected Consumption | 0 | 0 | ~ |
| Minimum Charge Only | 0 | 0 | ~ |
| Total | 0 | 0 | |
| <u>Water Quality Complaints</u> | | | |
| Algal Bloom/GAC | 0 | 0 | ~ |
| Taste and Odor | 1 | 5 | Customer reported strong bleach taste & odor. (Del Mar Ave) Due to increased chlorine level at STP. Customer was notified. |
| Color | 0 | 1 | ~ |
| Turbidity | 0 | 0 | ~ |
| Suspended Solids | 0 | 1 | ~ |
| Other | 0 | 2 | ~ |
| Total | 1 | 9 | |
| <u>TOTAL FOR MONTH:</u> | <u>112</u> | <u>170</u> | <u>-34%</u> |
| <u>Fiscal YTD Summary</u> | | | |
| Consumer's System Problems | 90 | 146 | -38% |
| Service Repair Report | 40 | 47 | -15% |
| Leak Complaints | 88 | 97 | -9% |
| High Bill Complaints | 138 | 197 | -30% |
| Low Bills | 0 | 1 | 0% |
| Water Quality Complaints | 43 | 18 | 139% |
| Total | <u>399</u> | <u>506</u> | <u>-21%</u> |

Change Primarily Due To
 Decrease In Nothing Found
 Decrease in Water Off/On Repairs
 Decrease In Service Leaks
 Decrease In Nothing Found
 ~
 Increase In Algal Bloom/GAC

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Orders September 2013

10/11/2013

| <u>Type</u> | <u>Sep-13</u> | <u>Sep-12</u> | <u>Action Taken September 2013</u> |
|---|---------------|---------------|------------------------------------|
| <u>"In House" Generated and Completed Work Orders</u> | | | |
| <u>Check Meter:</u> possible consumer/District leak, high bill, flooded, need read, etc. | 187 | 221 | |
| <u>Change Meter:</u> leaks, hard to read | 2 | 12 | |
| <u>Possible Stuck Meter</u> | 1 | 0 | |
| <u>Repair Meter:</u> registers, shut offs | 0 | 0 | |
| <u>Replace Boxes/Lids</u> | 0 | 1 | |
| <u>Hydrant Leaks</u> | 0 | 0 | |
| <u>Trims</u> | 0 | 22 | |
| <u>Dig Outs</u> | 16 | 37 | |
| <u>Letters to Consumer:</u> meter obstruction, trims, bees, gate access, etc. | 0 | 0 | |
| <u>Misc:</u> locate meter, get meter number, cross connection follow ups, kill service, etc. | 0 | 0 | |
| | <hr/> 206 | <hr/> 293 | |

Bill Adjustments Under Board Policy:

September 13 vs. September 12

| | | |
|--------|----|----------|
| Sep-13 | 29 | \$8,330 |
| Sep-12 | 37 | \$12,465 |

Fiscal Year to Date vs. Prior FYTD

| | | |
|------------|-----|----------|
| 13/14 FYTD | 101 | \$25,086 |
| 12/13 FYTD | 105 | \$29,351 |

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Customer Service Questionnaire Quarterly Report

Quarter Ending 03/31/13



NMWD

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9/30/2013

| Response | | | | Response | | | |
|-------------------------|-------|---------|----------|-------------------------|-------|---------|----------|
| | Agree | Neutral | Disagree | | Agree | Neutral | Disagree |
| Water Quality | | | | Pressure | | | |
| Courteous & Helpful | 2 | | | Courteous & Helpful | 3 | | |
| Accurate Information | 2 | | | Accurate Information | 3 | | |
| Prompt Service | 2 | | | Prompt Service | 3 | | |
| Satisfactorily Resolved | 2 | | | Satisfactorily Resolved | 3 | | |
| Overall Experience | 2 | | | Overall Experience | 3 | | |
| | 10 | 0 | 0 | | 15 | 0 | 0 |
| Leak | Agree | Neutral | Disagree | Noisy Pipes | Agree | Neutral | Disagree |
| Courteous & Helpful | 10 | | | Courteous & Helpful | | | |
| Accurate Information | 10 | | | Accurate Information | | | |
| Prompt Service | 11 | | | Prompt Service | | | |
| Satisfactorily Resolved | 11 | | | Satisfactorily Resolved | | | |
| Overall Experience | 12 | | | Overall Experience | | | |
| | 54 | 0 | 0 | | 0 | 0 | 0 |
| Billing | Agree | Neutral | Disagree | Other | Agree | Neutral | Disagree |
| Courteous & Helpful | 4 | 1 | | Courteous & Helpful | | | |
| Accurate Information | 4 | 1 | | Accurate Information | | | |
| Prompt Service | 5 | | | Prompt Service | | | |
| Satisfactorily Resolved | 4 | | 1 | Satisfactorily Resolved | | | |
| Overall Experience | 4 | 1 | | Overall Experience | | | |
| | 21 | 3 | 1 | | 0 | 0 | 0 |
| | | | | Grand Total | 100 | 3 | 1 |
| | | | | | 96% | 3% | 1% |
| | | | | Questionnaires Sent Out | 182 | 100% | |
| | | | | Questionnaires Returned | 22 | 12% | |

Customer Service Questionnaire Quarterly Report
Quarter Ending 09/30/13


t:\cons srvc\cons acct\cust. quest reports\2013\customer service question. rep sept13.xls\comments

| Customer Comments | Staff Response to Negative Comments | Issues NMWD Should Address In The Future |
|--|---|--|
| <p>Water Quality Very happy with the quick response.</p> <p>Leaks Very nice gentleman. He came 10 minutes after I called and solved the problem in 15 minutes. Rich was very helpful in explaining the service offered by the water district. Leak ended up belonging to next door neighbor.</p> <p>Billing I received a high bill, and my bill had previously been \$44. The rep said it was due to rate increase & higher water use.</p> <p>Received a high bill. Customer Rep sent someone to check. Field Service Rep advised customer to check toilets. Customer changed flapper & leak stopped. Happy customer.</p> <p>Other</p> <p>Pressure Quick & friendly service. Your staff is always very helpful & courteous.</p> | <p>The rep sent someone to check for leaks. No leaks.</p> | |

MEMORANDUM

To: Board of Directors

October 11, 2013

From: David L. Bentley, Auditor-Controller 

Subj: Auditor-Controller's Monthly Report of Investments for September 2013

t:\acl\word\invest\14\investment report 0913.doc

RECOMMENDED ACTION: Information

FINANCIAL IMPACT: None

At month end the District's Investment Portfolio had an amortized cost value (i.e., cash balance) of \$15,283,543 and a market value of \$15,291,620. During September the cash balance increased by \$358,447. No Recycled water grant and loan funds were received during the month. The market value of securities held decreased by \$1,491 during the month. The ratio of total cash to budgeted annual operating expense, excluding the \$6,301,670 unexpended balance of the Bank of Marin loan, stood at 68%, up 7% from the prior month. This compares to the District's target ratio of 90% of annual operating expense, or \$11.9 million. Receipt of an additional \$813,548 in recycled water grant and loan funds is anticipated.

At September 30, 2013, 72% of the District's Portfolio was invested in California's Local Agency Investment Fund (LAIF), 10% in Time Certificate of Deposits, and 13% in Corporate Medium Term Notes. The weighted average maturity for the portfolio was 147 days, compared to 145 days at the end of August. The LAIF interest rate for the month was 0.26%, compared to 0.27% the previous month. The weighted average Portfolio rate was 0.34%, compared to 0.33% the previous month. Including interest paid by Black Point Partners on the StoneTree Golf Club Recycled Water Facilities Loan, the District earned \$9,600 in interest revenue during September, with 48% earned by Novato Water, 48% earned by Recycled Water (by virtue of the Black Point Partners loan) and the balance distributed to the other improvement districts.

State Controller John Chiang's September report on California's financial position stated:

"Revenues for the month totaled \$8.5 billion, beating estimates in the state budget by \$426.8 million, or 5.3 percent. A healthy gain in September revenues more than offset any shortfalls seen in July and August. The State closed the first quarter of the fiscal year on a good note, with revenues and expenditures tracking remarkably close to estimates."

**NORTH MARIN WATER DISTRICT
AUDITOR-CONTROLLER'S MONTHLY REPORT OF INVESTMENTS
September 30, 2013**

| Type | Description | S&P Rating | Purchase Date | Maturity Date | Cost Basis ¹ | 9/30/2013 Market Value | Yield ² | % of Portfolio |
|------------------------------------|----------------------|------------|---------------|---------------|-------------------------|------------------------|--------------------|----------------|
| LAIF | State of CA Treasury | A | Various | Open | \$11,000,704 | \$11,003,709 | 0.26% ³ | 72% |
| Time Certificate of Deposit | | | | | | | | |
| TCD | Ally Bank | n/a | 9/28/12 | 10/1/14 | \$248,000 | \$248,000 | 0.85% | 2% |
| TCD | Goldman Sachs | n/a | 12/5/12 | 12/5/14 | 248,000 | 248,000 | 0.75% | 2% |
| TCD | Discover Bank | n/a | 5/1/13 | 5/1/15 | 248,000 | 248,000 | 0.50% | 2% |
| TCD | GE Capital Bank | n/a | 6/10/13 | 6/8/15 | 248,000 | 248,000 | 0.50% | 2% |
| TCD | American Express | n/a | 8/1/13 | 8/3/15 | 248,000 | 248,000 | 0.70% | 2% |
| TCD | Compass Bank | n/a | 9/4/13 | 9/4/15 | 248,000 | 248,000 | 0.65% | 2% |
| | | | | | \$1,488,000 | \$1,488,000 | 0.66% | 10% |
| Corporate Medium Term Note | | | | | | | | |
| MTN | General Electric | AA+ | 1/29/13 | 10/9/15 | \$1,003,000 | \$1,002,606 | 0.70% | 7% |
| MTN | Toyota Motor Credit | AA- | 5/14/13 | 7/17/15 | 1,006,682 | 1,007,579 | 0.50% | 7% |
| | | | | | \$2,009,682 | \$2,010,185 | 0.60% | 13% |
| Other | | | | | | | | |
| Agency | Marin Co Treasury | AA+ | Various | Open | \$424,294 | \$424,294 | 0.22% | 3% |
| Bond | Olema G.O. Bond | A+ | 5/31/91 | 1/1/15 | 7,661 | 12,230 | 5.00% | 0% |
| Other | Various | n/a | Various | Open | 353,203 | 353,203 | 0.00% | 2% |
| TOTAL IN PORTFOLIO | | | | | \$15,283,543 | \$15,291,620 | 0.34% | 100% |

Weighted Avg. Maturity = **147 Days**

LAIF: State of California Local Agency Investment Fund.

MTN: Medium Term Note - Maturity of 5 years or less.

TCD: Time Certificate of Deposit

Agency: West Marin General Obligation Bond Fund tax receipts & STP State Revolving Fund Loan Reserve.

Bond: Annual \$4,113 payment is paid by tax levy on Olema residents.

Other: Comprised of 4 accounts used for operating purposes. US Bank Operating Account, US Bank STP SRF Loan Account, Bank of Marin AEEP Checking Account & NMWD Petty Cash Fund.

1 Original cost less repayment of principal and amortization of premium or discount.

2 Yield defined to be annualized interest earnings to maturity as a percentage of invested funds.

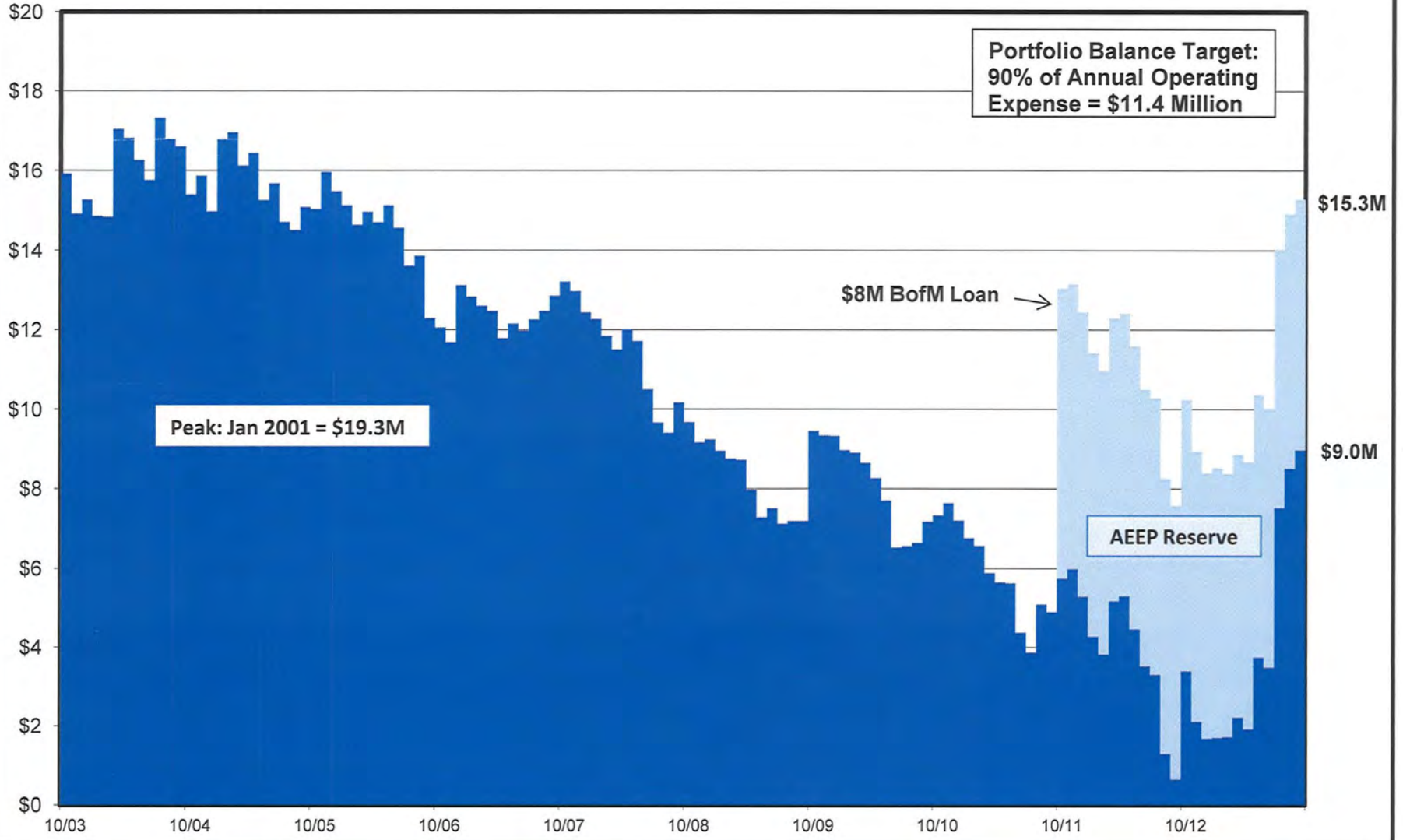
3 Earnings are calculated daily - this represents the average yield for the month ending September 30, 2013.

| Interest Bearing Loans | Loan Date | Maturity Date | Original Loan Amount | Principal Outstanding | Interest Rate |
|-------------------------------------|-----------|---------------|----------------------|-----------------------|---------------|
| Black Point Partners-BPGL | 6/30/06 | 2/28/24 | \$3,612,640 | \$2,301,559 | 2.40% |
| Employee Housing Loans (8) | Various | Various | 1,441,785 | 1,441,785 | Contingent |
| Employee Computer Loans (3) | Various | Various | 7,837 | 1,926 | 1.54% (avg) |
| TOTAL INTEREST BEARING LOANS | | | \$5,062,262 | \$3,745,270 | |

The District has the ability to meet the next six months of cash flow requirements.

NMWD Portfolio Balance 10-Year History

Million



Portfolio Balance Target:
90% of Annual Operating
Expense = \$11.4 Million

Peak: Jan 2001 = \$19.3M

\$8M BofM Loan →

AEEP Reserve

\$15.3M

\$9.0M

6

MEMORANDUM

To: Board of Directors

October 11, 2013

From: Ryan Grisso, Water Conservation Coordinator *RB*

Subject: Approve Text for *Water Line*, Volume 14, Issue 30
\\Nmwdsrv1\water conservation\Memos to Board\Fall 2013 WaterLine Text 1013.doc

RECOMMENDED ACTION: Approve Fall 2013 Novato "*Water Line*" Text and Layout

FINANCIAL IMPACT: \$6,500 (Included in FY 2013/2014 Budget)

Draft text and design for the Fall 2013 "*Water Line*", Volume 14, Issue 30 is attached for your review. Should any Board member have individual comments, please provide them to the General Manager at the Board meeting on October 15, 2013. It is expected that the Fall 2013 Novato "*Water Line*" will be mailed in early November 2013.

RECOMMENDATION

Board authorize General Manager to approve final text and design of Fall 2013 Novato "*Water Line*", Volume 14, Issue 30.

Approved by GM *CG*

Date *10/11/2013*



**NORTH MARIN
WATER DISTRICT**

THE WATER LINE

NOVATO'S WATER CONSERVATION NEWSLETTER • VOLUME 14 ISSUE 30 FALL 2013

Water Supply Update

This summer NMWD customers were supplied with potable water from the Russian River and Stafford Lake, and with recycled water from the completed expansion project. Currently 45 irrigation sites use recycled water which frees up potable supply for other uses and helps make Novato's water supply more reliable, especially in dry years. NMWD appreciated the understanding of our customers as the recycled water expansion project construction was underway. Another phase of the recycled water expansion is planned to begin in 2018.

At Stafford Lake water supply is 5 feet (265 million gallons) below average due to the dry spring and limited rainfall last winter. On the Russian River, Lake Mendocino is at a very low level going into the winter rainy season. Less water was held in Lake Mendocino at the end of September compared to this year only in years 1961, 1976, 1977 and 2002. Lake Sonoma on the Russian River is over 75% of capacity and holds ample water for our needs, yet the ability to deliver this water competes with fishery protection needs in Dry Creek and the Russian River. We don't know what next years' rainy season will bring, and customers are urged to



Expanded Recycled Water is Here!

NMWD is working with the Novato Sanitary District (NSD) and Las Gallinas Valley Sanitary District (LGVSD) to expand the use of recycled water in Novato. This past year you have likely observed recycled water pipeline construction work in both North and South Novato. The Novato North Area pipeline construction is complete and to date, 13 sites are now receiving recycled water from NSD, including Fireman's Fund and Valley Memorial Park Cemetery. Recycled water pipeline construction in the South Novato (Hamilton) is complete and NMWD is serving recycled water from LGVSD to six sites.

For more information on the Recycled Water Expansion Project, please visit www.nmwd.com.

Fall is Here! Shorter days and cooler temperatures are here. Remember to turn off or adjust watering times for your irrigation system. As plants slow their growth with the decreasing daylight, they also slow down their water use. When you change your clocks back, consider turning your sprinklers off.

participate in the Water Smart Savings programs outlined in the WaterLine.

The first construction phase of the Aqueduct Energy Efficiency Project and relocation of the North Marin Aqueduct just west of US101 from San Antonio Road to Novato is nearly complete. Customers (and motorists) have observed new large diameter pipelines (with white exterior

coating) being installed since spring. This project, triggered by the CalTrans Marin-Sonoma Narrows US101 Highway widening project, will enable NMWD to receive Russian River water without the energy or pumping costs associated with the Kastania Pump Station operation. The next phase of the project, from San Antonio Road to Kastania Road is scheduled to begin next spring.

Smart move.

Call today to schedule your **Free Water Smart Home Survey:** 707-547-1909



999 Rush Creek Place
PO Box 146
Novato, CA 94948
(415) 897-4133

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WATER DISTRICT**

www.nmwd.com

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Water Smart Savings Program

More water saving programs at www.nmwd.com



North Marin Water District wants to help customers use water efficiently. That's why we've put all of our water saving promotions under one umbrella. The *Water Smart Savings Program* encompasses all you need to get started on saving water and saving money. Call (415) 897-4133 ext. 8711 for program details or visit www.nmwd.com. This year's programs are enhanced with additional funding from a Prop 84 Grant. Act now while funds last!

Cash for Grass



As part of the Water Smart Savings Program, you can get cash back when you remove your regularly mowed and irrigated lawn and re-landscape with District approved low-water use plants or District approved synthetic turf. Pre-inspection and re-landscaping plan approval required. Call for rebate values and complete program participation details or visit www.nmwd.com.



High-Efficiency Clothes Washer Rebate Program

High Efficiency clothes washers can save up to 50% of the water used and 65% of the energy used compared to conventional top-loading clothes washers. NMWD currently offers a rebate to customers when they purchase qualifying high-efficiency clothes washer. Call for rebate value and participation details, or visit www.nmwd.com.



High-Efficiency Toilet Rebate

Don't flush money away. Now you can get a rebate when you replace your non-water-conserving toilets with a High-Efficiency Toilet (HET). HETs use 20% less water than standard ultra-low flush toilets, so not only will you save water, but you'll save money, too. HETs eligible for rebate must be EPA WaterSense approved models. Call for rebate values and participation details or visit www.nmwd.com.

Water Smart Home Survey

NMWD offers free *Water Smart Home Surveys* as the cornerstone of the *Water Smart Savings Program*. This **free** service includes indoor and outdoor water efficiency checks, a landscape irrigation system efficiency test and a leak detection test.

Our friendly, knowledgeable survey technicians can show how you can easily conserve more water and save money, Best of all, your appointment can be scheduled at a time that is convenient for you. **How to Participate:** Call (707) 547-1909 to set up your free appointment.

It's a dry year, together we can make a difference



20
GALLON
CHALLENGE

Take the 20-Gallon Challenge and help **SAVE OUR WATER** during the **HOT** summer months. Reduce water use by 20 gallons per person per DAY.


Simple changes make a big difference. Visit our website for a full menu of water saving tips.

www.20gallons.org



7

MEMORANDUM

To: Board of Directors October 11, 2013
 From: Chris DeGabriele, General Manager 
 Subject: Notice of Public Hearing to Consider Proposed Ordinance Authorizing Revision to Policy #13 – Board of Directors Compensation and Procedure
t:\gm\bod misc 2013\board compensation memo 101513.doc

RECOMMENDED ACTION: 1) Select Option for Policy #13 Revision,
 2) Approve Notice of Public Hearing

FINANCIAL IMPACT: None at this time

At the June 25th, July 16th and September 3rd Board meetings, the Board reviewed District Policy #13 – Board of Directors Compensation and Procedure, and suggested that comments on the policy be directed to the General Manager and brought back at a future meeting. I have received comments from Director Baker, reflected in the draft revised policy shown in Attachment 1, and comments from Director Rodoni for a phased increase over 4 years, as similarly shown in Attachment 2. A comparison of the two options are shown in the table below.

Comparison Table for NMWD Board of Director Meeting Compensation

| <u>Year</u> | <u>Option 1¹</u> | <u>Option 2²</u> |
|-------------|-----------------------------|-----------------------------|
| 2014 | \$200 | \$130 |
| 2015 | \$210 | \$162 |
| 2016 | \$221 | \$195 |
| 2017 | \$232 | \$232 |
| 2018 | \$242 | \$242 |

The proposed increase in Director compensation as shown in the attachments would be consistent with the California Water Code Section 20200 et.seq. which limits the increase over current compensation (\$100 per day) to 5% per year for each calendar following the operative date of the last adjustment.

Director compensation was last increased in 1982 to the current \$100 per meeting. The Water Code enables this amount to increase by 5% per year from that date. The Auditor-Controller has performed a calculation showing that escalating \$100 in 1982 to 2013, using a

¹ Start at \$200/meeting and increase annually by the CPI, not to exceed 5% annually. Values shown assume 5% annual increase.
² Start at \$125/meeting plus \$5 (5% of existing \$100/meeting) and increase by 5% plus \$25 annually effective January 1 of 2015, 2016 and 2017, and increase annually thereafter by the CPI, not to exceed 5% annually. Value shown in 2018 assumes 4.3% CPI increase.

5% annual increase, equals \$432 (Attachment 3). Using the CPI annual increase yields an escalation equal to \$242 (Attachment 4). Legal counsel has reviewed both concepts and found them acceptable.

The Board is requested to 1) select one of the options above for revision of Policy #13 regarding an increase in compensation for attendance at meetings of the Board or each day of service; and 2) set a public hearing for November 5, 2013 (Attachment 5) to consider an ordinance enacting the revised policy. The public hearing notice must be published in a newspaper of local circulation for two successive weeks which could be the Novato Advance on October 23 and October 30, 2013. Upon completion of the public hearing and adoption of an ordinance, said ordinance would become effective 60 days from the date of its adoption (January 6, 2014) if no valid voter protest is received.

RECOMMENDATION:

- 1) Decide on the option for the revision to Policy #13.
- 2) Set November 5, 2013 as the date for the public hearing to consider an ordinance revising Policy 13 – Board of Directors Compensation and Procedure.

NORTH MARIN WATER DISTRICT

POLICY: BOARD OF DIRECTORS COMPENSATION AND PROCEDURE

POLICY NUMBER: 13

Original Date: 2004

Revision Adopted: August 1, 2006

Each director shall receive compensation in a standard amount not to exceed ~~one two~~ hundred dollars ~~hundred dollars~~ (\$~~100~~200) per day for each day's attendance at meetings of the Board or for each day's service rendered as a director by prior approval of the Board. Said standard amount shall be escalated annually on January 1st based upon the change in the San Francisco Bay Area Consumers Price Index for the prior 12 month period but no greater than 5% per year pursuant to the California Water Code Section 20200. Such service shall include: attendance at special Board meetings or subcommittee meetings; attendance at workshops/seminars relevant to District activities; attendance at meetings with other public entities where District interests are subject to consideration. Furthermore, such compensation ~~service compensation~~ shall not exceed a total of six days in any calendar month and any Director shall have the option to decline compensation for attending any special meetings or other activities relevant to the District's interest.

When a Director is authorized by prior approval of the Board to attend a meeting out of the immediate area (beyond Marin or Sonoma Counties ~~a 100 mile radius from the NMWD service territory~~), the Director may request reimbursement of actual and necessary expenses for travel, meals, lodging and meeting registration, as applicable, along with ~~in lieu of~~ the standard \$~~100~~200 ~~amount~~ per each days service ~~compensation~~ noted above.

Actual and necessary expenses shall remain within IRS Publication 463 guidelines, except that lodging for conferences or an organized educational activity shall not exceed the maximum group rate published by the conference or activity sponsor. Expenses shall be documented with receipts and attached to the submitted reimbursement voucher.

Procedure:

Compensation for meetings of the Board, including special meetings, will be presented on the first ~~disbursement list of the first meeting~~ of the month following the month of attendance, as is currently the practice.

Compensation for attendance at committee meetings or other meetings attended on behalf of the Board will only be authorized after that Board member has submitted a voucher with justification to the Auditor-Controller.

Voucher Format:

I attended the [describe meeting and purpose of attendance] on [date] and wish to be compensated as provided under the Board compensation policy.

Revised: 2004, 08/06, 04/13

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ATTACHMENT 1

/signature/ */date/*

Vouchers must be submitted no later than six~~eight~~ calendar days prior to the ~~Board~~ meeting month end for inclusion in the disbursement package and may be submitted electronically (email/facsimile).

NORTH MARIN WATER DISTRICT

POLICY: BOARD OF DIRECTORS COMPENSATION AND PROCEDURE

POLICY NUMBER: 13

Original Date: 2004

Revision Adopted: August 1, 2006

Each director shall receive compensation in a standard amount not to exceed one hundred twenty five dollars (~~\$400~~125) per day for each day's attendance at meetings of the Board or for each day's service rendered as a director by prior approval of the Board. Said standard amount shall be increased by \$25 effective on January 1, 2015, January 1, 2016, and January 1, 2017 and said standard amount shall be escalated annually on January 1st based upon the change in the San Francisco Bay Area Consumers Price Index for the prior 12 month period but no greater than 5% per year pursuant to the California Water Code Section 20200. Such service shall include: attendance at special Board meetings or subcommittee meetings; attendance at workshops/seminars relevant to District activities; attendance at meetings with other public entities where District interests are subject to consideration. Furthermore, such ~~compensation~~service compensation shall not exceed a total of six days in any calendar month and any Director shall have the option to decline compensation for attending any special meetings or other activities relevant to the District's interest.

When a Director is authorized by prior approval of the Board to attend a meeting out of the immediate area (beyond Marin or Sonoma Counties~~a 100 mile radius from the NMWD service territory~~), the Director may request reimbursement of actual and necessary expenses for travel, meals, lodging and meeting registration, as applicable, along with ~~in lieu of the standard \$100 amount per each days service compensation~~ noted above.

Actual and necessary expenses shall remain within IRS Publication 463 guidelines, except that lodging for conferences or an organized educational activity shall not exceed the maximum group rate published by the conference or activity sponsor. Expenses shall be documented with receipts and attached to the submitted reimbursement voucher.

Procedure:

Compensation for meetings of the Board, including special meetings, will be presented on the first disbursement list ~~of the first meeting~~ of the month following the month of attendance, as is currently the practice.

Compensation for attendance at committee meetings or other meetings attended on behalf of the Board will only be authorized after that Board member has submitted a voucher with justification to the Auditor-Controller.

Voucher Format:

I attended the [describe meeting and purpose of attendance] on [date] and wish to be compensated as provided under the Board compensation policy.

/signature/ /date/

Vouchers must be submitted no later than ~~six~~eight calendar days prior to the Board meeting month end for inclusion in the disbursement package and may be submitted electronically (email/facsimile).

Directors Compensation

\\nmwdsrv1\administration\acl\excel\sched1\directors compensation calc.xls]5%

Compensation is \$100 per meeting up to 6 meetings per month

6/18/2013

Potential compensation per Water Code Section 20202 calculated below

| | <u>Fee per Meeting</u> | |
|----------|------------------------|---------------------------------------|
| previous | \$75.00 | |
| 9/1/1982 | \$100.00 | (maximum \$2,400 per year) |
| 1/1/1984 | \$105.00 | |
| 1/1/1985 | \$110.25 | |
| 1/1/1986 | \$115.76 | |
| 1/1/1987 | \$121.55 | |
| 1/1/1988 | \$127.63 | |
| 1/1/1989 | \$134.01 | |
| 1/1/1990 | \$140.71 | |
| 1/1/1991 | \$147.75 | |
| 1/1/1992 | \$155.13 | |
| 1/1/1993 | \$162.89 | |
| 1/1/1994 | \$171.03 | |
| 1/1/1995 | \$179.59 | |
| 1/1/1996 | \$188.56 | |
| 1/1/1997 | \$197.99 | |
| 1/1/1998 | \$207.89 | |
| 1/1/1999 | \$218.29 | |
| 1/1/2000 | \$229.20 | (7/1/00 maximum annual limit removed) |
| 1/1/2001 | \$240.66 | |
| 1/1/2002 | \$252.70 | |
| 1/1/2003 | \$265.33 | |
| 1/1/2004 | \$278.60 | |
| 1/1/2005 | \$292.53 | |
| 1/1/2006 | \$307.15 | |
| 1/1/2007 | \$322.51 | |
| 1/1/2008 | \$338.64 | |
| 1/1/2009 | \$355.57 | |
| 1/1/2010 | \$373.35 | |
| 1/1/2011 | \$392.01 | |
| 1/1/2012 | \$411.61 | |
| 1/1/2013 | \$432.19 | |
| 1/1/2014 | \$453.80 | |

calculation: 5% annual increases compounded

Directors Compensation

\\nmwdsrv1\administration\acl\excel\sched\directors compensation calc.xls\cpi

Compensation is \$100 per meeting up to 6 meetings per month

6/18/2013

Potential compensation based on change in San Francisco Bay Area All Urban Consumer's Price Index

| | <u>Fee per Meeting</u> | | SF Bay Area CPI-U | |
|----------|------------------------|---------------------------------------|--------------------------|------------|
| previous | \$75.00 | | | |
| 9/1/1982 | \$100.00 | (maximum \$2,400 per year) | 99.0 | 8/31/1982 |
| 1/1/1984 | \$101.01 | | 100.0 | 12/31/1983 |
| 1/1/1985 | \$107.07 | | 106.0 | 12/31/1984 |
| 1/1/1986 | \$110.51 | | 109.4 | 12/31/1985 |
| 1/1/1987 | \$112.93 | | 111.8 | 12/31/1986 |
| 1/1/1988 | \$118.59 | | 117.4 | 12/31/1987 |
| 1/1/1989 | \$123.84 | | 122.6 | 12/31/1988 |
| 1/1/1990 | \$128.69 | | 127.4 | 12/31/1989 |
| 1/1/1991 | \$136.46 | | 135.1 | 12/31/1990 |
| 1/1/1992 | \$141.21 | | 139.8 | 12/31/1991 |
| 1/1/1993 | \$145.76 | | 144.3 | 12/31/1992 |
| 1/1/1994 | \$148.48 | | 147.0 | 12/31/1993 |
| 1/1/1995 | \$150.91 | | 149.4 | 12/31/1994 |
| 1/1/1996 | \$153.64 | | 152.1 | 12/31/1995 |
| 1/1/1997 | \$157.58 | | 156.0 | 12/31/1996 |
| 1/1/1998 | \$164.24 | | 162.6 | 12/31/1997 |
| 1/1/1999 | \$169.09 | | 167.4 | 12/31/1998 |
| 1/1/2000 | \$176.26 | (7/1/00 maximum annual limit removed) | 174.5 | 12/31/1999 |
| 1/1/2001 | \$185.96 | | 184.1 | 12/31/2000 |
| 1/1/2002 | \$192.53 | | 190.6 | 12/31/2001 |
| 1/1/2003 | \$195.15 | | 193.2 | 12/31/2002 |
| 1/1/2004 | \$197.27 | | 195.3 | 12/31/2003 |
| 1/1/2005 | \$201.52 | | 199.5 | 12/31/2004 |
| 1/1/2006 | \$205.45 | | 203.4 | 12/31/2005 |
| 1/1/2007 | \$212.53 | | 210.4 | 12/31/2006 |
| 1/1/2008 | \$220.69 | | 218.5 | 12/31/2007 |
| 1/1/2009 | \$220.74 | | 218.5 | 12/31/2008 |
| 1/1/2010 | \$226.50 | | 224.2 | 12/31/2009 |
| 1/1/2011 | \$229.96 | | 227.7 | 12/31/2010 |
| 1/1/2012 | \$236.69 | | 234.3 | 12/31/2011 |
| 1/1/2013 | \$241.95 | | 239.5 | 12/31/2012 |
| 1/1/2014 | | | | 12/31/2013 |

calculation: Increased by Change in CPI


NORTH MARIN WATER DISTRICT BOARD OF DIRECTORS NOTICE OF PUBLIC HEARING
CONSIDER A PROPOSED ORDINANCE ADOPTING REVISIONS TO DISTRICT POLICY #13
BOARD OF DIRECTORS COMPENSATION AND PROCEDURE

NOTICE IS HEREBY GIVEN that the Board of Directors of the North Marin Water District will hold a public hearing at the regularly scheduled meeting at **7:30pm on the 5th day of November, 2013** in the District's Board Room, **999 Rush Creek Place, Novato, California**, to consider a proposed ordinance authorizing revisions to North Marin District Policy #13 – Board of Directors Compensation and Procedure which would increase the compensation for Directors. Director compensation was last increased in 1982 to the current \$100 per day for each day's service rendered. Current Water Code statute (Sections 20200 et seq.) enables this amount to increase by 5% per year from that date. A calculation shows that escalating \$100 in 1982 to 2013 using a 5% annual increase equals \$432. Escalation using the change in the SF Bay Area Consumer Price Index over the same period equals \$242. The proposed revised policy will set the per diem Board member compensation at \$242 and within the Water Code provisions.

You are invited to submit comments regarding any aspect of this matter in writing or verbally at the public hearing. For further details contact District Secretary, Katie Young, North Marin Water District, 999 Rush Creek Place, PO Box 146, Novato, CA 94948, phone (415) 897-4133.

8

MEMORANDUM

To: Board of Directors
From: Chris DeGabriele, General Manager 
Subject: Board of Directors Planning Workshop
t:\gm\bod misc 2013\planning workshop date memo.doc

October 11, 2013

RECOMMENDED ACTION: Board Schedule a date and time for a Planning workshop

FINANCIAL IMPACT: \$1,000

About every two years, the Board holds a planning workshop. In the past the Board has indicated that a special meeting is more appropriate to concentrate on workshop activities. The last planning workshop was held on January 10, 2012, from 6 to 8 p.m.

Options for the Board to consider are:

1. An evening meeting on Tuesday, January 14th
2. An evening meeting on Tuesday, January 28th

RECOMMENDATION

Board select day and time to hold the Board Planning Workshop.

9

MEMORANDUM

To: Board of Directors
 From: David L. Bentley, Auditor-Controller
 Subj: Rental Agreement - 15 Gustafson Court Residence
t:\aciword\housing\bod re 15 gustafson rental.docx

October 11, 2013

RECOMMENDED ACTION: Approve

FINANCIAL IMPACT: \$2,150/Mo Rent Income

The District was deeded ownership of the residence at 15 Gustafson Court when the October 3 auction on the District's second deed of trust held on the property failed to produce bidders. The home has been rekeyed, and power and water restored. Upon inspection the interior of the home was found to be in good condition. Some yard maintenance will be performed, along with minor interior cleanup, and the home will be ready to rent.

We propose to offer the home first to District employees as a means to secure enhanced after hours emergency response, and if there are no takers, open it to the public. The policy followed with the Point Reyes Station home is as follows:

SELECTION PROCESS - Any regular District employee may apply to reside in the District's residence. Probationary and temporary employees are not eligible. The District will notify employees of a vacancy or anticipated vacancy. The notice shall include a due date for submitting interest statements, and any other considerations deemed applicable. Interested employees must submit an interest statement to the Auditor-Controller on or before the due date. The General Manager will select the employee who best meets the needs of the District. The District reserves the right to give priority to full-time, supervisory and field personnel.

A review of Novato homes currently for rent indicates that the market value of the rental is \$2,150 per month (see detail below). At this rental amount we anticipate an annual return on investment of approximately 3%¹. The market value of the home is approximately \$510,000. The first and second deed of trust total about \$550,000. Once the market value allows the District to sell the home and recover its investment, the staff proposes that the home be sold, either outright or as part of the NMWD Employer Assisted Housing Program.

A rental agreement modeled in part from the District's Security Apartment and Point Reyes Home rental agreements is included as Attachment B. The rental agreement does not

¹ Return on Investment

| | |
|----------------------------|-----------|
| Annual Rent (\$2,150 X 12) | \$25,800 |
| Property Tax (Actual) | (\$6,409) |
| Insurance (0.071%) | (\$200) |
| Maintenance (5% of rent) | (\$1,290) |
| Vacancy (5% of rent) | (\$1,290) |
| Annual Net | \$16,611 |
| Investment (approx) | \$550,000 |
| ROI | 3.0% |

contemplate or include after-hours responsibilities in exchange for a discounted rent.

Staff Recommendation

Board authorize the General Manager to solicit employee interest in renting the 15 Gustafson Ct residence, select an employee and enter into a month-to-month rental agreement.

Rental Comparisons - Novato Homes for Rent

10/7/13

15 Gustafson Court

t:\ac\excel\personnel\housing\[15 gustafson rental comparisons.xlsx]100713

Source: Zillow.com Homes for Rent



| | \$1,595/mo | \$2,095/mo | \$2,150/Mo | \$2,200/mo | \$2,595/mo |
|----------------|----------------------|-------------------|------------------------|----------------------|-------------------------|
| Zestimate | \$3.3K | \$2.2K | | \$2.6K | \$2.5K |
| Days on Zillow | 45 | 45 | | 4 | 60 |
| Address | <u>601 Mcclay Rd</u> | <u>1 Aries Ln</u> | <u>15 Gustafson Ct</u> | <u>669 Olive Ave</u> | <u>926 Bel Marin Ky</u> |
| Beds/Baths | 1/1.0 | 2/1.5 | 3/2.0 | 3/2.0 | 3/1.5 |
| Sq Ft | 3,249 | 1,076 | 1,173 | 1,326 | 1,342 |
| Lot Sq Ft | 1.10 ac lot | 4,700 | 8,736 | 10,500 | 1,550 |
| Construction | 1963 | 1973 | 1954 | 1949 | 1965 |
| Staff Comment | 1 Bed/1 Bath | Condo | Proposed | Comparable | Townhouse |

| | \$2,695/mo | \$2,795/mo | \$3,000/mo | \$3,295/mo | \$3,350/mo |
|----------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| Zestimate | \$2.6K | \$2.7K | \$2.8K | \$3.2K | \$3.1K |
| Days on Zillow | 30 | 26 | 3 | 45 | 28 |
| Address | <u>1060 Susan Way</u> | <u>215 Corte Del Cerro</u> | <u>168 Montego Ky</u> | <u>34 Alhambra Ct</u> | <u>14 Magellan Ct</u> |
| Beds/Baths | 3/2.5 | 3/2.0 | 3/2.0 | 3/3.0 | 3/2.5 |
| Sq Ft | 1,704 | 1,761 | 1,264 | 1,568 | 1,615 |
| Lot Sq Ft | 1,364 | 8,480 | 10,240 | 5,314 | 4,791 |
| Construction | 1980 | 1960 | 1964 | 1998 | 1999 |
| Staff Comment | Townhouse | 50% larger | On Water | Newer/Larger | Newer/Larger |

**North Marin Water District
Employee Rental Agreement
For District Residence Located at 15 Gustafson Court, Novato**

I RESIDENCE

1. Residence. The District hereby rents to the Tenant and the Tenant takes from the District on the terms and conditions herein set forth the single-family residence ("the Residence") located at 15 Gustafson Court in Novato.
2. Term. The rental term shall commence on _____ and continue on a month-to-month basis thereafter until either party terminates this Rental Agreement as of the last day of a calendar month by giving the other party 30 days written notice prior to the effective date of termination. If the Tenant gives less than 30 days' notice, the District will still be entitled to payment of rent for the entire 30 days from the time of the notice. The Tenant will have the right to stay through the 30 days if he or she wishes.
3. Rent. The monthly rent shall be \$2,150 per month, The monthly rent shall be payable by payroll deduction, one-half (\$1,075) deducted each semi-monthly payday. If the date of commencement of this agreement is not the first day of the month, the rent from the date of commencement to the last day of the month shall be prorated. The rent shall be adjusted annually, based upon the change in the San Francisco-Oakland-San Jose All Urban Consumers Price Index. The District shall provide notification in writing at least 30 days in advance of any rent increase.

II TENANT EMPLOYEE RESPONSIBILITIES

4. A security deposit equal to one month's rent (\$2,150) will secure the performance of Tenant Employee Responsibilities. The District shall, within three weeks after the Tenant vacates the property, mail the Tenant a refund of his or her deposit or, if the deposit is not completely refunded, a written itemization as to how it was applied to back rent, cost of cleaning, or repairs (except for "ordinary wear and tear"). Tenant will not have the right to apply the security deposit in payment of the last month's rent. Interest will not be paid to Tenant on the security deposit.
5. Throughout the term of this agreement the Tenant shall, at his/her expense, maintain in effect a standard tenant's liability insurance policy in an amount not less than One Hundred Thousand Dollars (\$100,000) with an endorsement thereto naming the District as additional insured. Prior to occupying the residence, the Tenant employee shall provide the District a certificate of said insurance and endorsement. It is understood that District's property insurance does not cover Tenant's personal property.
6. The acceptance of all other conditions of the rental agreement.

OTHER RESPONSIBILITIES

1. Primary residence. The Tenant employee must use the premises as his or her primary residence on a continuous basis.
2. Job performance. The Tenant employee will be expected to maintain an overall minimum performance evaluation rating of "meets requirements"
3. Helpful and courteous. The Tenant employee must be helpful, courteous, and

accessible to District customers and employees, officials, and agents of the District.

4. Maintain residence. The Tenant employee shall maintain the premises in a clean and orderly manner at all times. Specifically, Tenants are required to:
 - a. Keep the premises clean and sanitary.
 - b. Properly operate gas, electrical, and plumbing fixtures. Examples of abuse include overloading an electrical outlet, flushing large foreign objects down the toilet, and allowing bathroom fixtures to become filthy.
 - c. Refrain from damaging or defacing the premises or allowing anyone else to do so.
 - d. Use living and dining rooms, bedrooms and kitchens for their proper respective purposes. For example, the living and dining rooms should not be regularly used as makeshift bedrooms.
 - e. Reimburse the District or repair all damage caused by family, friends, and invited guests.
 - f. Tenant will efficiently irrigate and maintain existing landscaping, including lawns and shrubbery located on the property, in good condition.
 - g. Tenant employee shall, at his or her expense, perform routine and minor household maintenance and repairs. Examples include: replacing batteries in smoke alarms and replacing bulbs in built-in light fixtures, clearing clogged plumbing fixture drains, and replacing toilet flapper valves and heater filters when needed. Significant repairs, maintenance, or alterations to the residence require advance approval of the Auditor-Controller.
 - h. Tenant shall not use the fireplace as a wood-burning fireplace as it is equipped to be operated solely with gas and electricity.
5. Working telephone. The Tenant employee shall have a working telephone and provide the District with the number. The District shall reimburse the Tenant for all long distance calls required for District business.

III ADDITIONAL TERMS AND CONDITIONS

- A. EMPLOYMENT. Should the Tenant's employment at the District be terminated for any reason, the Tenant will vacate the premises within 30 days of the date of employment termination.
- B. UTILITIES. Tenant will be responsible for the payment of all utilities and services.
- C. USE. The premises will be used exclusively as a residence for no more than four persons. Guests staying more than a total of 10 days in a calendar year without written consent of District will constitute a violation of this Agreement.
- D. ANIMALS. The District may refuse to rent to employees with pets, or restrict the type of pets it accepts. Pets are not allowed without the District's written consent.
- E. SUB-TENANTS AND SUBLETS. A sub-tenant is a person who rents all or part of the property from the Tenant and does not sign the rental agreement

with the District. Sublets or sub-tenants will not be allowed without the District's written consent.

- F. **INSPECTING THE PROPERTY.** Before employee moves into the residence, an authorized District representative, along with the prospective Tenant, will inspect the property for damage and obvious wear and tear. The parties will complete and sign a property inspection form.
- G. **ENTRY.** District and District's agents will have the right to enter the premises under the following circumstances:
 - 1. To deal with an emergency;
 - 2. When the Tenant gives permission;
 - 3. To make needed repairs or assess the need for them; and,
 - 4. To show the property to prospective new Tenants or purchasers.

Except in cases of emergency, abandonment, or invitation by the Tenant, the District shall enter the residence only after having given the Tenant at least 24 hours' notice before entering the premises.


- H. **INDEMNIFICATION.** District will not be liable for any damage or injury to Tenant, or any other person, or to any property, occurring on the premises, or in common areas, unless such damage is the legal result of the negligence or willful misconduct of the District, its agents, or employees (excluding the employee Tenant). Tenant agrees to hold District harmless from any claims for damages, no matter how caused, except for injury or damages caused by negligence or willful misconduct of District, its agents or employees (excluding the employee Tenant).
- I. **DEFAULT.** If Tenant fails to perform any provision of this Agreement, after not less than seven (7) calendar days following written notice of such default, the District, at its option, may terminate all rights of Tenant, unless Tenant, within said time, cures such default. If Tenant abandons or vacates the property, District may consider any property left on the premises to be abandoned and may dispose of same.
- J. **WAIVER.** Failure of District to enforce any provision of this Agreement will not be deemed a waiver. The acceptance of rent by District will not waive its right to enforce any provision of this Agreement.
- K. **ENTIRE AGREEMENT.** The foregoing constitutes the entire agreement between the parties and may be modified only in writing signed by the parties.

XXXX Date

Chris DeGabriele Date
General Manager

10

MEMORANDUM

To: Board of Directors October 11, 2013
From: Dianne Landeros, Accounting Supervisor 
Subject: Review – Outside Auditor’s 2013 Report, Single-Audit Report, and Management Report
t:\finance\audit\audit13\bod review outside auditor's 2013 report.doc

RECOMMENDED ACTION: Review FY13 Audit Report and Management Report

FINANCIAL IMPACT: None with this Review. Annual Audit Cost is \$21,050.

Paul Kaymark of Charles Z. Fedak & Company, CPAs will be at the meeting to present the Outside Auditor’s Annual Audit and Management Reports to the Board. As in previous years, the reports are presented as a draft so that the text can be revised as appropriate should the Board desire.

The key statement in the Independent Auditor’s Report is that: “In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the North Marin Water District as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.” This “unqualified opinion” is the best, or highest, opinion that an outside auditor can render on an entity’s financial statements.

The Management Report (Attachment 1) states that the auditor did not identify any deficiencies in the District’s internal control that might result in material misstatement of the District’s financial position. The auditor did not have any comments or recommendations regarding internal controls. This is the fifth year running that the auditor made no internal control recommendation.

Eight accounting adjustments were made by staff this year after submitting the ledger to the outside auditor and are disclosed on the last page of the Management Report. These adjustments include minor corrections that cumulatively reduced FY13 total net income by \$18,143. The most significant adjustment pertained to expensing the Bank of Marin loan origination fee rather than capitalizing it with the Aqueduct Energy Efficiency project (\$85,000). There were no auditor recommended adjustments this year, which is the fifth year in a row, reflecting the continued proficiency of the District accounting staff.

Staff has reviewed the Charles Z. Fedak & Company financial report and finds it acceptable.

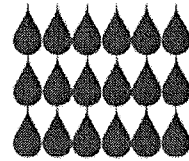
RECOMMENDATION

After reviewing the report with Paul Kaymark at the meeting, provide any comments or recommended revisions to the General Manager by Friday, October 18, 2013. The final report will then be presented for acceptance at the November 5, 2013 Board meeting.

North Marin Water District

Management Report

June 30, 2013



Charles Z. Fedak & Company

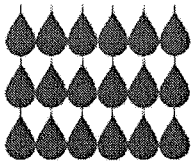
Certified Public Accountants
An Accountancy Corporation

North Marin Water District

Management Report

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| Schedule of Audit Adjusting Journal Entries | |



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

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WEB www.czfcpa.com

Board of Directors
North Marin Water District
Novato, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of North Marin Water District (District) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and may not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the audit committee, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Our other observations, comments and recommendations, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Observations, Comments and Recommendations

None Noted

Summary of Prior Year Observations, Comments and Recommendations

None Noted

* * * * *

This communication is intended solely for the information and use of management, the audit committee, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

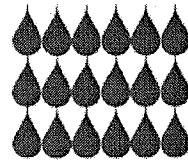
Charles Z. Fedak & Company, CPA's – An Accountancy Corporation
Cypress, California
September 30, 2013

APPENDIX

North Marin Water District

Audit/Finance Committee Letter

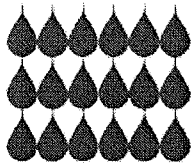
June 30, 2013



Charles Z. Fedak & Company

Certified Public Accountants

An Accountancy Corporation



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

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Board of Directors
North Marin Water District
Novato, California

We have audited the basic financial statements of the North Marin Water District (District) for the year ended June 30, 2013 and have issued our report thereon dated September 30, 2013. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated May 8, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to the board and management in our Communication to Those Charged with Governance During the Audit Planning Stage Letter dated June 30, 2013.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the District during fiscal year 2013 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements is (are):

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits payable is based on an actuarial evaluation of this liability that was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate the annual required contribution for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 10 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefits payable in Note 13 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There was one reclassification audit adjustment proposed by the auditor to the original trial balance presented to us to begin our audit and the District proposed seven audit adjusting entries. The audit adjustments are noted in the schedule of audit adjusting entries attached to the end of this report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated September 30, 2013.

Conclusion

We appreciate the cooperation extended us by David Bentley, Auditor-Controller, and Dianne Landeros, Accounting/Human Resources Supervisor, and the rest of the District staff in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Charles Z. Fedak & Company, CPA’s – An Accountancy Corporation
Cypress, California
September 30, 2013

North Marin Water District
June 30, 2013
Schedule of Audit Adjusting Journal Entries

| Entry # | Status | Account | Description | Debit | Credit |
|---------|--------|----------|-------------------------------------|----------|----------|
| AJE 1 | Posted | 49200.01 | Interest Earned - General Funds | 26.90 | |
| | | 49205.01 | Interest Earned - Facilities Reserv | 89.16 | |
| | | 49209.01 | Interest Earned - Wohler Pipeline | 48.87 | |
| | | 49210.01 | Interest Earned - Collector #6 | 229.40 | |
| | | 49226.01 | Interest Earned - AEEP Fund | 517.30 | |
| | | 49211.01 | Interest Earned-Future Retiree Med | 464.46 | |
| | | 49200.02 | Interest Earned - General Funds | 121.68 | |
| | | 49205.02 | Interest Earned - Facilities Reserv | 27.18 | |
| | | 49226.02 | Interest Earned-Bank of Marin Proje | 68.60 | |
| | | 49200.08 | Interest Earned - General Funds | 132.09 | |
| | | 49213.08 | Interest Earned - Workers' Compensa | 1.00 | |
| | | 13750.01 | Accrued Interest Receivable - Gener | | 1,726.64 |
| | | 12650.01 | Restricted Cash - Maintenance Accru | 350.55 | |
| | | 13509.01 | Unrestricted Cash | | 350.55 |
| | | 13509.01 | Unrestricted Cash | 133.09 | |
| | | 13500.08 | Unrestricted Cash | | 133.09 |
| | | 13509.01 | Unrestricted Cash | 217.46 | |
| | | 12640.02 | Bank of Marin Loan Project Fund | | 217.46 |
| | | 12640.01 | Bank of Marin Loan Project Fund | 350.55 | |
| | | 12650.01 | Restricted Cash - Maintenance Accru | | 350.55 |
| | | 49205.01 | Interest Earned - Facilities Reserv | 6.49 | |
| | | 49209.01 | Interest Earned - Wohler Pipeline | 3.55 | |
| | | 49210.01 | Interest Earned - Collector #6 | 16.68 | |
| | | 49226.01 | Interest Earned - AEEP Fund | 37.63 | |
| | | 49211.01 | Interest Earned-Future Retiree Med | 33.79 | |
| | | 49200.02 | Interest Earned - General Funds | 0.33 | |
| | | 49205.02 | Interest Earned - Facilities Reserv | 1.98 | |
| | | 49226.02 | Interest Earned-Bank of Marin Proje | 4.99 | |
| | | 49200.08 | Interest Earned - General Funds | 1.84 | |
| | | 13750.01 | Accrued Interest Receivable - Gener | | 107.28 |
| | | 12640.01 | Bank of Marin Loan Project Fund | 9.14 | |
| | | 13509.01 | Unrestricted Cash | | 9.14 |
| | | 13509.01 | Unrestricted Cash | 1.84 | |
| | | 13500.08 | Unrestricted Cash | | 1.84 |
| | | 13509.01 | Unrestricted Cash | 7.30 | |
| | | 12640.02 | Bank of Marin Loan Project Fund | | 7.30 |
| | | 12640.01 | Bank of Marin Loan Project Fund | 1,448.25 | |
| | | 13509.01 | Unrestricted Cash | | 1,448.25 |
| | | 25504.01 | Reserve For Capital Improvements - | 96.00 | |
| | | 59416.01 | Transfer To Reserve - Facility Rese | | 96.00 |
| | | 13509.01 | Unrestricted Cash | 96.00 | |
| | | 12622.01 | Restricted Cash - FRC Fund | | 96.00 |
| | | 13509.01 | Unrestricted Cash | 299.00 | |
| | | 12624.01 | Wohler Pipeline Financing Fund | | 53.00 |
| | | 12625.01 | Collector #6 Financing Fund | | 246.00 |
| | | 25711.01 | Bank of Marin Loan Project Reserve | 555.00 | |
| | | 59440.01 | Transfer to Bank of Marin Loan Proj | | 555.00 |
| | | 13509.01 | Unrestricted Cash | 555.00 | |
| | | 12640.01 | Bank of Marin Loan Project Fund | | 555.00 |
| | | 25702.01 | Reserve For Retiree Health Benefits | 498.25 | |
| | | 59420.01 | Trfr To Future Retiree Medical Ins. | | 498.25 |
| | | 13509.01 | Unrestricted Cash | 498.25 | |
| | | 12653.01 | Restricted Cash - Retiree Health Be | | 498.25 |
| | | 25711.02 | Bank of Marin Loan Project Reserve | 74.00 | |
| | | 59440.02 | Transfer to Bank of Marin Loan Proj | | 74.00 |

AJE - Adjust Interest Receivable

North Marin Water District
June 30, 2013
Schedule of Audit Adjusting Journal Entries

| Entry # | Status | Account | Description | Debit | Credit |
|---------|--------|--|-------------------------------------|------------|------------|
| AJE 2 | Posted | 13740.05 | Accounts Receivable - Accrued | 231,562.50 | |
| | | 13720.05 | Accounts Receivable: Miscellaneous | | 231,562.50 |
| | | 49600.01 | Miscellaneous Income | 280,000.00 | |
| | | 49999.01 | Other Item | | 280,000.00 |
| | | 13509.01 | Unrestricted Cash | 1,774.00 | |
| | | 13539.01 | Olema FHA Bond | 4,529.00 | |
| | | 15418.01 | Market Value Of Investments | | 6,303.00 |
| | | AJE - Reclass for Financial Reporting | | | |
| AJE 3 | Posted | 41162.01 | Gain On Overhead Operations | 18.47 | |
| | | 15249.01 | Operations OH Accts Contra Acct | | 18.47 |
| | | AJE - Client Adjustments | | | |
| AJE 4 | Posted | 59442.01 | Bank of Marin Loan Fee Amort - Nova | 77,500.12 | |
| | | 59442.02 | Bank of Marin Loan Fee - WM | 11,376.16 | |
| | | 11202.01 | Work In Progress - District | | 77,500.12 |
| | | 11202.02 | Work In Progress - District | | 11,376.16 |
| | | 13509.01 | Unrestricted Cash | 11,376.16 | |
| | | 12640.02 | Bank of Marin Loan Project Fund | | 11,376.16 |
| | | 11202.02 | Work In Progress - District | 11,376.16 | |
| | | 11202.01 | Work In Progress - District | | 11,376.16 |
| | | AJE - Expense Loan Fees per GASB 65 | | | |
| AJE 5 | Posted | 12640.02 | Bank of Marin Loan Project Fund | 29.16 | |
| | | 12622.02 | Restricted Cash - FRC Fund | | 29.16 |
| | | 25504.02 | Reserve For Capital Improvements - | 29.16 | |
| | | 59416.02 | Transfer To Reserve - Facility Rese | | 29.16 |
| | | AJE - Adjust Reserves | | | |
| AJE 6 | Posted | 13509.01 | Unrestricted Cash | | 11,376.16 |
| | | 12640.01 | Bank of Marin Loan Project Fund | 11,376.16 | |
| | | AJE - Adjust amount borrowed | | | |
| AJE 7 | Posted | 13741.05 | Accrued Water Revenue | 73,948.32 | |
| | | 41100.05 | Water Sales | | 73,948.32 |
| | | AJE - Adjust RW Water Accrual at June 30th | | | |
| AJE 8 | Posted | 51305.05 | Purchased Water - NSD | 10,428.52 | |
| | | 22200.05 | Accounts Payable - Accrued | | 10,428.52 |
| | | AJE - Accrue Additional NSD Costs at YE | | | |
| TOTALS | | | | 732,347.49 | 732,347.49 |



NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2013 and 2012





**NORTH MARIN
WATER DISTRICT**

Board of Directors as of June 30, 2013

| Name | Title | Elected/ Appointed | Current Term |
|---------------------------|-----------------------|-------------------------------|-------------------------|
| Rick Fraites | President | Elected | 12/09 - 12/13 |
| Dennis J. Rodoni | Vice-President | Elected | 12/11 - 12/15 |
| Jack Baker | Director | Elected | 12/11 - 12/15 |
| Stephen Petterle | Director | Elected | 12/11 - 12/15 |
| John C. Schoonover | Director | Elected | 12/09 - 12/13 |

**Chris DeGabriele, General Manager
North Marin Water District
999 Rush Creek Place
Novato, California 94945
(415) 897-4133 – www.nmwd.com**

North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2013 and 2012

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

Prepared by:
Finance Department
David Bentley, Auditor-Controller
Dianne Landeros, Accounting/Human Resources Supervisor

**North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2013 and 2012**

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Introductory Section



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September 30, 2013

Board of Directors
North Marin Water District

It is our pleasure to submit the Annual Financial Report for the North Marin Water District for the fiscal year ended June 30, 2013 and 2012, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that the Governmental Accounting Standards Board believes necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

The North Marin Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The North Marin Water District has been providing water service to its customers since 1948. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The North Marin Water District employs 57 (50.5 full-time equivalent) employees, some of whom are part-time or temporary. There are currently 23 office positions and 34 field positions. The District's Board of Directors meets on the first and third Tuesday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

District Services

The District provides water service to the greater Novato area and to areas of West Marin (Point Reyes Station, Olema, Bear Valley, Inverness Park and Paradise Ranch Estates). The District provides sewer service to the Oceana Marin subdivision adjacent to Dillon Beach.

The District provides water service to approximately 61,000 residents in the greater Novato area through 20,492 potable water service connections and 17 recycled water connections. The District also provides water service to approximately 1,800 residents in the Point Reyes service area of West Marin County through 776 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 227 service connections.

Residential customers comprise approximately 93% of the District's customer base and consume approximately 80% of the water produced annually by the District. The District purchases approximately 80% of its water supply from the Sonoma County Water Agency (Agency) with the balance derived from the District's Stafford Lake Reservoir and some recycled water. The District purchased approximately 2.4 billion gallons of water both in fiscal year 2012 and 2013 from the Agency.

Economic Condition, Outlook and Major Initiatives

The North Marin Water District (North Marin) carries out its Mission with a highly-motivated and competent staff empowered to conduct the District's business by placing customer needs and welfare first. Each day, District employees strive to carry out their work mindful of these basic principles: Good Water, Good Service, Good Value, and A Safe Place to Work.

The Russian River water delivery system from Sonoma County Water Agency (Agency) typically provides 80% of Novato's water supply, but continues to have limited capacity in summer months. Novato Rainfall in FY 2013 totaled 19.38", approximately 7" less than the historical average annual rainfall. Yet ample water was available in Lakes Mendocino and Sonoma for fish, agriculture and urban use on the Russian River system and no restrictions on the Russian River deliveries were necessary. North Marin's Stafford Lake water treatment plant produced 755 million gallons of water to augment Russian River supplies with local water supply during the fiscal year. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island combined to provide 22 million gallons of delivered highly-treated recycled wastewater to irrigate turf within the District's service territory.

The Agency has deferred its plan to construct previously contemplated necessary Russian River water production and delivery facilities (pumps and pipelines) to fulfill the new Restructured Agreement contract requirements for increased Russian River water. The Agency is now focused on compliance with the Biological Opinion for water supply in the Russian River watershed issued by the National Marine Fisheries Service, laying out the requirements to preserve, protect and restore the fisheries and maintain the existing Russian River water supplies. Additionally, state legislation passed in November 2009 (SB7X-7) requires a 20% reduction in per capita water use by 2020. North Marin must achieve more water conservation and development of recycled water to further stretch its local source of supply in future years.

In response to reduced water sales and the increased cost of purchased water, the final 11% water rate increase, in a series of three authorized rate increases by the Board of Directors, was implemented on June 1, 2013.

In West Marin, normal year water supply conditions on Lagunitas Creek prevailed and customers experienced no water restrictions. Work on the treatment plant solids handling facility continued and replacement of Well #3 was completed.

At \$589 per year, the cost of water service for a typical Novato single family home using 107,100 gallons of water a year is the sixth-lowest of urban area water purveyors. Water remains a good value for Novato customers.

District Water Supply

Stafford Lake – Local Source Provides 20% of the District's Supply

Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (acre-feet) (1,450 MG) of water. Water from Stafford Lake is fed into the 6 million gallons per day (mgd) treatment plant located just below the dam. In fiscal year 2012 and 2013, 1,788 AF (586 MG) and 2,318 AF (755 MG), respectively, of water was produced by the Stafford Lake Water Treatment Plant.

Russian River – Provides 80% of the District's Annual Supply

Russian River water originates from both the Eel River and the Russian River watersheds northeast of the City of Ukiah (Lake Mendocino) and west of Healdsburg (Lake Sonoma). The Coyote Dam and Lake Mendocino impound the Eel River diversions and winter runoff from the local watershed. Warm Springs Dam and Lake Sonoma impound winter runoff from the Dry Creek and Warm Springs local watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet the regions' water supply needs, which totaled 54,244 acre feet in fiscal year 2013. Releases from the lakes flow to a point about 10 miles upstream of Guerneville where six deep Ranney Collector wells collect river water that has been filtered through 60 to 90 feet of natural sand and gravel to perforated pipes located at the bottom of each well. The thick layer of sand and gravel through which the water must pass before reaching the intake pipes provides a highly-efficient, natural filtration process which, with chlorination treatment, produces a clear, potable, bacteria-free water. This water is then fed directly into the Agency's aqueduct system.

In fiscal year 2012 and 2013, the District received 7,448 AF (2,436 MG) and 7,441 AF (2,436 MG), respectively, of Russian River water. The District has an agreement in place with the Agency to provide sufficient supply to meet the District's current and future water supply needs. There continues to be competing interests for Russian River water, principally to protect steelhead and salmon listed as threatened species under the Endangered Species Act. The Biological Opinion for water supply in the Russian River watershed has been issued by the National Marine Fisheries Service laying out the requirements to preserve, protect and restore the fisheries and maintain the existing Russian River water supplies. The District continues to actively support the necessary development of the Russian River water supply and protection of the Russian River fisheries.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standard. The objective of the Investment Policy is safety, maturity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, corporate medium-term notes and time certificates of deposit.

Water Rates and District Revenues

Revenue from user charges generated from District customers supports District operations. Accordingly, water and sewer rates are reviewed annually. Water and sewer rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are comprised of a commodity (water use) charge and a fixed bimonthly service charge; whereas, sewer rates are comprised exclusively of a fixed charge.

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Charles Z. Fedak & Company, CPAs has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Awards and Acknowledgements

For the fourth consecutive year, the District was awarded the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting* for its 2012 Consolidated Annual Financial Report (CAFR). To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

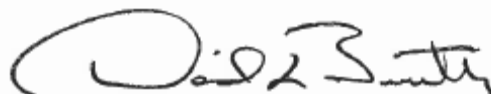
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2013.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the North Marin Water District's fiscal policies.

Respectfully submitted,

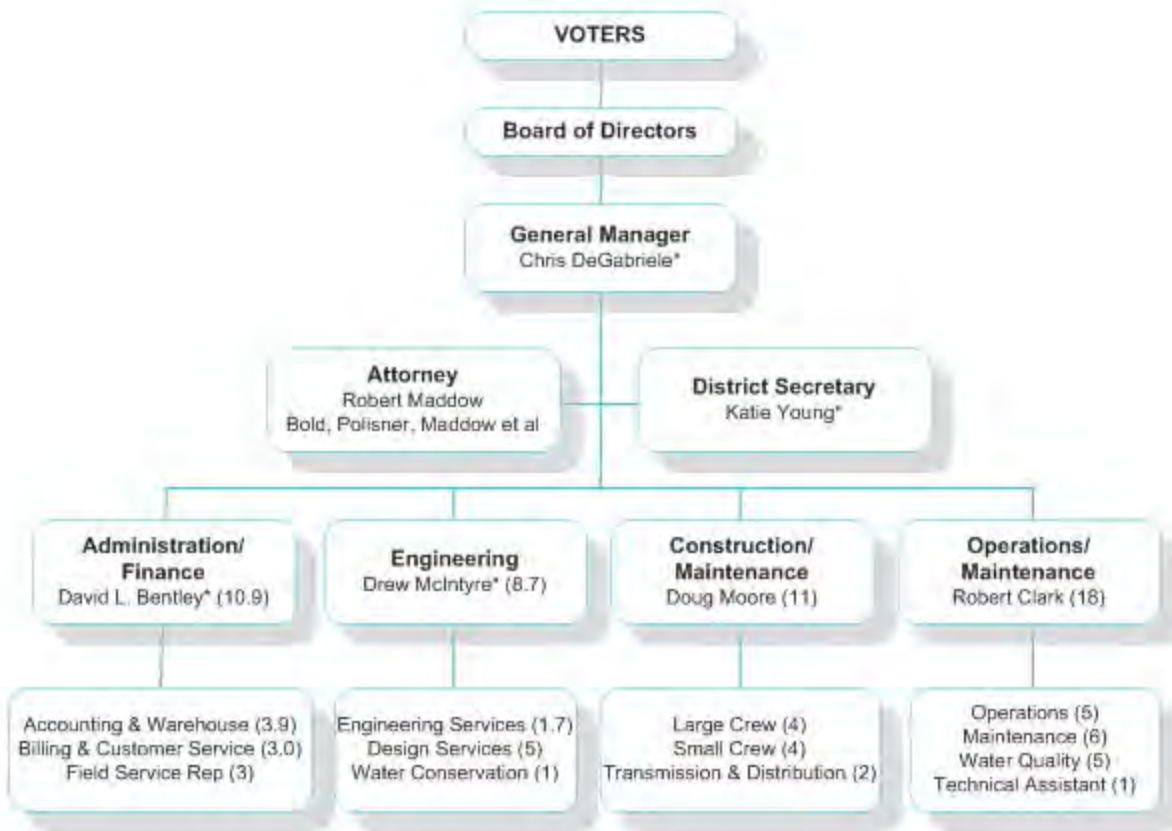


Chris DeGabriele
General Manager



David L. Bentley
Auditor-Controller

**North Marin Water District
Organizational Chart
June 30, 2013**



* Also Serves as District Officer





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**North Marin Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Financial Section



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

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Independent Auditor's Report

Board of Directors
North Marin Water District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Marin Water District (District), which comprises the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Marin Water District as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10 through 14 and the required supplementary information on page 45 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 7, the supplementary information of combining schedules on pages 46 through 49, and the statistical section on pages 50 through 65 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 66 and 67.

Charles Z. Fedak & Company, CPA's – An Accountancy Corporation

Cypress, California

September 30, 2013

North Marin Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North Marin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2013, the District's net position increased 6.6% or \$5,035,888 to \$81,097,278. In fiscal year 2012, the District's net position increased 3.8% or \$2,767,934 to \$76,061,390.
- In 2013, the District's operating revenues increased 18.3% or \$2,820,905 to \$18,256,638 due primarily to implemented rate increases and an 8% increase in water consumption from the prior year. In 2012, the District's operating revenues increased 11.9% or \$1,638,721 to \$15,435,733 due primarily to an implemented rate increase.
- In 2013, the District's operating expenses before depreciation increased 3.2% or \$426,769 due primarily to a \$192,805 increase in purchased water expense and a \$239,760 in water treatment expense. In 2012, the District's operating expenses before depreciation increased 6.2% or \$732,250 due primarily to a \$1,294,156 increase in purchased water expense.

Required Financial Statements

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

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

North Marin Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 through 44.

Statement of Net Position

| | Condensed Statements of Net Position | | | | |
|---|--------------------------------------|--------------------|------------------|-------------------|-------------------|
| | 2013 | 2012 | Change | 2011 | Change |
| Assets: | | | | | |
| Current assets | \$ 16,390,195 | 18,315,974 | (1,925,779) | 6,311,477 | 12,004,497 |
| Non-current assets | 8,549,393 | 6,640,385 | 1,909,008 | 5,893,511 | 746,874 |
| Capital assets, net | <u>96,202,212</u> | <u>89,703,025</u> | <u>6,499,187</u> | <u>83,053,832</u> | <u>6,649,193</u> |
| Total assets | <u>121,141,800</u> | <u>114,659,384</u> | <u>6,482,416</u> | <u>95,258,820</u> | <u>19,400,564</u> |
| Liabilities: | | | | | |
| Current liabilities | 3,771,012 | 4,746,798 | (975,786) | 2,355,902 | 2,390,896 |
| Non-current liabilities | <u>36,273,510</u> | <u>33,851,196</u> | <u>2,422,314</u> | <u>19,699,462</u> | <u>14,151,734</u> |
| Total liabilities | <u>40,044,522</u> | <u>38,597,994</u> | <u>1,446,528</u> | <u>22,055,364</u> | <u>16,542,630</u> |
| Net position: | | | | | |
| Net investment in capital assets | 65,839,724 | 61,882,478 | 3,957,246 | 63,542,479 | (1,660,001) |
| Restricted for capital proj. and debt | 2,186,452 | 2,993,055 | (806,603) | 3,171,305 | (178,250) |
| Unrestricted | <u>13,071,102</u> | <u>11,185,857</u> | <u>1,885,245</u> | <u>6,579,672</u> | <u>4,606,185</u> |
| Total net position | <u>81,097,278</u> | <u>76,061,390</u> | <u>5,035,888</u> | <u>73,293,456</u> | <u>2,767,934</u> |
| Total liabilities and net position | <u>\$ 121,141,800</u> | <u>114,659,384</u> | <u>6,482,416</u> | <u>95,348,820</u> | <u>19,310,564</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$81,097,278 and \$76,061,390 as of June 30, 2013 and 2012, respectively.

By far the largest portion of the District's net position (81% and 81% as of June 30, 2013 and 2012, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2013 and 2012, the District showed a positive balance in its unrestricted net position of \$13,071,102 and \$11,185,857, respectively. See note 15 for the amount of spendable net position that may be utilized in future years.

North Marin Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012

Statement of Revenues, Expenses and Changes in Net Position

| Condensed Statements of Revenues, Expenses and Changes in Net Position | | | | | |
|---|----------------------|-------------------|------------------|-------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>Change</u> | <u>2011</u> | <u>Change</u> |
| Revenue: | | | | | |
| Operating revenue | \$ 18,256,638 | 15,435,733 | 2,820,905 | 13,797,012 | 1,638,721 |
| Non-operating revenue | 348,443 | 528,368 | (179,925) | 322,266 | 206,102 |
| Total revenue | <u>18,605,081</u> | <u>15,964,101</u> | <u>2,640,980</u> | <u>14,119,278</u> | <u>1,844,823</u> |
| Expense: | | | | | |
| Operating expense | 13,140,845 | 12,610,862 | 529,983 | 11,878,612 | 732,250 |
| Depreciation and amortization | 2,793,360 | 2,726,598 | 66,762 | 2,660,418 | 66,180 |
| Non-operating expense | 633,933 | 1,059,686 | (425,753) | 736,829 | 322,857 |
| Total expense | <u>16,568,138</u> | <u>16,397,146</u> | <u>170,992</u> | <u>15,275,859</u> | <u>1,121,287</u> |
| Net loss before capital contrib. | 2,036,943 | (433,045) | 2,469,988 | (1,156,581) | 723,536 |
| Capital contributions | 2,998,945 | 3,200,979 | (202,034) | 1,785,475 | 1,415,504 |
| Change in net position | 5,035,888 | 2,767,934 | 2,267,954 | 628,894 | 2,139,040 |
| Net position, beginning of year | 76,061,390 | 73,293,456 | 2,767,934 | 72,664,562 | 628,894 |
| Net position, end of year | <u>\$ 81,097,278</u> | <u>76,061,390</u> | <u>5,035,888</u> | <u>73,293,456</u> | <u>2,767,934</u> |

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$5,035,888 and \$2,767,934 in the fiscal years ended June 30, 2013 and 2012, respectively.

A closer examination of the sources of changes in net position reveals that:

In 2013, the District's operating revenues increased 18.3% or \$2,820,905 to \$18,256,638 due primarily to implemented rate increases and an 8% increase in water consumption from the prior year. In 2012, the District's operating revenues increased 11.9% or \$1,638,721 to \$15,435,733 due primarily to an implemented rate increase.

In 2013, the District's operating expenses before depreciation increased 3.2% or \$426,769 due primarily to a \$192,805 increase in purchased water expense and a \$239,760 in water treatment expense. In 2012, the District's operating expenses before depreciation increased 6.2% or \$732,250 due primarily to a \$1,294,156 increase in purchased water expense.

North Marin Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012

Total District Revenues

| | <u>2013</u> | <u>2012</u> | <u>Change</u> | <u>2011</u> | <u>Change</u> |
|---|----------------------|-------------------|------------------|-------------------|------------------|
| Operating revenues: | | | | | |
| Water consumption sales | \$ 13,987,034 | 12,156,765 | 1,830,269 | 11,334,728 | 822,037 |
| Monthly meter service charge | 3,630,425 | 2,860,630 | 769,795 | 2,109,255 | 751,375 |
| Sewer service charges | 157,992 | 157,311 | 681 | 149,820 | 7,491 |
| Water conservation | 1,260 | 16,095 | (14,835) | 4,095 | 12,000 |
| Other charges and services | 479,927 | 244,932 | 234,995 | 199,114 | 45,818 |
| Total operating revenues | <u>18,256,638</u> | <u>15,435,733</u> | <u>2,820,905</u> | <u>13,797,012</u> | <u>1,638,721</u> |
| Non-operating revenues: | | | | | |
| Property tax revenue | 88,088 | 101,559 | (13,471) | 96,768 | 4,791 |
| Investment earnings | 80,713 | 122,598 | (41,885) | 118,410 | 4,188 |
| Rental revenue | 71,850 | 69,206 | 2,644 | 68,062 | 1,144 |
| Gain from dental liability reserve offset | - | 174,119 | (174,119) | - | 174,119 |
| Other non-operating revenues | 107,792 | 60,886 | 46,906 | 39,026 | 21,860 |
| Total non-operating revenues | <u>348,443</u> | <u>528,368</u> | <u>(179,925)</u> | <u>322,266</u> | <u>206,102</u> |
| Total revenues | <u>\$ 18,605,081</u> | <u>15,964,101</u> | <u>2,640,980</u> | <u>14,119,278</u> | <u>1,844,823</u> |

In 2013 and 2012, total District revenues increased \$2,640,980 and \$1,844,823, respectively.

Total District Expenses

| | <u>2013</u> | <u>2012</u> | <u>Change</u> | <u>2011</u> | <u>Change</u> |
|--|----------------------|-------------------|------------------|-------------------|------------------|
| Operating expenses: | | | | | |
| Source of supply | \$ 5,342,988 | 5,150,183 | 192,805 | 3,856,027 | 1,294,156 |
| Pumping | 351,816 | 304,075 | 47,741 | 299,462 | 4,613 |
| Water facilities operations | 716,780 | 708,570 | 8,210 | 648,743 | 59,827 |
| Water treatment | 1,986,926 | 1,747,166 | 239,760 | 2,012,125 | (264,959) |
| Transmission and distribution | 2,340,330 | 2,373,132 | (32,802) | 2,400,638 | (27,506) |
| Sewage collection and treatment | 127,903 | 112,801 | 15,102 | 103,054 | 9,747 |
| Customer service | 552,202 | 580,534 | (28,332) | 564,940 | 15,594 |
| General and administrative | 1,449,793 | 1,358,682 | 91,111 | 1,444,475 | (85,793) |
| Improvement projects | - | 3,383 | (3,383) | 160,980 | (157,597) |
| Water conservation | 272,107 | 272,336 | (229) | 388,168 | (115,832) |
| Depreciation and amortization | 2,793,360 | 2,726,598 | 66,762 | 2,660,418 | 66,180 |
| Total operating expenses | <u>15,934,205</u> | <u>15,337,460</u> | <u>596,745</u> | <u>14,539,030</u> | <u>798,430</u> |
| Non-operating expenses: | | | | | |
| Interest expense – long-term debt | 778,763 | 657,337 | 121,426 | 490,601 | 166,736 |
| Amortization of deferred charges | 88,876 | 3,065 | 85,811 | - | 3,065 |
| Allowance for impairment of emp. loans | (280,000) | 390,000 | (670,000) | - | 390,000 |
| Wohler/Collecot No. 6 project | - | - | - | 224,890 | (224,890) |
| Other non-operating expenses | 46,294 | 9,284 | 37,010 | 21,338 | (12,054) |
| Total non-operating expenses | <u>633,933</u> | <u>1,059,686</u> | <u>(425,753)</u> | <u>736,829</u> | <u>322,857</u> |
| Total expenses | <u>\$ 16,568,138</u> | <u>16,397,146</u> | <u>170,992</u> | <u>15,275,859</u> | <u>1,121,287</u> |

In 2013 and 2012, total District expenses increased by \$170,992 and \$1,121,287, respectively

North Marin Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2013 and 2012

Capital Asset Administration

Changes in capital asset amounts for 2013 were as follows:

| | <u>Balance 2012</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2013</u> |
|---------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 12,683,873 | 9,123,016 | (8,140,193) | 13,666,696 |
| Depreciable assets | 116,165,565 | 8,309,724 | (292,146) | 124,183,143 |
| Accumulated depreciation | <u>(39,146,413)</u> | <u>(2,793,360)</u> | <u>292,146</u> | <u>(41,647,627)</u> |
| Total capital assets, net | <u>\$ 89,703,025</u> | <u>14,639,380</u> | <u>(8,140,193)</u> | <u>96,202,212</u> |

Changes in capital asset amounts for 2012 were as follows:

| | <u>Balance 2011</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2012</u> |
|---------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 6,120,568 | 9,180,508 | (2,617,203) | 12,683,873 |
| Depreciable assets | 113,448,662 | 2,812,486 | (95,583) | 116,165,565 |
| Accumulated depreciation | <u>(36,515,398)</u> | <u>(2,726,598)</u> | <u>95,583</u> | <u>(39,146,413)</u> |
| Total capital assets, net | <u>\$ 83,053,832</u> | <u>9,266,396</u> | <u>(2,617,203)</u> | <u>89,703,025</u> |

At the end of fiscal year 2013 and 2012, the District's investment in capital assets amounted to \$96,202,212 and \$89,703,025, respectively, (net of accumulated depreciation). This investment in capital assets includes: land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-progress, etc. (See Note 10 for further information)

Debt Administration

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

| | <u>Balance 2012</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2013</u> |
|----------------------|-------------------------|------------------|-------------------------------|-------------------------|
| Long-term debt: | | | | |
| Bonds payable | \$ 209,203 | - | (27,551) | 181,652 |
| Loans payable | <u>31,463,504</u> | <u>3,977,122</u> | <u>(1,198,912)</u> | <u>34,241,714</u> |
| Total long-term debt | <u>\$ 31,672,707</u> | <u>3,977,122</u> | <u>(1,226,463)</u> | <u>34,423,366</u> |

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

| | <u>Balance 2011</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2012</u> |
|----------------------|-------------------------|-------------------|-------------------------------|-------------------------|
| Long-term debt: | | | | |
| Bonds payable | \$ 250,587 | - | (41,384) | 209,203 |
| Loans payable | <u>19,260,766</u> | <u>13,277,764</u> | <u>(1,075,026)</u> | <u>31,463,504</u> |
| Total long-term debt | <u>\$ 19,511,353</u> | <u>13,277,764</u> | <u>(1,116,410)</u> | <u>31,672,707</u> |

(See Note 14 for further information)

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Auditor-Controller at 999 Rush Creek Place, Novato, California 94945 – (415) 897-4133.

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Basic Financial Statements

**North Marin Water District
Statements of Net Position
June 30, 2013 and 2012**

| Assets | 2013 | 2012 |
|---|-----------------------|--------------------|
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 3,326,264 | 3,440,996 |
| Restricted – cash and cash equivalents (note 2) | 3,693,349 | 6,068,240 |
| Accrued interest receivable | 10,772 | 12,441 |
| Accounts receivable – water and sewer sales and services | 3,433,180 | 3,079,366 |
| Accounts receivable – governmental agencies | 845,079 | 564,454 |
| Accounts receivable – other | 86,261 | 28,748 |
| Capital grants and loan proceeds receivable | 4,060,378 | 4,194,515 |
| Note receivable – property tax from state (note 3) | - | 7,839 |
| Note receivable – Black Point Golf Links – current portion (note 4) | 196,513 | 191,861 |
| Notes receivable – employee computer loans (note 5) | 2,138 | 6,143 |
| Provision for pension related debt – current portion (note 6) | 79,928 | 67,953 |
| Materials and supplies inventory | 609,237 | 612,966 |
| Prepaid expenses and deposits | 47,096 | 40,452 |
| Total current assets | <u>16,390,195</u> | <u>18,315,974</u> |
| Non-current assets: | | |
| Restricted – investments (note 2) | 3,006,442 | 1,012,117 |
| Internal balances (note 8) | - | - |
| Note receivable – Black Point Golf Links (note 4) | 2,137,470 | 2,333,983 |
| Notes receivable – employee housing assistance loans, net (note 7) | 1,331,785 | 1,051,785 |
| Provision for pension related debt (note 6) | 2,073,696 | 2,153,624 |
| Deferred charges, net (note 9) | - | 88,876 |
| Capital assets, not being depreciated (note 10) | 13,666,696 | 12,683,873 |
| Depreciable capital assets, net (note 10) | 82,535,516 | 77,019,152 |
| Total non-current assets | <u>104,751,605</u> | <u>96,343,410</u> |
| Total assets | <u>\$ 121,141,800</u> | <u>114,659,384</u> |
| Liabilities and Net Position | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,501,045 | 3,154,607 |
| Accrued wages and related payables | 207,539 | 179,485 |
| Accrued claims payable (note 11) | 22,476 | 21,783 |
| Customer advances and deposits | 482,414 | 274,382 |
| Accrued interest payable – long-term debt | 71,816 | 22,857 |
| Long-term liabilities – due within one year: | | |
| Compensated absences (note 12) | 149,008 | 143,966 |
| Bonds payable (note 14) | 21,731 | 35,553 |
| Loans payable (note 14) | 1,235,055 | 846,212 |
| Pension related debt (note 6) | 79,928 | 67,953 |
| Total current liabilities | <u>3,771,012</u> | <u>4,746,798</u> |
| Non-current liabilities: | | |
| Long-term liabilities – due in more than one year: | | |
| Compensated absences (note 12) | 447,025 | 431,897 |
| Other post-employment benefits payable (note 13) | 586,209 | 474,733 |
| Bonds payable (note 14) | 159,921 | 173,650 |
| Loans payable (note 14) | 33,006,659 | 30,617,292 |
| Pension related debt (note 6) | 2,073,696 | 2,153,624 |
| Total non-current liabilities | <u>36,273,510</u> | <u>33,851,196</u> |
| Total liabilities | <u>40,044,522</u> | <u>38,597,994</u> |
| Net position: (note 15) | | |
| Net investment in capital assets | 65,839,724 | 61,882,478 |
| Restricted for capital projects and debt service | 2,186,452 | 2,993,055 |
| Unrestricted | 13,071,102 | 11,185,857 |
| Total net position | <u>81,097,278</u> | <u>76,061,390</u> |
| Total liabilities and net position | <u>\$ 121,141,800</u> | <u>114,659,384</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|--------------------|
| Operating revenues: | | |
| Water consumption sales | \$ 13,987,034 | 12,156,765 |
| Bi-monthly meter service charge | 3,630,425 | 2,860,630 |
| Sewer service charges | 157,992 | 157,311 |
| Water conservation | 1,260 | 16,095 |
| Other charges and services | <u>479,927</u> | <u>244,932</u> |
| Total operating revenues | <u>18,256,638</u> | <u>15,435,733</u> |
| Operating expenses: | | |
| Source of supply | 5,342,988 | 5,150,183 |
| Pumping | 351,816 | 304,075 |
| Water facilities operations | 716,780 | 708,570 |
| Water treatment | 1,986,926 | 1,747,166 |
| Transmission and distribution | 2,340,330 | 2,373,132 |
| Sewage collection and treatment | 127,903 | 112,801 |
| Customer service | 552,202 | 580,534 |
| General and administrative | 1,449,793 | 1,358,682 |
| Improvement projects | - | 3,383 |
| Water conservation | <u>272,107</u> | <u>272,336</u> |
| Total operating expenses | <u>13,140,845</u> | <u>12,610,862</u> |
| Operating income before depreciation and amortization | 5,115,793 | 2,824,871 |
| Depreciation and amortization | <u>(2,793,360)</u> | <u>(2,726,598)</u> |
| Operating income | <u>2,322,433</u> | <u>98,273</u> |
| Non-operating revenues(expenses): | | |
| Property tax revenue | 88,088 | 101,559 |
| Investment earnings | 80,713 | 122,598 |
| Rental revenue | 71,850 | 69,206 |
| Gain from dental liability reserve offset | - | 174,119 |
| Interest expense – long-term debt | (778,763) | (657,337) |
| Amortization of deferred charges | (88,876) | (3,065) |
| Change in allowance for impairment of employee housing loans | 280,000 | (390,000) |
| Other non-operating revenues | 107,792 | 60,886 |
| Other non-operating expenses | <u>(46,294)</u> | <u>(9,284)</u> |
| Total non-operating revenues, net | <u>(285,490)</u> | <u>(531,318)</u> |
| Net income(loss) before capital contributions | <u>2,036,943</u> | <u>(433,045)</u> |
| Capital contributions: | | |
| Developers and others | 305,847 | 423,045 |
| Contributed capital assets | 55,298 | 224,252 |
| Connection fees | 876,350 | 1,005,680 |
| Capital grants – federal | 1,232,700 | 1,548,002 |
| Capital grants – state and local | <u>528,750</u> | <u>-</u> |
| Capital contributions | <u>2,998,945</u> | <u>3,200,979</u> |
| Change in net position | 5,035,888 | 2,767,934 |
| Net position, beginning of year | <u>76,061,390</u> | <u>73,293,456</u> |
| Net position, end of year | <u>\$ 81,097,278</u> | <u>76,061,390</u> |

See accompanying notes to the basic financial statements

**North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012**

| | 2013 | 2012 |
|---|---------------------|------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers and others | \$ 17,744,328 | 14,490,838 |
| Cash paid to employees for salaries and wages | (4,348,543) | (4,237,965) |
| Cash paid to vendors and suppliers for materials and services | (10,126,648) | (6,132,631) |
| Net cash provided by operating activities | 3,269,137 | 4,120,242 |
| Cash flows from non-capital financing activities: | | |
| Property tax revenue | 95,927 | 101,559 |
| Net cash provided by non-capital financing activities | 95,927 | 101,559 |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (9,242,979) | (9,375,791) |
| Proceeds from capital contributions and connection fees | 3,077,784 | 2,514,997 |
| Proceeds from principal issued on long-term debt | 3,977,122 | 10,325,765 |
| Cost of issuance of long-term debt | - | (91,941) |
| Principal paid on long-term debt | (1,226,463) | (1,116,410) |
| Interest paid on long-term debt | (729,804) | (645,565) |
| Net cash provided(used) by capital and related financing activities | (4,144,340) | 1,611,055 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 1,000,000 | 1,000,000 |
| Purchases of investments | (3,002,994) | - |
| Principal received on notes receivable | 191,861 | 187,320 |
| Principal received(issued) on employee computer loans, net | 4,005 | 1,052 |
| Investment earnings | 96,781 | 125,445 |
| Net cash provided by investing activities | (1,710,347) | 1,313,817 |
| Net increase(decrease) in cash and cash equivalents | (2,489,623) | 7,146,673 |
| Cash and cash equivalents, beginning of year | 9,509,236 | 2,362,563 |
| Cash and cash equivalents, end of year | \$ 7,019,613 | 9,509,236 |
| Reconciliation of cash and cash equivalents to statement of financial position: | | |
| Cash and cash equivalents | \$ 3,326,264 | 3,440,996 |
| Restricted assets – cash and cash equivalents | 3,693,349 | 6,068,240 |
| Total cash and cash equivalents | \$ 7,019,613 | 9,509,236 |

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Cash Flows, continued
For the Year Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 2,322,433 | 98,273 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Deprecation | 2,793,360 | 2,726,598 |
| Rental revenue | 71,850 | 69,206 |
| Gain from dental liability reserve offset | - | 174,119 |
| Other non-operating revenue | 107,792 | 60,886 |
| Other non-operating expenses | (46,294) | (9,284) |
| Changes in assets and liabilities: | | |
| (Increase)Decrease in assets: | | |
| Accounts receivable – water and sewer sales and services | (353,814) | (631,412) |
| Accounts receivable – governmental agencies | (280,625) | (469,201) |
| Accounts receivable – other | (57,513) | 25,626 |
| Materials and supplies inventory | 3,729 | (60,213) |
| Prepaid expenses and other deposits | (6,644) | (12,283) |
| Increase(Decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (1,653,562) | 2,156,369 |
| Accrued wages and related payables | 28,054 | (166,103) |
| Accrued claims payable | 693 | 7,383 |
| Customer advances and deposits | 208,032 | (11,730) |
| Compensated absences | 20,170 | 77,911 |
| Other post-employment retirement benefits | 111,476 | 84,097 |
| Total adjustments | <u>946,704</u> | <u>4,021,969</u> |
| Net cash provided by operating activities | \$ <u>3,269,137</u> | <u>4,120,242</u> |
| Non-cash investing, capital and financing transactions: | | |
| Change in fair value of investments | \$ (14,399) | 7,486 |
| Contributed capital | <u>55,298</u> | <u>224,252</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The North Marin Water District (District) is an independent special district formed in April 1948, which operates under the authority of Division 12 of the California Water Code. The District's service area includes the City of Novato, adjacent areas, plus annexed areas in West Marin County. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The District's operations are accounted for by the following service areas, some of which were originally established as Improvement Districts. Although the Improvement Districts are legally separate organizations, they are reported herein as if they were part of the primary government because the primary government controls the Improvement Districts and the Board of Directors serve as their governing board. The following service areas are reported as blended component units.

Novato Water System – The Novato Water System is the primary service division of the District and represents the basic primary component of the District.

West Marin Water System formally *Point Reyes Service Area*. – This service area began in 1970 as a separate voter-approved Improvement District. Point Reyes was consolidated with the Olema Improvement District in 1996 and the Paradise Ranch Estate Improvement District in 2002, forming the West Marin Water System.

Oceana Marin Sewer Service – By agreement with a private developer, this service area was formed to provide sewer service to area residents commencing in June 1973.

Novato Recycled Water System – This enterprise fund was formed by the District in 2007 to account for the operation of the District's recycled water treatment and distribution system.

B. Basis of Accounting and Measurement Focus

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 cost of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and sewer service charges, along with water purchases and wastewater disposal, 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 value. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which the District gives (receives) value without directly receiving (giving) value in exchange.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The Authority's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for financial statements for periods beginning after December 15, 2011. The Authority implemented this new pronouncement in the current year. The effect of the implementation of this statement to the Authority is limited to renaming of **Net Assets to Net Position**.

D. Assets, Liabilities and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

The District has adopted an investment policy directing the District's Auditor-Controller to deposit funds in financial institutions.

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

4. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

5. Property Taxes

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position, continued

6. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

7. Prepaid Expenses

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

8. Capital Assets

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

- Dam – 100 years
- Transmission and distribution systems – 50 to 150 years
- Treatment plant – 20 to 50 years
- Sewer mains and pumps – 10 to 40 years
- Buildings and storage facilities – 35 years
- Equipment and vehicles – 5 to 10 years

9. Compensated Absences

The District's employees have a vested interest in accrued vacation time. All vacation hours will eventually be either used or paid-off by the District. Employees earn vacation time on a semi-monthly basis. Employees normally earn and use their current vacation time with a small portion being unused each year. As this occurs, the District incurs a future obligation to pay for these unused hours and accrued a liability for such accumulated and unpaid vacation time.

Full-time District employees earn sick leave at a rate of one day per month. District employees may elect to be paid for accumulated and unused sick leave in excess of 90 days, at a rate of one-half of the value of such accumulated amount. The District has accrued a liability for such excess amounts.

10. Water and Sewer Sales

Water sales are billed on a bi-monthly cyclical basis. Estimated unbilled water and sewer sales and service charges through June 30th have been accrued as of year end.

11. Capital Contributions

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

12. Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position, continued

13. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparison of actual revenue and expense with planned revenue and expense for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

14. Net Position

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

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

(2) Cash and Investments

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

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|-------------------|
| Cash and cash equivalents | \$ 3,326,264 | 3,440,996 |
| Restricted – cash and cash equivalents | 3,693,349 | 6,068,240 |
| Restricted – investments | <u>3,006,442</u> | <u>1,012,117</u> |
| Total cash and investments | <u>\$ 10,026,055</u> | <u>10,521,353</u> |

Cash and investments as of June 30, consist of the following:

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|-------------------|
| Cash on hand | \$ 350 | 350 |
| Deposits with financial institutions | 101,258 | 100,148 |
| Deposits with County of Marin Treasury | 424,258 | 332,654 |
| Investments | <u>9,500,189</u> | <u>10,088,201</u> |
| Total cash and investments | <u>\$ 10,026,055</u> | <u>10,521,353</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(2) Cash and Investments

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees 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.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Of Portfolio *</u> | <u>Maximum Investment in One Issuer</u> |
|--|-----------------------------|--|---|
| State and Local Agency Bonds | 5 years | 100% | None |
| U.S. Treasury Obligations | 5 years** | 100% | None |
| U.S. Agency Securities | 5 years** | 100% | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 40% | 10% |
| Non-negotiable Certificates of Deposit | 1 year | 30% | None |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Medium-Term Notes | 5 years | 30% | None |
| Repurchase agreements | 30 days | 100% | None |
| Money Market Mutual Funds | N/A | 20% | 10% |
| California Local Agency Investment Fund (LAIF) | N/A | 100% | None |
| California Asset Management Program (CAMP) | N/A | 100% | None |

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Custodial Credit Risk

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(2) Cash and Investments, continued

Custodial Credit Risk, continued

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), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (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 reported in the accompanying financial statements at amounts 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. 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 distribution of the District's investments by maturity date:

Investments at June 30, 2013, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Remaining Maturity (in Months)</u> | | |
|-------------------------------|---------------------|---------------------------------------|------------------------|---------------------|
| | | <u>12 months or less</u> | <u>13 to 24 months</u> | <u>25-60 months</u> |
| Local Agency Investment Fund | \$ 6,493,745 | 6,493,745 | - | - |
| Certificates-of-deposit | 992,000 | 992,000 | - | - |
| Corporate medium-term notes | 2,002,255 | - | - | 2,002,255 |
| Olema general obligation bond | 12,189 | - | 12,189 | - |
| Total | <u>\$ 9,500,189</u> | <u>7,485,745</u> | <u>12,189</u> | <u>2,002,255</u> |

Investments at June 30, 2012, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Remaining Maturity (in Months)</u> | | |
|-------------------------------|----------------------|---------------------------------------|------------------------|---------------------|
| | | <u>12 months or less</u> | <u>13 to 24 months</u> | <u>25-60 months</u> |
| Local Agency Investment Fund | \$ 9,076,084 | 9,076,084 | - | - |
| Certificates-of-deposit | 1,000,000 | 1,000,000 | - | - |
| Olema general obligation bond | 12,117 | - | - | 12,117 |
| Total | <u>\$ 10,088,201</u> | <u>10,076,084</u> | <u>-</u> | <u>12,117</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(2) Cash and Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Credit ratings at June 30, 2013, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Ratings AA+ to AA-</u> |
|-------------------------------|---------------------|-------------------------------------|---------------------------------------|-------------------------------|
| Local Agency Investment Fund | \$ 6,493,745 | N/A | 6,493,745 | - |
| Certificates-of-deposit | 992,000 | N/A | 992,000 | - |
| Corporate medium-term notes | 2,002,255 | A- | - | 2,002,255 |
| Olema general obligation bond | 12,189 | A+ | - | 12,189 |
| Total | <u>\$ 9,500,189</u> | | <u>7,485,745</u> | <u>2,014,444</u> |

Credit ratings at June 30, 2012, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Ratings AA+ to AA-</u> |
|-------------------------------|----------------------|-------------------------------------|---------------------------------------|-------------------------------|
| Local Agency Investment Fund | \$ 9,076,084 | N/A | 9,076,084 | - |
| Certificates-of-deposit | 1,000,000 | N/A | 1,000,000 | - |
| Olema general obligation bond | 12,117 | A+ | - | 12,117 |
| Total | <u>\$ 10,088,201</u> | | <u>10,076,084</u> | <u>12,117</u> |

(3) Note Receivable – Property Tax from State

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009 the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The amount of the borrowing pertaining to the District was \$6,760 and accrued interest of \$1,079 for a total of \$7,839 as of June 30, 2012. The borrowing by the State of California was repaid to the District on June 14, 2013.

(4) Note Receivable – Black Point Golf Links

This District has entered into a contractual agreement with the Black Point Golf Links whereby the golf course agreed to reimburse the District for construction cost incurred for a new recycled water treatment plant, in-lieu of connection fees. The reimbursement is collected in bi-monthly installments through February 2024, including interest at a rate of 2.400%. As of June 30th, the amount receivable under the contract is as follows:

The balance at June 30, consists of the following:

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|------------------|
| Note receivable – Black Point Golf Links – current portion | \$ 196,513 | 191,861 |
| Note receivable – Black Point Golf Links | 2,137,470 | 2,333,983 |
| Note receivable – Black Point Golf Links | <u>\$ 2,333,983</u> | <u>2,525,844</u> |

(5) Notes Receivable – Employee Computer Loans

The District allows employees to purchase personal computers and to secure a loan from the District to pay for the purchase of the computer up to \$3,500 per person. These employee computer loans are repaid to the District over a period of up to 36 months through payroll deduction with interest rates applied that are based on the District's investment portfolio return rate at the origination of the loan plus one percent. As of June 30, 2013 and 2012 the District had various outstanding loans totaling \$2,138 and \$6,143, respectively.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(6) Pension Related Debt – CalPERS Side-Fund

As of June 30, 2003, CalPERS implemented risk-pooling for the District’s agent multiple-employer public employee defined benefit pension plan. As a result, the District’s defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate (for fiscal year 2012 and beyond CalPERS reduced the rate to 7.50%). CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies that all had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District’s annual required contribution to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make systematic pay-as-you-go payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District’s CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the CalPERS Side-Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The following provision and long-term debt has been recorded on the District’s financial statements as the District is making systematic pay-as-you-go payments to CalPERS each payroll period. The annual repayment schedule is as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|------------------|------------------|
| 2014 | \$ 79,928 | 152,942 | 232,870 |
| 2015 | 93,156 | 146,700 | 239,856 |
| 2016 | 107,608 | 139,444 | 247,052 |
| 2017 | 123,363 | 131,100 | 254,463 |
| 2018 | 140,531 | 121,566 | 262,097 |
| 2019-2023 | 1,017,989 | 415,267 | 1,433,256 |
| 2024-2025 | 591,049 | 44,253 | 635,302 |
| Total | \$ 2,153,624 | <u>1,151,272</u> | <u>3,304,896</u> |
| Less current portion | <u>(79,928)</u> | | |
| Total non-current | \$ <u>2,073,696</u> | | |

(7) Notes Receivable – Employee Housing Assistance Loans

The District’s Employer Assisted Housing Program (Program) allows up to \$300,000 to be loaned to an employee for a period of up to 15 years for the purchase of a home within the District’s service area. This will allow the employee to respond rapidly to customer calls or emergencies affecting the operation of the District. Repayment is due upon sale of the employee’s residence, termination of employment, or other events as described in the Program documents. Interest earned on the loan is contingent upon and directly proportional to the appreciation in value occurring on the purchased property. The balance of the outstanding loans is offset by an allowance representing the impairment in value due to the decline in market value of the homes financed since the loan inception date. The following is a listing of employee housing assistance loans and their corresponding origination dates as follows:

The balance at June 30, consists of the following:

| <u>Origination</u> | <u>2013</u> | <u>2012</u> |
|--------------------|---------------------|------------------|
| August 2004 | \$ 250,000 | 250,000 |
| Sept. 2004 | 39,200 | 39,200 |
| October 2006 | 300,000 | 300,000 |
| Sept. 2007 | 140,000 | 140,000 |
| Nov. 2007 | 150,000 | 150,000 |
| July 2008 | 125,000 | 125,000 |
| October 2008 | 192,585 | 192,585 |
| June 2010 | <u>245,000</u> | <u>245,000</u> |
| Sub-total | 1,441,785 | 1,441,785 |
| Allowance | <u>(110,000)</u> | <u>(390,000)</u> |
| Total | \$ <u>1,331,785</u> | <u>1,051,785</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(8) Internal Balances

Due To/From Other Funds and Transfers

Internal balances consist of the following as of June 30, 2013 as follows:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------|----------------------------|-------------------------|---------------------|
| Advance | Novato Water | Novato Recycled | \$ <u>4,755,421</u> |

Internal balances consist of the following as of June 30, 2012 as follows:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------|----------------------------|-------------------------|---------------------|
| Advance | Novato Water | Novato Recycled | \$ <u>3,287,069</u> |

Transfers between funds as of June 30, 2013 as follows:

| <u>Purpose</u> | <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|----------------|--------------------------|------------------------|---------------------|
| Advance | Novato Water | Novato Recycled | \$ <u>1,970,400</u> |

The Novato Water segment has advanced the Novato Recycled segment funds for capital construction pending receipt of grant and loan funds. Interest accrues on the balance on a monthly basis as per District policy. In 2013, the Novato Water segment transferred \$1,970,400 in net position to the Novato Recycled segment for the local share of the North/South Expansion, SRF loan payments and grant administration costs. (See the Supplementary Schedules on Pages 46 through 49 for further information)

(9) Deferred Charges

The balance at June 30, consists of the following:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-----------------|----------------|
| Bank of Marin loan issuance costs | \$ 91,941 | 91,941 |
| Accumulated amortization | <u>(91,941)</u> | <u>(3,065)</u> |
| Total deferred charges, net | \$ <u>-</u> | <u>88,876</u> |

Per GASB No. 65 the District fully amortized the deferred charges in 2013.

(10) Capital Assets

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at June 30 are as follows:

The balance of construction-in-progress at June 30, consists of the following projects:

| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|---------------------|-------------------|-------------------|
| Developer construction – Novato Water | \$ 881,226 | 842,504 | 965,313 |
| Developer construction – Novato Recycled | - | - | - |
| Developer construction – West Marin Water | 36,730 | 67,130 | - |
| Developer construction – Oceana Marin Sewer | - | - | 5,000 |
| Other construction – Novato Water | 2,379,878 | 1,840,102 | 1,619,299 |
| Other construction – Novato Recycled | 1,187,912 | 8,117,923 | 8,806,758 |
| Other construction – West Marin Water | 135,371 | 258,069 | 565,161 |
| Other construction – Oceana Marin Sewer | <u>26,360</u> | <u>85,054</u> | <u>232,074</u> |
| Total construction-in-progress per year | \$ <u>4,647,477</u> | <u>11,210,782</u> | <u>12,193,605</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(10) Capital Assets, continued

Changes in capital assets for the year were as follows:

| | <u>Balance 2012</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2013</u> |
|--------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land and land rights | \$ 1,473,091 | - | - | 1,473,091 |
| Construction-in-progress | <u>11,210,782</u> | <u>9,123,016</u> | <u>(8,140,193)</u> | <u>12,193,605</u> |
| Total non-depreciable assets | <u>12,683,873</u> | <u>9,123,016</u> | <u>(8,140,193)</u> | <u>13,666,696</u> |
| Depreciable assets: | | | | |
| Distribution system | 59,594,931 | 7,179,100 | 1,296,204 | 68,070,235 |
| Treatment plant | 22,162,002 | 194,433 | (1,296,204) | 21,060,231 |
| Storage facilities | 18,109,617 | 286,900 | - | 18,396,517 |
| Transmission system | 5,489,830 | - | - | 5,489,830 |
| Source facilities | 5,027,082 | 267,838 | - | 5,294,920 |
| Sewer facilities | 853,683 | 63,769 | - | 917,452 |
| Structures and improvements | 1,783,704 | 121,636 | - | 1,905,340 |
| Other plant and equipment | <u>3,144,716</u> | <u>196,048</u> | <u>(292,146)</u> | <u>3,048,618</u> |
| Total depreciable assets | <u>116,165,565</u> | <u>8,309,724</u> | <u>(292,146)</u> | <u>124,183,143</u> |
| Accumulated depreciation: | | | | |
| Distribution system | (21,109,445) | (1,382,579) | - | (22,492,024) |
| Treatment plant | (4,953,369) | (539,207) | - | (5,492,576) |
| Storage facilities | (4,596,533) | (365,153) | - | (4,961,686) |
| Transmission system | (3,168,033) | (87,288) | - | (3,255,321) |
| Source facilities | (1,550,080) | (87,776) | - | (1,637,856) |
| Sewer facilities | (424,168) | (32,166) | - | (456,334) |
| Structures and improvements | (1,061,204) | (35,454) | - | (1,096,658) |
| Other plant and equipment | <u>(2,283,581)</u> | <u>(263,737)</u> | <u>292,146</u> | <u>(2,255,172)</u> |
| Total accumulated depreciation | <u>(39,146,413)</u> | <u>(2,793,360)</u> | <u>292,146</u> | <u>(41,647,627)</u> |
| Total depreciable assets, net | <u>77,019,152</u> | <u>5,516,364</u> | <u>-</u> | <u>82,535,516</u> |
| Total capital assets, net | <u>\$ 89,703,025</u> | <u>14,639,380</u> | <u>(8,140,193)</u> | <u>96,202,212</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(10) Capital Assets, continued

Changes in capital assets for 2012 were as follows:

| | <u>Balance 2011</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2012</u> |
|--------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land and land rights | \$ 1,473,091 | - | - | 1,473,091 |
| Construction-in-progress | <u>4,647,477</u> | <u>9,180,508</u> | <u>(2,617,203)</u> | <u>11,210,782</u> |
| Total non-depreciable assets | <u>6,120,568</u> | <u>9,180,508</u> | <u>(2,617,203)</u> | <u>12,683,873</u> |
| Depreciable assets: | | | | |
| Distribution system | 58,045,785 | 1,549,146 | - | 59,594,931 |
| Treatment plant | 22,162,002 | - | - | 22,162,002 |
| Storage facilities | 17,074,400 | 1,035,217 | - | 18,109,617 |
| Transmission system | 5,489,830 | - | - | 5,489,830 |
| Source facilities | 5,027,082 | - | - | 5,027,082 |
| Sewer facilities | 853,683 | - | - | 853,683 |
| Structures and improvements | 1,778,388 | 5,316 | - | 1,783,704 |
| Other plant and equipment | <u>3,017,492</u> | <u>222,807</u> | <u>(95,583)</u> | <u>3,144,716</u> |
| Total depreciable assets | <u>113,448,662</u> | <u>2,812,486</u> | <u>(95,583)</u> | <u>116,165,565</u> |
| Accumulated depreciation: | | | | |
| Distribution system | (19,933,831) | (1,175,614) | - | (21,109,445) |
| Treatment plant | (4,268,485) | (684,884) | - | (4,953,369) |
| Storage facilities | (4,233,100) | (363,433) | - | (4,596,533) |
| Transmission system | (3,080,746) | (87,287) | - | (3,168,033) |
| Source facilities | (1,460,756) | (89,324) | - | (1,550,080) |
| Sewer facilities | (395,603) | (28,565) | - | (424,168) |
| Structures and improvements | (1,026,860) | (34,344) | - | (1,061,204) |
| Other plant and equipment | <u>(2,116,017)</u> | <u>(263,147)</u> | <u>95,583</u> | <u>(2,283,581)</u> |
| Total accumulated depreciation | <u>(36,515,398)</u> | <u>(2,726,598)</u> | <u>95,583</u> | <u>(39,146,413)</u> |
| Total depreciable assets, net | <u>76,933,264</u> | <u>85,888</u> | <u>-</u> | <u>77,019,152</u> |
| Total capital assets, net | <u>\$ 83,053,832</u> | <u>9,266,396</u> | <u>(2,617,203)</u> | <u>89,703,025</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(11) Accrued Claims Payable

As of July 1, 2011, the District re-commenced self-insuring its workers' compensation obligation and established a risk financing internal service fund where assets are set aside for claim settlements associated with the risk of loss up to certain limits for workers' compensation claims.

Settled claims have not exceeded the accrued coverage amounts in any of the last three fiscal years. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The accrued claims payable balance includes an amount for claims that have been incurred but not reported (IBNR).

| | | | |
|--|----|---------------|---------------|
| The balance at June 30, consists of the following: | | 2013 | 2012 |
| Accrued claims payable, beginning of year | \$ | 21,783 | 14,400 |
| Claims recognized | | 8,076 | 40,433 |
| Claims settled | | (1,243) | (9,726) |
| Claims adjustments | | (6,140) | (23,324) |
| Accrued claims payable, end of year | \$ | <u>22,476</u> | <u>21,783</u> |

(12) Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which is accrued as earned.

Changes to compensated absences for 2013, were as follows:

| <u>Balance 2012</u> | <u>Earned</u> | <u>Taken</u> | <u>Balance 2013</u> | <u>Current Portion</u> | <u>Long-term Portion</u> |
|-------------------------|---------------|--------------|-------------------------|----------------------------|------------------------------|
| \$ 575,863 | 913,324 | (893,154) | 596,033 | 149,008 | 447,025 |

Changes to compensated absences for 2012, were as follows:

| <u>Balance 2011</u> | <u>Earned</u> | <u>Taken</u> | <u>Balance 2012</u> | <u>Current Portion</u> | <u>Long-term Portion</u> |
|-------------------------|---------------|--------------|-------------------------|----------------------------|------------------------------|
| \$ 497,952 | 910,498 | (832,587) | 575,863 | 143,966 | 431,897 |

(13) Other Post-Employment Benefits Payable

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Other Post-Employment Benefits – Eligibility

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(13) Other Post-Employment Benefits Payable, continued

Other Post-Employment Benefits – Eligibility, continued

Members in the post employment benefit plan consisted of the following members as of June 30:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|------------------|------------------|------------------|
| Active plan members | 51 | 53 | 52 |
| Retirees and beneficiaries receiving benefits | 34 | 32 | 33 |
| Separated plan members entitled to but not yet receiving benefits | <u>3</u> | <u>3</u> | <u>2</u> |
| Total plan membership | <u><u>88</u></u> | <u><u>88</u></u> | <u><u>87</u></u> |

Other Post-Employment Benefits – Benefits Offered

The District offers other post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's CalPERS medical coverage, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors. For retirees between the ages of 55 to 65 with a minimum of 12 years services, who retired prior to January 1, 2013, the District's contribution toward the chosen medical plan will be 90% of the Kaiser Basic Medical Plan premium amount. For retirees between the ages of 55 to 65 with a minimum of 12 years services, who retire on or after January 1, 2013, the District's contribution toward the chosen plan will be 85% of the Kaiser Basic Medical Plan premium amount. The District will make a monthly contribution toward the cost of health insurance coverage for all other retirees based on the contract effective at the time of their retirement.

Funding Policy

The District's *Annual Required Contribution (ARC)* is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 5.9% of the annual covered payroll.

The District funds the benefits on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the years ended June 30, 2013 and 2012, the District's annual ARC cost after adjustments was \$278,175 and \$244,822, respectively. The District's net other post employment benefits payable obligation amounted to \$586,209 and \$474,733 for the years ended June 30, 2013 and 2012, respectively. The District contributed \$166,699 and \$160,725 in age adjusted contributions for current retiree OPEB premiums for the years ended June 30, 2013 and 2012, respectively.

| The balance at June 30, consists of the following: | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|--------------------------|-----------------------|-----------------------|
| Annual OPEB expense: | | | |
| Annual required contribution (ARC) | \$ 286,640 | 250,776 | 250,776 |
| Interest on net OPEB obligation | 18,989 | 19,532 | 14,566 |
| Interest earnings on irrevocable trust balance | - | - | - |
| Adjustment to annual required contribution | <u>(27,454)</u> | <u>(25,486)</u> | <u>(18,951)</u> |
| Total annual OPEB expense | <u>278,175</u> | <u>244,822</u> | <u>246,391</u> |
| Contributions made: | | | |
| Contributions made to irrevocable trust | - | - | - |
| Retiree benefit payments paid outside of a trust | <u>(166,699)</u> | <u>(160,725)</u> | <u>(147,084)</u> |
| Total contributions made | <u>(166,699)</u> | <u>(160,725)</u> | <u>(147,084)</u> |
| Total change in net OPEB payable obligation | 111,476 | 84,097 | 99,307 |
| OPEB payable - beginning of year | <u>474,733</u> | <u>390,636</u> | <u>291,329</u> |
| OPEB payable - end of year | <u><u>\$ 586,209</u></u> | <u><u>474,733</u></u> | <u><u>390,636</u></u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(13) Other Post Employment Benefits Payable, continued

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

| Fiscal Year Ended | Annual OPEB Cost | Contributions Made to Trust | Retiree Benefit Payments | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation Payable |
|-------------------|------------------|-----------------------------|--------------------------|--|-----------------------------|
| 2013 | \$ 278,175 | - | 166,699 | 26.22% | \$ 586,209 |
| 2012 | 244,822 | - | 160,725 | 25.76% | 474,733 |
| 2011 | 246,391 | - | 147,084 | 25.74% | 390,636 |

The most recent valuation (dated July 1, 2012) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$3,130,628. There are no Plan Assets because the District funds on a pay-as-you-go basis and maintains net position equal to the remaining net other post employment benefits payable obligation. The Board of Directors of the District has designated \$3,189,034 and \$3,064,753, as of June 30, 2013 and 2012, respectively, of net position to reserve for the actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was \$4,348,543. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 71.99%.

Actuarial Methods and Assumptions

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

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

| | |
|-------------------------------|---------------------------------------|
| Valuation date | July 1, 2012 |
| Actuarial cost method | Entry age normal cost method |
| Amortization method | Level percent of payroll amortization |
| Remaining amortization period | 20 Years as of the valuation date |
| Asset valuation method | 20 Year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 4.00% |
| Projected salary increase | 3.00% |
| Inflation - discount rate | 4.00% |

See Page 45 for the Schedule of Funding Status.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(14) Long-term Debt

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

| | <u>Balance 2012</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2013</u> | <u>Current Portion</u> |
|---------------------------------------|-------------------------|------------------|-------------------------------|-------------------------|----------------------------|
| Long-term debt: | | | | | |
| Bonds payable: | | | | | |
| 1973 General obligation bonds – PR-3 | \$ 14,000 | - | (14,000) | - | - |
| 1975 General obligation bonds – OL-2 | 11,203 | - | (3,551) | 7,652 | 3,731 |
| 1980 Revenue bonds – PRE-1 | 92,000 | - | (10,000) | 82,000 | 10,000 |
| 1981 Revenue bonds – PR-6 | 92,000 | - | - | 92,000 | 8,000 |
| Total bonds payable | <u>209,203</u> | <u>-</u> | <u>(27,551)</u> | <u>181,652</u> | <u>21,731</u> |
| Loans payable: | | | | | |
| 1977 U.S. EDA loan – Novato Water | 93,618 | - | (13,743) | 79,875 | 14,440 |
| 1977 U.S. EDA loan – West Marin Water | 13,242 | - | (2,041) | 11,201 | 2,145 |
| 2005 DWR loan – Novato Water | 14,521,404 | - | (701,580) | 13,819,824 | 357,090 |
| 2005 SWRCB loan – Novato Recycled | 3,409,691 | - | (191,534) | 3,218,157 | 196,131 |
| 2011 SWRCB loan – Novato Recycled | 5,613,575 | 3,977,122 | - | 9,590,697 | 364,798 |
| 2011 B of M loan – Novato Water | 6,811,974 | - | (252,892) | 6,559,082 | 261,993 |
| 2011 B of M loan – West Marin Water | 1,000,000 | - | (37,122) | 962,878 | 38,458 |
| Total loans payable | <u>31,463,504</u> | <u>3,977,122</u> | <u>(1,198,912)</u> | <u>34,241,714</u> | <u>1,235,055</u> |
| Total long-term debt | <u>\$ 31,672,707</u> | <u>3,977,122</u> | <u>(1,226,463)</u> | <u>34,423,366</u> | <u>1,256,786</u> |

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

| | <u>Balance 2011</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2012</u> | <u>Current Portion</u> |
|---------------------------------------|-------------------------|-------------------|-------------------------------|-------------------------|----------------------------|
| Long-term debt: | | | | | |
| Bonds payable: | | | | | |
| 1973 General obligation bonds – PR-3 | \$ 27,000 | - | (13,000) | 14,000 | 14,000 |
| 1975 General obligation bonds – OL-2 | 14,587 | - | (3,384) | 11,203 | 3,553 |
| 1980 Revenue bonds – PRE-1 | 101,000 | - | (9,000) | 92,000 | 10,000 |
| 1981 Revenue bonds – PR-6 | 108,000 | - | (16,000) | 92,000 | 8,000 |
| Total bonds payable | <u>250,587</u> | <u>-</u> | <u>(41,384)</u> | <u>209,203</u> | <u>35,553</u> |
| Loans payable: | | | | | |
| 1977 U.S. EDA loan – Novato Water | 106,544 | - | (12,926) | 93,618 | 13,743 |
| 1977 U.S. EDA loan – West Marin Water | 15,163 | - | (1,921) | 13,242 | 2,041 |
| 2005 DWR loan – Novato Water | 15,206,512 | - | (685,108) | 14,521,404 | 348,707 |
| 2005 SWRCB loan – Novato Recycled | 3,596,736 | - | (187,045) | 3,409,691 | 191,534 |
| 2011 SWRCB loan – Novato Recycled | 335,811 | 5,277,764 | - | 5,613,575 | - |
| 2011 B of M loan – Novato Water | - | 7,000,000 | (188,026) | 6,811,974 | 253,043 |
| 2011 B of M loan – West Marin Water | - | 1,000,000 | - | 1,000,000 | 37,144 |
| Total loans payable | <u>19,260,766</u> | <u>13,277,764</u> | <u>(1,075,026)</u> | <u>31,463,504</u> | <u>846,212</u> |
| Total long-term debt | <u>\$ 19,511,353</u> | <u>13,277,764</u> | <u>(1,116,410)</u> | <u>31,672,707</u> | <u>881,765</u> |

Bonds Payable

1973 General Obligation Bonds – Issue PR-3

On September 5, 1973, the District issued general obligation bonds totaling \$250,000 to acquire and improve the Inverness Park and Point Reyes Water Companies. The bond issuance was purchased in its entirety by the U.S. Department of Agriculture, Farmers Home Administration Rural Development Administration on a 5%, 40-year payback basis. The bonds were fully-repaid as of June 30, 2013.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(14) Long-Term Debt, continued

Bonds Payable, continued

1975 General Obligation Bonds – Issue OL-2

In 1975, the District issued general obligation bonds totaling \$70,000 to acquire and improve the Olema Water Company owned by W. Robert Phillips and others and to service that area. The bonds were purchased by the U.S. Department of Agriculture (USDA), then upon demand of the USDA the bonds were repurchased by the District's Novato Water segment on June 1, 1991. The interest rate paid to the Novato Water segment on the bonds was thereafter reset to the higher of the rate earned by the District's investments or the average rate of the Novato Water segment general obligation bond debt.

The bonds are scheduled to mature in 2015. Principal and interest are payable annually on January 1st and at a rate of 5.000%. Future annual debt service requirements on the bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|--------------|
| 2014 | \$ 3,731 | 382 | 4,113 |
| 2015 | 3,921 | 196 | 4,117 |
| Total | \$ 7,652 | 578 | 8,230 |
| Less current portion | (3,731) | | |
| Total non-current | \$ 3,921 | | |

1980 Revenue Bonds – Issue PRE-1

On August 22, 1980, the District issued revenue bonds totaling \$240,000 for the system rehabilitation of the Paradise Ranch Estates (PRE) water distribution system.

The bonds are scheduled to mature in 2020. Principal is payable annually on April 1st and interest is payable semi-annually on October 1st and April 1st at a rate of 5.000%. Future annual debt service requirements on the bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|--------------|
| 2014 | \$ 10,000 | 4,100 | 14,100 |
| 2015 | 11,000 | 3,600 | 14,600 |
| 2016 | 11,000 | 3,050 | 14,050 |
| 2017 | 12,000 | 2,500 | 14,500 |
| 2018 | 12,000 | 1,900 | 13,900 |
| 2019-2020 | 26,000 | 1,950 | 27,950 |
| Total | \$ 82,000 | 17,100 | 99,100 |
| Less current portion | (10,000) | | |
| Total non-current | \$ 72,000 | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(14) Long-Term Debt, continued

Bonds Payable, continued

1981 Revenue Bonds – Issue PR-6

On August 28, 1981, the District issued revenue bonds totaling \$217,800 to finance the further work needed to rehabilitate the Point Reyes and Inverness Park water systems including the addition of a 300,000 gallon tank in Point Reyes Station and a 100,000 gallon tank in Inverness Park.

The bonds are scheduled to mature in 2022. Principal is payable annually on July 1st and interest is payable semi-annually on July 1st and January 1st at a rate of 5.000%. Future annual debt service requirements on the bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|----------------|
| 2014 | \$ 8,000 | 4,400 | 12,400 |
| 2015 | 9,000 | 3,975 | 12,975 |
| 2016 | 9,000 | 3,525 | 12,525 |
| 2017 | 10,000 | 3,050 | 13,050 |
| 2018 | 10,000 | 2,550 | 12,550 |
| 2019-2022 | 46,000 | 4,700 | 50,700 |
| Total | \$ 92,000 | <u>22,200</u> | <u>114,200</u> |
| Less current portion | <u>(8,000)</u> | | |
| Total non-current | \$ <u>84,000</u> | | |

Loans Payable

1977 U.S. EDA Loan – Novato Water segment

In August 1977, the District secured a loan with the U.S. Economic Development Administration (EDA) to assist in the funding emergency Novato Water system projects in response to a severe drought.

The loan is scheduled to mature in 2018. Principal and interest are payable annually on July 1st at a rate of 5.000%. Future annual debt service requirements on the loan are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|---------------|
| 2014 | \$ 14,440 | 3,984 | 18,424 |
| 2015 | 15,162 | 3,262 | 18,424 |
| 2016 | 15,920 | 2,504 | 18,424 |
| 2017 | 16,716 | 1,708 | 18,424 |
| 2018 | 17,637 | 787 | 18,424 |
| Total | \$ 79,875 | <u>12,245</u> | <u>92,120</u> |
| Less current portion | <u>(14,440)</u> | | |
| Total non-current | \$ <u>65,435</u> | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(14) Long-Term Debt, continued

Loans Payable

1977 U.S. EDA Loan – West Marin segment

In August 1977, the District secured a loan with the U.S. Economic Development Administration (EDA) to assist in the funding emergency West Marin system projects, including temporary diversions from Bear Valley Creek and Lagunitas Creek, in response to a severe drought.

The loan is scheduled to mature in 2018. Principal and interest are payable annually on July 1st at a rate of 5.000%. Future annual debt service requirements on the loan are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|---------------|
| 2014 | \$ 2,145 | 558 | 2,703 |
| 2015 | 2,252 | 451 | 2,703 |
| 2016 | 2,363 | 340 | 2,703 |
| 2017 | 2,483 | 220 | 2,703 |
| 2018 | 1,958 | 145 | 2,103 |
| Total | \$ 11,201 | <u>1,714</u> | <u>12,915</u> |
| Less current portion | <u>(2,145)</u> | | |
| Total non-current | <u>\$ 9,056</u> | | |

2005 DWR Loan – Novato Water segment

In 2005, the District entered into an agreement with the California Department of Water Resources (DWR) for a loan in an amount not-to-exceed \$16,528,850 with an interest rate of 2.39% per annum for the reconstruction of the Stafford Water Treatment Plant. Principal and interest payments on the loan are due each year on January 1st and July 1st.

The loan is scheduled to mature in fiscal year 2030. The loan will be repaid semi-annually over a 20-year period based on the repayment schedule below:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|----------------------|------------------|-------------------|
| 2014 | \$ 357,091 | 165,146 | 522,237 |
| 2015 | 727,034 | 317,441 | 1,044,475 |
| 2016 | 744,514 | 299,960 | 1,044,474 |
| 2017 | 762,413 | 282,062 | 1,044,475 |
| 2018 | 780,744 | 263,730 | 1,044,474 |
| 2019-2023 | 4,194,477 | 1,027,895 | 5,222,372 |
| 2024-2028 | 4,723,551 | 498,821 | 5,222,372 |
| 2029-2030 | 1,530,000 | 91,062 | 1,621,062 |
| Total | \$ 13,819,824 | <u>2,946,117</u> | <u>16,765,941</u> |
| Less current portion | <u>(357,091)</u> | | |
| Total non-current | <u>\$ 13,462,733</u> | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(14) Long-Term Debt, continued

Loans Payable, continued

2005 SWRCB Loan – Novato Recycled Water segment

In 2005, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount of \$4,302,560 with an interest rate of 2.4% per annum for the construction of a recycled water facility.

The loan is scheduled to mature in 2027. Principal and interest are payable annually on June 19th at a rate of 2.4%. Future annual debt service requirements on the loan are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-----------------|------------------|
| 2014 | \$ 196,131 | 77,236 | 273,367 |
| 2015 | 200,839 | 72,528 | 273,367 |
| 2016 | 205,658 | 67,709 | 273,367 |
| 2017 | 210,594 | 62,773 | 273,367 |
| 2018 | 215,648 | 57,719 | 273,367 |
| 2019-2023 | 1,158,405 | 208,430 | 1,366,835 |
| 2024-2027 | <u>1,030,882</u> | <u>62,586</u> | <u>1,093,468</u> |
| Total | \$ 3,218,157 | <u>608,981</u> | <u>3,827,138</u> |
| Less current portion | <u>(196,131)</u> | | |
| Total non-current | \$ <u>3,022,026</u> | | |

2011 DWR Loan – Novato Recycled Water segment – North and South Service Areas

In fiscal year 2011, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$4,364,335 with an interest rate of 2.60% per annum for the reconstruction of the Recycled Water Expansion project – North Service Area. As of June 30, 2013, eligible costs for reimbursement were \$4,364,335 and accrued as a long-term debt liability on the financial statements.

In fiscal year 2012, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$5,480,740 with an interest rate of 2.20% per annum for the reconstruction of the Recycled Water Expansion project – South Service Area. As of June 30, 2013, eligible costs for reimbursement were \$5,226,363 and accrued as a long-term debt liability on the financial statements.

2011 Bank of Marin Loan – Novato Water and West Marin Water segments

In October 2012, the District entered into a loan agreement with the Bank of Marin for a 20-year \$8.0 million construction loan with an interest rate of 3.42% per annum for the North Marin aqueduct energy efficiency project and West Marin water improvements. The loan is scheduled to mature in September of fiscal year 2033. A principal and interest payment of \$46,067 is payable monthly on the 27th day of each month. Future annual debt service requirements on the loan are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|------------------|-------------------|
| 2014 | \$ 300,451 | 252,349 | 552,800 |
| 2015 | 310,686 | 242,114 | 552,800 |
| 2016 | 321,490 | 231,310 | 552,800 |
| 2017 | 332,657 | 220,143 | 552,800 |
| 2018 | 344,213 | 208,587 | 552,800 |
| 2019-2023 | 1,908,939 | 855,061 | 2,764,000 |
| 2024-2028 | 2,264,334 | 499,666 | 2,764,000 |
| 2029-2033 | <u>1,739,190</u> | <u>103,477</u> | <u>1,842,667</u> |
| Total | \$ 7,521,960 | <u>2,612,707</u> | <u>10,134,667</u> |
| Less current portion | <u>(300,451)</u> | | |
| Total non-current | \$ <u>7,221,509</u> | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(15) Net Position

Calculation of net position per fund as of June 30, 2013, were as follows:

| | <u>Novato Water</u> | <u>Novato Recycled</u> | <u>West Marin Water</u> | <u>Oceana Marin Sewer</u> | <u>Total</u> |
|---|-------------------------|----------------------------|-----------------------------|-------------------------------|-------------------|
| Net investment in capital assets: | | | | | |
| Capital assets, not being depreciated | \$ 3,942,108 | 8,806,758 | 679,948 | 237,882 | 13,666,696 |
| Depreciable capital assets, net | 67,806,510 | 10,237,067 | 3,835,247 | 656,692 | 82,535,516 |
| Capital project loan proceeds unused | 2,928,882 | 622,735 | 509,261 | - | 4,060,878 |
| Current: | | | | | |
| Bonds payable | - | - | (21,731) | - | (21,731) |
| Loans payable | (633,523) | (560,929) | (40,603) | - | (1,235,055) |
| Non-current: | | | | | |
| Bonds payable | - | - | (159,921) | - | (159,921) |
| Loans payable | (19,825,258) | (12,247,925) | (933,476) | - | (33,006,659) |
| Total net investment in capital assets | <u>54,218,719</u> | <u>6,857,706</u> | <u>3,868,725</u> | <u>894,574</u> | <u>65,839,724</u> |
| Restricted net position: | | | | | |
| Connection fee reserve | 13 | - | 166,144 | - | 166,157 |
| Wohler pipeline reserve | 403,678 | - | - | - | 403,678 |
| Collector No. 6 reserve | 1,573,822 | - | - | - | 1,573,822 |
| Olema bond reserve | 12,189 | - | - | - | 12,189 |
| Cash reserve for debt service | - | - | 34,681 | - | 34,681 |
| Accrued interest for debt service | - | - | (4,075) | - | (4,075) |
| Total restricted net position | <u>1,989,702</u> | <u>-</u> | <u>196,750</u> | <u>-</u> | <u>2,186,452</u> |
| Unrestricted net position: | | | | | |
| Non-spendable net position: | | | | | |
| Current: | | | | | |
| Materials and supplies inventory | 609,237 | - | - | - | 609,237 |
| Prepaid expenses and deposits | 38,248 | - | 7,832 | 1,016 | 47,096 |
| Non-current: | | | | | |
| Note receivable – Black Point Golf Links | - | 2,137,470 | - | - | 2,137,470 |
| Notes receivable – employee housing loans, net | 1,331,785 | - | - | - | 1,331,785 |
| Deferred charges, net | - | - | - | - | - |
| Total non-spendable net position | <u>1,979,270</u> | <u>2,137,470</u> | <u>7,832</u> | <u>1,016</u> | <u>4,125,588</u> |
| Spendable net position are designated as follows: | | | | | |
| Other post-employment benefits reserve | 3,189,034 | - | - | - | 3,189,034 |
| Operating reserve | 5,862,220 | (377,031) | 92,863 | 178,428 | 5,756,480 |
| Total spendable net position | <u>9,051,254</u> | <u>(377,031)</u> | <u>92,863</u> | <u>178,428</u> | <u>8,945,514</u> |
| Total unrestricted net position | <u>11,030,524</u> | <u>1,760,439</u> | <u>100,695</u> | <u>179,444</u> | <u>13,071,102</u> |
| Total net position | <u>\$ 67,238,945</u> | <u>8,618,145</u> | <u>4,166,170</u> | <u>1,074,018</u> | <u>81,097,278</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(15) Net Position, continued

Calculation of net position per fund as of June 30, 2012, were as follows:

| | <u>Novato Water</u> | <u>Novato Recycled</u> | <u>West Marin Water</u> | <u>Oceana Marin Sewer</u> | <u>Total</u> |
|---|-------------------------|----------------------------|-----------------------------|-------------------------------|-------------------|
| Net investment in capital assets: | | | | | |
| Capital assets, not being depreciated | \$ 4,051,478 | 8,117,923 | 428,610 | 85,862 | 12,683,873 |
| Depreciable capital assets, net | 68,290,445 | 4,241,628 | 3,856,368 | 630,711 | 77,019,152 |
| Capital project loan proceeds unused | 3,067,228 | - | 784,932 | - | 3,852,160 |
| Current: | | | | | |
| Bonds payable | - | - | (35,553) | - | (35,553) |
| Loans payable | (615,493) | (191,534) | (39,185) | - | (846,212) |
| Non-current: | | | | | |
| Bonds payable | - | - | (173,650) | - | (173,650) |
| Loans payable | (20,811,504) | (8,831,731) | (974,057) | - | (30,617,292) |
| Total net investment in capital assets | <u>53,982,154</u> | <u>3,336,286</u> | <u>3,847,465</u> | <u>716,573</u> | <u>61,882,478</u> |
| Restricted net position: | | | | | |
| Connection fee reserve | 757,461 | - | - | 49,957 | 807,418 |
| Wohler pipeline reserve | 398,721 | - | - | - | 398,721 |
| Collector No. 6 reserve | 1,729,274 | - | - | - | 1,729,274 |
| Olema bond reserve | 12,117 | - | - | - | 12,117 |
| Cash reserve for debt service | - | - | 47,964 | - | 47,964 |
| Accrued interest for debt service | - | - | (2,439) | - | (2,439) |
| Total restricted net position | <u>2,897,573</u> | <u>-</u> | <u>45,525</u> | <u>49,957</u> | <u>2,993,055</u> |
| Unrestricted net position: | | | | | |
| Non-spendable net position: | | | | | |
| Current: | | | | | |
| Materials and supplies inventory | 612,966 | - | - | - | 612,966 |
| Prepaid expenses and deposits | 39,100 | - | - | 1,352 | 40,452 |
| Non-current: | | | | | |
| Note receivable – Black Point Golf Links | - | 2,333,983 | - | - | 2,333,983 |
| Notes receivable – employee housing loans | 1,051,785 | - | - | - | 1,051,785 |
| Deferred charges, net | 77,500 | - | 11,376 | - | 88,876 |
| Total non-spendable net position | <u>1,781,351</u> | <u>2,333,983</u> | <u>11,376</u> | <u>1,352</u> | <u>4,128,062</u> |
| Spendable net position are designated as follows: | | | | | |
| Other post-employment benefits reserve | 3,065,753 | - | - | - | 3,065,753 |
| Operating reserve | 4,062,707 | (390,843) | 47,103 | 273,075 | 3,992,042 |
| Total spendable net position | <u>7,128,460</u> | <u>(390,843)</u> | <u>47,103</u> | <u>273,075</u> | <u>7,057,795</u> |
| Total unrestricted net position | <u>8,909,811</u> | <u>1,943,140</u> | <u>58,479</u> | <u>274,427</u> | <u>11,185,857</u> |
| Total net position | <u>\$ 65,789,538</u> | <u>5,279,426</u> | <u>3,951,469</u> | <u>1,040,957</u> | <u>76,061,390</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(16) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2013 and 2012 was \$3,794,645 and \$3,406,553, respectively.

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

(17) Defined Benefit Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution rate for plan members in the CalPERS 2.5% at 55 Risk Pool Retirement Plan is 8.00% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Beginning January 1, 2013, District employees began contributing 1.60% of their 8.00% member rate with the District contributing the remaining 6.40%. The District's labor agreement with its employees association requires that employees pay the full 8.00%, phased in annually each October 1st, by 2016. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal year 2013, 2012 and 2011 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Second-Tier – Beginning January 1, 2013

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. The District filed a Certification of Memorandum of Understanding (MOU) Impairment with CalPERS prior to January 1, 2013. All District employees, including those employees hired on or after January 1, 2013 contribute 1.6% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(17) Defined Benefit Pension Plan, continued

For fiscal years 2013, 2012 and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> | <u>APC Percentage of Payroll</u> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|----------------------------------|
| 2010-2011 | \$ 913,677 | 100% | - | 15.309% |
| 2011-2012 | 1,031,112 | 100% | - | 18.154% |
| 2012-2013 | 1,068,211 | 100% | - | 18.947% |

See Page 45 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

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

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

| | |
|---------------------------------------|---|
| Valuation date | June 30, 2011 |
| Actuarial cost method | Entry age normal cost method |
| Amortization method | Level percent of payroll, open |
| Average remaining amortization period | 21 years as of the valuation date |
| Asset valuation method | 15 year smoothed market |
| Actuarial assumptions: | |
| Discount rate | 7.50% (net of administrative expenses) |
| Projected salary increase | 3.30% to 14.20% depending on age, service, and type of employment |
| Inflation | 2.75% |
| Payroll growth | 3.00% |
| Individual salary growth | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% |

(18) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance policies with a variety of coverage including a \$10.0 million excess general liability policy with a \$1.0 million self-insured retention limit, a \$54,624,000 property and equipment policy, a \$1.0 million public official's policy and a \$500,000 employee fidelity bond.

(19) Commitments and Contingencies

Wohler/Collector No. 6 Agreement

The District is party to an agreement with the Sonoma County Water Agency (SCWA) that provides, among other matters, that the District is obligated to pay for a prorated share of certain SCWA's costs to improve or expand the SCWA's water utility plant. The agreement expires on June 30, 2040 and is subject to renewal for 40-year terms. Under the agreement, the District is obligated to pay promptly all billings from the SCWA and may not withhold payment pending resolution of disputes, if any, which might exist between the District and SCWA. At June 30, 2013, the District's reserve balances for these obligations were \$403,678 (Wohler Pipeline) and \$1,573,822 (Collector #6).

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(19) Commitments and Contingencies, continued

Novato Sanitary District

The District has entered into a contract with the Novato Sanitary District (NSD) which requires NSD to supply secondary treated effluent of sufficient quantity to the District for the recycled water treatment operation. The District pays NSD \$20 per year for an annual lease of the site for the Deer Island recycled water treatment facility which is owned and operated by the District.

Solar Power Services, Facilities and Site Agreement

In February 2012, the District entered into a Solar Power Services Agreement to purchase all the solar power generated from the Solar Power Generating Facility constructed near the District's Stafford Treatment Plant facilities at a Take-or-Pay price of \$0.1700 per kilowatt hour escalating 3.0% annually to \$0.2981 per kilowatt hour over a 20-year contract period. Also, in February 2012, the District executed a 20-year lease with the Solar Services company to construct the Solar Power Generating Facility on District land for a land lease of \$100 for the period (or \$5 per year).

Construction Contracts

The District has a variety of agreements with developers and private parties relating to the installation, improvement or modification of transmission facilities and distribution systems within its service area. The financing of such improvements is provided primarily from advances for construction and the districts capital replacement reserve. The District has committed to approximately \$365,306 in remaining costs of open construction contracts as of June 30, 2013.

Grant Awards

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

Litigation

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

(20) Subsequent Event

Events occurring after June 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2013, which is the date the financial statements were available to be issued.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(21) Governmental Accounting Standards Board Statements

Implementation of New Accounting Pronouncements

For the year ended June 30, 2013, the District implemented the following Governmental Accounting Standards Board pronouncements:

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard address how to account for and report service concession arrangements, a type of public-private or public-public partnership that state and local governments are increasingly entering into. There were no Concession Arrangements entered into by the District.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*.

Governmental Accounting Standards Board Statement No. 62

In December 2010, The GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the **FASB & AICPA pronouncements**. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Governmental Accounting Standards Board Statement No. 65

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(21) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 66

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections—2013—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 70

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

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Required Supplementary Information

**North Marin Water District
Schedule of Funding Status
For the Years Ended June 30, 2013 and 2012**

1. Defined Benefit Pension Plan

| Development of the Actuarial Value of Assets Calculation in a Risk Pool | | | |
|---|---------------|---------------|---------------|
| The District is part of the CalPERS Miscellaneous 2.5% at 55 yrs. Risk Pool | June 30, 2011 | June 30, 2012 | June 30, 2013 |
| 1. Plan's accrued liability | \$ 33,289,875 | - | - |
| 2. Plan's side fund | (2,272,881) | - | - |
| 3. Pool's accrued liability | 2,135,350,204 | - | - |
| 4. Pool's side fund | (117,829,589) | - | - |
| 5. Pool's actuarial value of assets (AVA) including receivables | 1,724,200,585 | - | - |
| 6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5] | 26,507,545 | - | - |
| 7. Pool's market value of assets (MVA) including receivables | 1,543,100,350 | - | - |
| 8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7] | 23,723,343 | - | - |

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

| Actuarial Valuation Date | Actuarial Accrued Liability (a) | Actuarial Value of Assets (AVA) (b) | Market Value of Assets (MVA) (c) | Funded Ratio | | Annual Covered Payroll |
|--------------------------|---------------------------------|-------------------------------------|----------------------------------|--------------|-----------|------------------------|
| | | | | AVA (b/a) | MVA (c/a) | |
| June 30, 2011 | \$ 33,289,875 | 26,507,545 | 23,723,343 | 79.63% | 71.26% | \$ 3,965,056 |
| June 30, 2012 | * | - | - | 0.00% | 0.00% | - |
| June 30, 2013 | * | - | - | 0.00% | 0.00% | - |

* CalPERS has not provided the information for these periods as of the date of the audit report.

2. Other Post-Employment Benefits Payable

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---------------------------------|---|--------------------|---------------------|---|
| July 1, 2012 | \$ - | 3,130,628 | 3,130,628 | 0.00% | \$ 4,348,543 | 71.99% |
| July 1, 2009 | - | 2,601,556 | 2,601,556 | 0.00% | 4,418,559 | 58.88% |
| July 1, 2006 | - | 2,637,574 | 2,637,574 | 0.00% | 4,262,790 | 61.87% |

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016 based on the year ending June 30, 2015. (See Notes 13 and 15 for District other post-employment benefits reserve designations)

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Supplemental Information

Combining Schedules

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2013

| <u>Assets</u> | <u>Novato Water</u> | <u>Novato Recycled</u> | <u>West Marin Water</u> | <u>Oceana Marin Sewer</u> | <u>Total</u> |
|--|-----------------------------|----------------------------|-----------------------------|-------------------------------|---------------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 3,134,222 | - | - | 192,042 | 3,326,264 |
| Restricted – cash and cash equivalents | 2,371,904 | 622,735 | 698,710 | - | 3,693,349 |
| Accrued interest receivable | 10,772 | - | - | - | 10,772 |
| Accounts receivable – water and sewer sales | 3,091,103 | 189,562 | 150,777 | 1,738 | 3,433,180 |
| Accounts receivable – governmental agencies | 613,517 | 231,562 | - | - | 845,079 |
| Accounts receivable – other | 85,261 | - | - | 1,000 | 86,261 |
| Capital grants and loan proceeds receivable | - | 4,060,378 | - | - | 4,060,378 |
| Note receivable – property tax from state | - | - | - | - | - |
| Note receivable – Black Point Golf Links | - | 196,513 | - | - | 196,513 |
| Notes receivable – employee computer loans | 2,138 | - | - | - | 2,138 |
| Provision for pension related debt – current portion | 79,928 | - | - | - | 79,928 |
| Materials and supplies inventory | 609,237 | - | - | - | 609,237 |
| Prepaid expenses and deposits | 38,248 | - | 7,832 | 1,016 | 47,096 |
| Total current assets | <u>10,036,330</u> | <u>5,300,750</u> | <u>857,319</u> | <u>195,796</u> | <u>16,390,195</u> |
| Non-current assets: | | | | | |
| Restricted – investments | 3,006,442 | - | - | - | 3,006,442 |
| Internal balances | 4,755,421 | (4,755,421) | - | - | - |
| Note receivable – Black Point Golf Links | - | 2,137,470 | - | - | 2,137,470 |
| Notes receivable – employee housing loans, net | 1,331,785 | - | - | - | 1,331,785 |
| Provision for pension related debt | 2,073,696 | - | - | - | 2,073,696 |
| Deferred charges, net | - | - | - | - | - |
| Capital assets, not being depreciated | 3,942,108 | 8,806,758 | 679,948 | 237,882 | 13,666,696 |
| Depreciable capital assets, net | 67,806,510 | 10,237,067 | 3,835,247 | 656,692 | 82,535,516 |
| Total non-current assets | <u>82,915,962</u> | <u>16,425,874</u> | <u>4,515,195</u> | <u>894,574</u> | <u>104,751,605</u> |
| Total assets | \$ <u>92,952,292</u> | <u>21,726,624</u> | <u>5,372,514</u> | <u>1,090,370</u> | <u>121,141,800</u> |
| <u>Liabilities and Net Position</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 1,269,462 | 226,071 | - | 5,512 | 1,501,045 |
| Accrued wages and related payables | 164,207 | 8,612 | 25,627 | 9,093 | 207,539 |
| Accrued claims payable | 21,285 | 247 | 697 | 247 | 22,476 |
| Customer advances and deposits | 459,762 | 938 | 20,214 | 1,500 | 482,414 |
| Accrued interest payable – long-term debt | 3,984 | 63,757 | 4,075 | - | 71,816 |
| Long-term liabilities – due within one year: | | | | | |
| Compensated absences | 149,008 | - | - | - | 149,008 |
| Bonds payable | - | - | 21,731 | - | 21,731 |
| Loans payable | 633,523 | 560,929 | 40,603 | - | 1,235,055 |
| Pension related debt | 79,928 | - | - | - | 79,928 |
| Total current liabilities | <u>2,781,159</u> | <u>860,554</u> | <u>112,947</u> | <u>16,352</u> | <u>3,771,012</u> |
| Non-current liabilities: | | | | | |
| Long-term liabilities – due in more than one year: | | | | | |
| Compensated absences | 447,025 | - | - | - | 447,025 |
| Other post-employment benefits payable | 586,209 | - | - | - | 586,209 |
| Bonds payable | - | - | 159,921 | - | 159,921 |
| Loans payable | 19,825,258 | 12,247,925 | 933,476 | - | 33,006,659 |
| Pension related debt | 2,073,696 | - | - | - | 2,073,696 |
| Total non-current liabilities | <u>22,932,188</u> | <u>12,247,925</u> | <u>1,093,397</u> | <u>-</u> | <u>36,273,510</u> |
| Total liabilities | <u>25,713,347</u> | <u>13,108,479</u> | <u>1,206,344</u> | <u>16,352</u> | <u>40,044,522</u> |
| Net position: | | | | | |
| Net investment in capital assets | 54,218,719 | 6,857,706 | 3,868,725 | 894,574 | 65,839,724 |
| Restricted for capital projects and debt service | 1,989,702 | - | 196,750 | - | 2,186,452 |
| Unrestricted | 11,030,524 | 1,760,439 | 100,695 | 179,444 | 13,071,102 |
| Total net position | <u>67,238,945</u> | <u>8,618,145</u> | <u>4,166,170</u> | <u>1,074,018</u> | <u>81,097,278</u> |
| Total liabilities and net position | \$ <u>92,952,292</u> | <u>21,726,624</u> | <u>5,372,514</u> | <u>1,090,370</u> | <u>121,141,800</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2012

| <u>Assets</u> | Novato Water | Novato Recycled | West Marin Water | Oceana Marin Sewer | Total |
|--|-----------------------------|--------------------------|-------------------------|-------------------------|---------------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 3,149,581 | - | - | 291,415 | 3,440,996 |
| Restricted – cash and cash equivalents | 5,183,387 | - | 832,896 | 51,957 | 6,068,240 |
| Accrued interest receivable | 12,441 | - | - | - | 12,441 |
| Accounts receivable – water and sewer sales | 2,825,719 | 137,020 | 113,873 | 2,754 | 3,079,366 |
| Accounts receivable – governmental agencies | 564,454 | - | - | - | 564,454 |
| Accounts receivable – other | 28,063 | - | 627 | 58 | 28,748 |
| Capital grants and loan proceeds receivable | - | 4,194,515 | - | - | 4,194,515 |
| Note receivable – property tax from state | - | - | 3,795 | 4,044 | 7,839 |
| Note receivable – Black Point Golf Links | - | 191,861 | - | - | 191,861 |
| Notes receivable – employee computer loans | 6,143 | - | - | - | 6,143 |
| Provision for pension related debt – current portion | 67,809 | - | - | - | 67,809 |
| Materials and supplies inventory | 612,966 | - | - | - | 612,966 |
| Prepaid expenses and deposits | 39,100 | - | - | 1,352 | 40,452 |
| Total current assets | <u>12,489,663</u> | <u>4,523,396</u> | <u>951,191</u> | <u>351,580</u> | <u>18,315,830</u> |
| Non-current assets: | | | | | |
| Restricted – investments | 1,012,117 | - | - | - | 1,012,117 |
| Internal balances | 3,287,069 | (3,287,069) | - | - | - |
| Note receivable – Black Point Golf Links | - | 2,333,983 | - | - | 2,333,983 |
| Notes receivable – employee housing loans, net | 1,051,785 | - | - | - | 1,051,785 |
| Provision for pension related debt | 2,153,768 | - | - | - | 2,153,768 |
| Deferred charges, net | 77,500 | - | 11,376 | - | 88,876 |
| Capital assets, not being depreciated | 4,051,478 | 8,117,923 | 428,610 | 85,862 | 12,683,873 |
| Depreciable capital assets, net | <u>68,290,445</u> | <u>4,241,628</u> | <u>3,856,368</u> | <u>630,711</u> | <u>77,019,152</u> |
| Total non-current assets | <u>79,924,162</u> | <u>11,406,465</u> | <u>4,296,354</u> | <u>716,573</u> | <u>96,343,554</u> |
| Total assets | \$ <u>92,413,825</u> | <u>15,929,861</u> | <u>5,247,545</u> | <u>1,068,153</u> | <u>114,659,384</u> |
| <u>Liabilities and Net Position</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 1,537,372 | 1,602,009 | - | 15,226 | 3,154,607 |
| Accrued wages and related payables | 131,921 | 9,152 | 28,713 | 9,699 | 179,485 |
| Accrued claims payable | 20,440 | 272 | 800 | 271 | 21,783 |
| Customer advances and deposits | 230,703 | - | 41,679 | 2,000 | 274,382 |
| Accrued interest payable – long-term debt | 4,681 | 15,737 | 2,439 | - | 22,857 |
| Long-term liabilities – due within one year: | | | | | |
| Compensated absences | 143,966 | - | - | - | 143,966 |
| Bonds payable | - | - | 35,553 | - | 35,553 |
| Loans payable | 615,493 | 191,534 | 39,185 | - | 846,212 |
| Pension related debt | 67,809 | - | - | - | 67,809 |
| Total current liabilities | <u>2,752,385</u> | <u>1,818,704</u> | <u>148,369</u> | <u>27,196</u> | <u>4,746,654</u> |
| Non-current liabilities: | | | | | |
| Long-term liabilities – due in more than one year: | | | | | |
| Compensated absences | 431,897 | - | - | - | 431,897 |
| Other post-employment benefits payable | 474,733 | - | - | - | 474,733 |
| Bonds payable | - | - | 173,650 | - | 173,650 |
| Loans payable | 20,811,504 | 8,831,731 | 974,057 | - | 30,617,292 |
| Pension related debt | 2,153,768 | - | - | - | 2,153,768 |
| Total non-current liabilities | <u>23,871,902</u> | <u>8,831,731</u> | <u>1,147,707</u> | <u>-</u> | <u>33,851,340</u> |
| Total liabilities | <u>26,624,287</u> | <u>10,650,435</u> | <u>1,296,076</u> | <u>27,196</u> | <u>38,597,994</u> |
| Net position: | | | | | |
| Net investment in capital assets | 53,982,154 | 3,336,286 | 3,847,465 | 716,573 | 61,882,478 |
| Restricted for capital projects and debt service | 2,897,573 | - | 45,525 | 49,957 | 2,993,055 |
| Unrestricted | 8,909,811 | 1,943,140 | 58,479 | 274,427 | 11,185,857 |
| Total net position | <u>65,789,538</u> | <u>5,279,426</u> | <u>3,951,469</u> | <u>1,040,957</u> | <u>76,061,390</u> |
| Total liabilities and net position | \$ <u>92,413,825</u> | <u>15,929,861</u> | <u>5,247,545</u> | <u>1,068,153</u> | <u>114,659,384</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

| | Novato Water | Novato Recycled | West Marin Water | Oceana Marin Sewer | Inter-District Eliminations | Total |
|--|----------------------|--------------------|---------------------|-----------------------|--------------------------------|-------------------|
| Operating revenues: | | | | | | |
| Water consumption sales | \$ 13,037,719 | 334,435 | 614,880 | - | - | 13,987,034 |
| Bi-monthly meter service charge | 3,484,240 | 7,501 | 138,684 | - | - | 3,630,425 |
| Sewer service charges | - | - | - | 157,992 | - | 157,992 |
| Water conservation projects | 1,260 | - | - | - | - | 1,260 |
| Other charges and services | 474,339 | 510 | 5,078 | - | - | 479,927 |
| Total operating revenues | 16,997,558 | 342,446 | 758,642 | 157,992 | - | 18,256,638 |
| Operating expenses: | | | | | | |
| Source of supply | 5,240,210 | 80,617 | 22,161 | - | - | 5,342,988 |
| Pumping | 323,223 | 398 | 28,195 | - | - | 351,816 |
| Water facilities operations | 615,691 | 66,623 | 34,466 | - | - | 716,780 |
| Water treatment | 1,830,439 | 42,868 | 113,619 | - | - | 1,986,926 |
| Transmission and distribution | 2,177,332 | 38,276 | 124,722 | - | - | 2,340,330 |
| Sewage collection and treatment | - | - | - | 127,903 | - | 127,903 |
| Customer service | 528,093 | - | 21,947 | 2,162 | - | 552,202 |
| General and administrative | 1,369,979 | 15,852 | 45,864 | 18,098 | - | 1,449,793 |
| Improvement projects | - | - | - | - | - | - |
| Water conservation projects | 266,250 | - | 5,857 | - | - | 272,107 |
| Total operating expenses | 12,351,217 | 244,634 | 396,831 | 148,163 | - | 13,140,845 |
| Operating income before depreciation | 4,646,341 | 97,812 | 361,811 | 9,829 | - | 5,115,793 |
| Depreciation | (2,425,744) | (174,242) | (148,654) | (44,720) | - | (2,793,360) |
| Operating income(loss) | 2,220,597 | (76,430) | 213,157 | (34,891) | - | 2,322,433 |
| Non-operating revenues(expenses): | | | | | | |
| Property tax revenue | - | - | 44,987 | 43,101 | - | 88,088 |
| Investment earnings | 194,366 | 58,711 | 3,252 | 724 | (176,340) | 80,713 |
| Rental revenue | 67,433 | - | 3,917 | 500 | - | 71,850 |
| Gain from dental liability reserve offset | - | - | - | - | - | - |
| Interest expense – long-term debt | (573,539) | (337,480) | (44,084) | - | 176,340 | (778,763) |
| Amortization of deferred charges | (77,500) | - | (11,376) | - | - | (88,876) |
| Allowance for impairment of employee housing loans | 280,000 | - | - | - | - | 280,000 |
| Other non-operating revenues | 86,437 | 115 | 1,987 | 19,253 | - | 107,792 |
| Other non-operating expenses | (7,033) | (38,047) | (588) | (626) | - | (46,294) |
| Total non-operating revenues, net | (29,836) | (316,701) | (1,905) | 62,952 | - | (285,490) |
| Net income(loss) before capital contributions | 2,190,761 | (393,131) | 211,252 | 28,061 | - | 2,036,943 |
| Capital contributions: | | | | | | |
| Developers and others | 302,298 | - | (1,451) | 5,000 | - | 305,847 |
| Contributed capital assets | 55,298 | - | - | - | - | 55,298 |
| Connection fees | 871,450 | - | 4,900 | - | - | 876,350 |
| Capital grants – federal | - | 1,232,700 | - | - | - | 1,232,700 |
| Capital grants – state and local | - | 528,750 | - | - | - | 528,750 |
| Capital contributions | 1,229,046 | 1,761,450 | 3,449 | 5,000 | - | 2,998,945 |
| Change in net position | 3,419,807 | 1,368,319 | 214,701 | 33,061 | - | 5,035,888 |
| Net position transfer | (1,970,400) | 1,970,400 | - | - | - | - |
| Net position, beginning of year | 65,789,538 | 5,279,426 | 3,951,469 | 1,040,957 | - | 76,061,390 |
| Net position, end of year | \$ 67,238,945 | 8,618,145 | 4,166,170 | 1,074,018 | - | 81,097,278 |

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2012

| | Novato Water | Novato Recycled | West Marin Water | Oceana Marin Sewer | Inter-District Eliminations | Total |
|--|----------------------|--------------------|---------------------|-----------------------|--------------------------------|-------------------|
| Operating revenues: | | | | | | |
| Water consumption sales | \$ 11,419,959 | 218,588 | 518,218 | - | - | 12,156,765 |
| Bi-monthly meter service charge | 2,741,700 | 3,347 | 115,583 | - | - | 2,860,630 |
| Sewer service charges | - | - | - | 157,311 | - | 157,311 |
| Water conservation projects | 16,095 | - | - | - | - | 16,095 |
| Other charges and services | 240,459 | 402 | 4,071 | - | - | 244,932 |
| Total operating revenues | 14,418,213 | 222,337 | 637,872 | 157,311 | - | 15,435,733 |
| Operating expenses: | | | | | | |
| Source of supply | 5,128,688 | - | 21,495 | - | - | 5,150,183 |
| Pumping | 284,766 | 1,083 | 18,226 | - | - | 304,075 |
| Water facilities operations | 633,521 | 45,440 | 29,609 | - | - | 708,570 |
| Water treatment | 1,564,461 | 71,500 | 111,205 | - | - | 1,747,166 |
| Transmission and distribution | 2,248,716 | 4,323 | 120,093 | - | - | 2,373,132 |
| Sewage collection and treatment | - | - | - | 112,801 | - | 112,801 |
| Customer service | 554,531 | - | 23,367 | 2,636 | - | 580,534 |
| General and administrative | 1,260,343 | 19,342 | 56,945 | 22,052 | - | 1,358,682 |
| Improvement projects | 3,383 | - | - | - | - | 3,383 |
| Water conservation projects | 270,328 | - | 2,008 | - | - | 272,336 |
| Total operating expenses | 11,948,737 | 141,688 | 382,948 | 137,489 | - | 12,610,862 |
| Operating income before depreciation | 2,469,476 | 80,649 | 254,924 | 19,822 | - | 2,824,871 |
| Depreciation | (2,372,380) | (162,965) | (150,169) | (41,084) | - | (2,726,598) |
| Operating income(loss) | 97,096 | (82,316) | 104,755 | (21,262) | - | 98,273 |
| Non-operating revenues(expenses): | | | | | | |
| Property tax revenue | - | - | 58,293 | 43,266 | - | 101,559 |
| Investment earnings | 66,246 | 63,342 | - | 1,386 | (8,376) | 122,598 |
| Rental revenue | 65,282 | - | 3,424 | 500 | - | 69,206 |
| Gain from dental liability reserve offset | 174,119 | - | - | - | - | 174,119 |
| Interest expense – long-term debt | (540,648) | (106,855) | (18,210) | - | 8,376 | (657,337) |
| Amortization of deferred charges | (3,065) | - | - | - | - | (3,065) |
| Allowance for impairment of employee housing loans | (390,000) | - | - | - | - | (390,000) |
| Other non-operating revenues | 59,968 | - | 723 | 195 | - | 60,886 |
| Other non-operating expenses | (4,688) | (616) | (3,295) | (685) | - | (9,284) |
| Total non-operating revenues, net | (572,786) | (44,129) | 40,935 | 44,662 | - | (531,318) |
| Net income(loss) before capital contributions | (475,690) | (126,445) | 145,690 | 23,400 | - | (433,045) |
| Capital contributions: | | | | | | |
| Developers and others | 369,242 | - | 53,803 | - | - | 423,045 |
| Contributed capital assets | 224,252 | - | - | - | - | 224,252 |
| Connection fees | 969,080 | - | 36,600 | - | - | 1,005,680 |
| Capital grants – federal | - | 1,548,002 | - | - | - | 1,548,002 |
| Capital grants – state and local | - | - | - | - | - | - |
| Capital contributions | 1,562,574 | 1,548,002 | 90,403 | - | - | 3,200,979 |
| Change in net position | 1,086,884 | 1,421,557 | 236,093 | 23,400 | - | 2,767,934 |
| Net position transfer | - | - | - | - | - | - |
| Net position, beginning of year | 64,702,654 | 3,857,869 | 3,715,376 | 1,017,557 | - | 73,293,456 |
| Net position, end of year | \$ 65,789,538 | 5,279,426 | 3,951,469 | 1,040,957 | - | 76,061,390 |

See accompanying notes to the basic financial statements

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Statistical Information Section

North Marin Water District Statistical Section

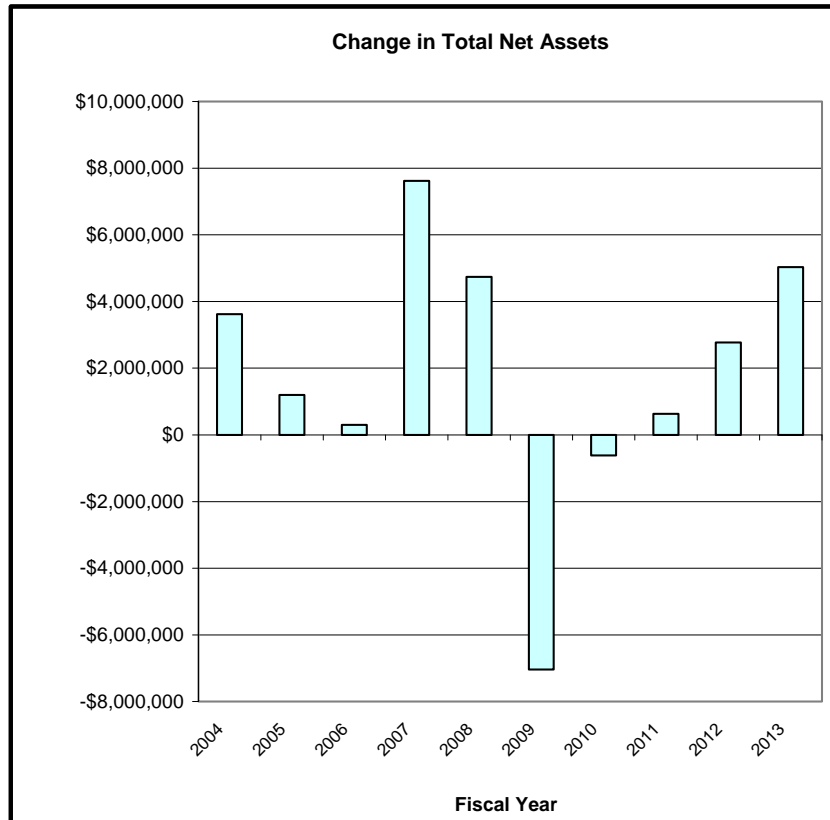
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Table of Contents

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|--|-----------------|
| Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time. | 51-55 |
| Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales. | 56-59 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | 60-61 |
| Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place. | 62-63 |
| Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides. | 64-65 |

North Marin Water District Changes in Net Assets and Net Assets by Component Last Ten Fiscal Years

| | Fiscal Year | | |
|--|----------------------|---------------------|----------------------|
| | 2004 | 2005 | 2006 |
| Change in net assets: | | | |
| Operating revenues (see schedule 2) | \$8,545,299 | \$9,545,264 | \$10,089,848 |
| Operating expenses (see schedule 3) | (8,599,620) | (9,055,754) | (10,605,417) |
| Depreciation and amortization | (996,414) | (1,004,844) | (1,069,150) |
| Operating income(loss) | (\$1,050,735) | (\$515,334) | (\$1,584,719) |
| Net non-op revenue(expense) (see schedule 4) | 724,241 | (389,534) | (251,982) |
| Net income(loss) before capital contributions | (\$326,494) | (\$904,868) | (\$1,836,701) |
| Capital contributions | 3,951,431 | 2,099,524 | 2,133,298 |
| Change in net assets | \$3,624,937 | \$1,194,656 | \$296,597 |
| Net assets by component: | | | |
| Invested in capital assets, net of related debt | \$54,732,557 | \$54,510,568 | \$57,718,713 |
| Restricted | 15,275,334 | 6,721,908 | 7,130,109 |
| Unrestricted | (1,158,564) | 9,785,723 | 6,465,974 |
| Total net assets | \$68,849,327 | \$71,018,199 | \$71,314,796 |



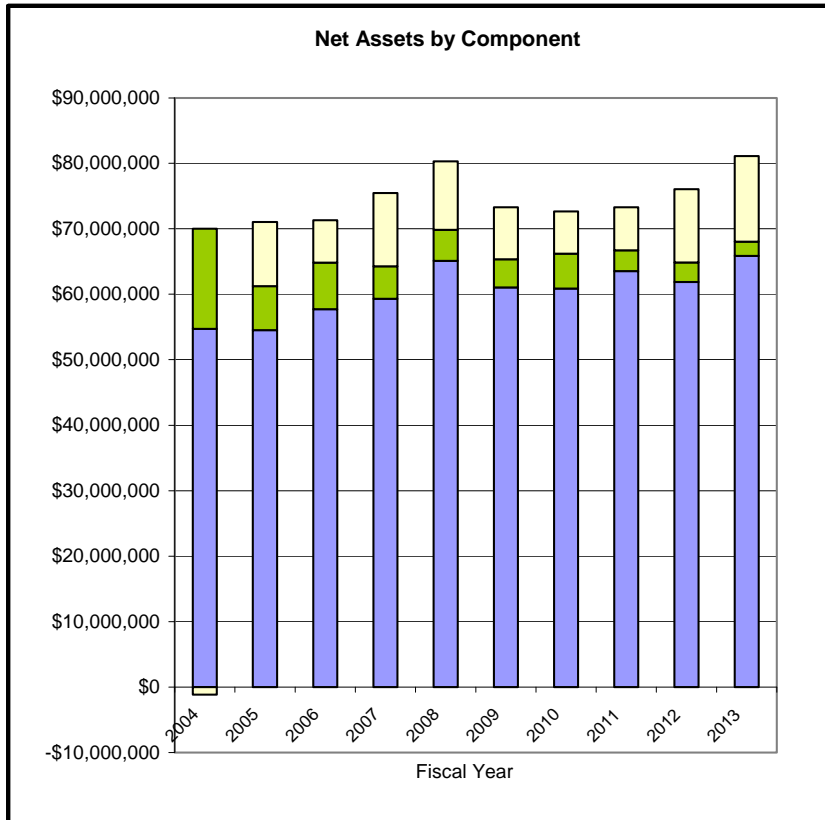
Source: North Marin Water District Audited Financial Statements

(1) Asset lives were adjusted in November 2008 which resulted in a large depreciation adjustment

**North Marin Water District
Changes in Net Assets and Net Assets by Component
Last Ten Fiscal Years, continued**

Schedule 1

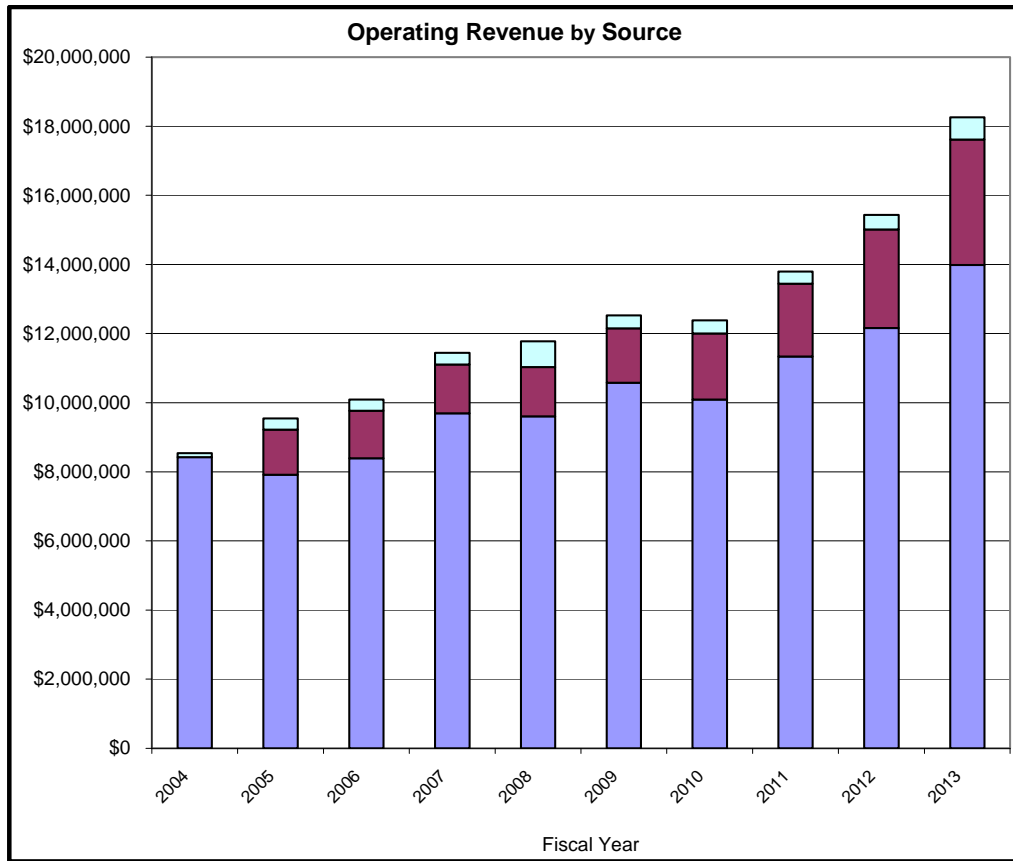
| Fiscal Year | | | | | | |
|---------------|---------------|-----------------------------|---------------|---------------|--------------|--------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$11,848,037 | \$11,779,157 | \$12,526,294 | \$12,381,493 | \$13,797,012 | \$15,435,733 | \$18,256,638 |
| (12,555,989) | (12,538,993) | (13,257,125) | (13,083,372) | (11,878,612) | (12,610,862) | (13,140,845) |
| (1,490,077) | (1,761,673) | (10,091,139) ⁽¹⁾ | (2,659,883) | (2,660,418) | (2,726,598) | (2,793,360) |
| (\$2,198,029) | (\$2,521,509) | (\$10,821,970) | (\$3,361,762) | (\$742,018) | \$98,273 | \$2,322,433 |
| 1,178,739 | 197,211 | 8,954 | (255,218) | (414,563) | (531,318) | (285,490) |
| (\$1,019,290) | (\$2,324,298) | (\$10,813,016) | (\$3,616,980) | (\$1,156,581) | (\$433,045) | \$2,036,943 |
| 8,639,031 | 7,061,891 | 3,776,402 | 2,998,366 | 1,785,475 | 3,200,979 | 2,998,945 |
| \$7,619,741 | \$4,737,593 | (\$7,036,614) | (\$618,614) | \$628,894 | \$2,767,934 | \$5,035,888 |
| \$59,290,284 | \$65,099,863 | \$61,057,551 | \$60,880,162 | \$63,542,479 | \$61,882,478 | \$65,839,724 |
| 4,994,444 | 4,743,194 | 4,304,331 | 5,321,639 | 3,171,305 | 2,993,055 | 2,186,452 |
| 11,179,233 | 10,476,733 | 7,921,294 | 6,462,761 | 6,579,672 | 11,185,857 | 13,071,102 |
| \$75,463,961 | \$80,319,790 | \$73,283,176 | \$72,664,562 | \$73,293,456 | \$76,061,390 | \$81,097,278 |



**North Marin Water District
Operating Revenue by Source
Last Ten Fiscal Years**

Schedule 2

| Fiscal Year | Water Sales | Bi-Monthly Service Charges | Other Charges and Services | Total Operating Revenue |
|--------------------|--------------------|-----------------------------------|-----------------------------------|--------------------------------|
| 2004 | 8,420,132 | N/A | 125,167 | 8,545,299 |
| 2005 | 7,912,004 | 1,311,917 | 321,343 | 9,545,264 |
| 2006 | 8,396,113 | 1,374,630 | 319,105 | 10,089,848 |
| 2007 | 9,693,104 | 1,412,428 | 335,692 | 11,441,224 |
| 2008 | 9,607,490 | 1,424,628 | 747,039 | 11,779,157 |
| 2009 | 10,573,368 | 1,581,407 | 371,519 | 12,526,294 |
| 2010 | 10,086,100 | 1,913,170 | 382,223 | 12,381,493 |
| 2011 | 11,334,728 | 2,109,255 | 353,029 | 13,797,012 |
| 2012 | 12,156,765 | 2,860,630 | 418,338 | 15,435,733 |
| 2013 | 13,987,034 | 3,630,425 | 639,178 | 18,256,638 |

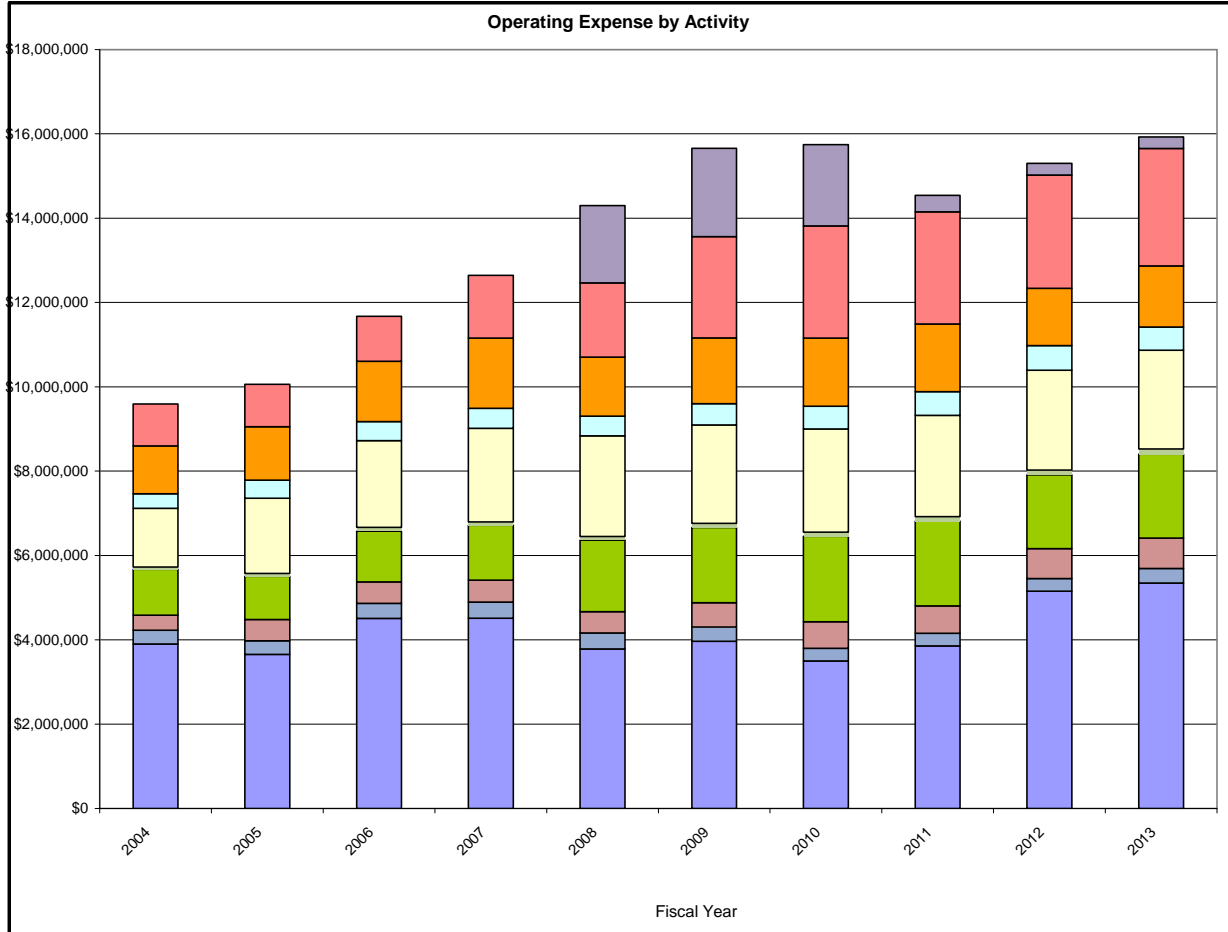


Source: North Marin Water District Audited Financial Statements

North Marin Water District Operating Expenses by Activity Last Ten Fiscal Years

Schedule 3

| Fiscal Year | Source of Supply | Pumping | Operations | Water Treatment | Sewage Coll. & Treat. | Transmission & Distrib | Customer Service | General & Admin | Other Op Expense | Deprec and Amortization (1) | Total Op Expense |
|-------------|------------------|---------|------------|-----------------|-----------------------|------------------------|------------------|-----------------|------------------|-----------------------------|------------------|
| 2004 | 3,902,293 | 324,079 | 357,988 | 1,088,440 | 54,890 | 1,391,690 | 346,868 | 1,133,372 | - | 996,414 | 9,596,034 |
| 2005 | 3,654,013 | 324,111 | 500,523 | 1,028,268 | 68,113 | 1,783,140 | 425,700 | 1,271,886 | - | 1,004,844 | 10,060,598 |
| 2006 | 4,508,463 | 358,844 | 504,493 | 1,205,527 | 88,997 | 2,059,033 | 450,280 | 1,429,780 | - | 1,069,150 | 11,674,567 |
| 2007 | 4,513,365 | 381,723 | 518,996 | 1,303,084 | 78,331 | 2,222,327 | 474,082 | 1,663,330 | - | 1,490,077 | 12,645,315 |
| 2008 | 3,782,414 | 379,341 | 506,287 | 1,698,781 | 84,418 | 2,385,742 | 466,301 | 1,400,768 | 1,834,941 | 1,761,673 | 14,300,666 |
| 2009 | 3,960,788 | 339,236 | 578,868 | 1,781,516 | 98,715 | 2,335,067 | 505,218 | 1,561,044 | 2,096,673 | 2,400,106 | 15,657,231 |
| 2010 | 3,497,565 | 298,583 | 633,259 | 2,027,052 | 95,116 | 2,450,765 | 535,401 | 1,616,317 | 1,929,314 | 2,659,883 | 15,743,255 |
| 2011 | 3,856,027 | 299,462 | 648,743 | 2,012,125 | 103,054 | 2,400,638 | 564,940 | 1,605,455 | 388,168 | 2,660,418 | 14,539,030 |
| 2012 | 5,150,183 | 304,075 | 708,570 | 1,747,166 | 112,801 | 2,373,132 | 580,534 | 1,358,682 | 275,719 | 2,690,535 | 15,301,397 |
| 2013 | 5,342,988 | 351,816 | 716,780 | 1,986,904 | 127,903 | 2,340,330 | 552,202 | 1,449,793 | 272,107 | 2,784,670 | 15,925,493 |



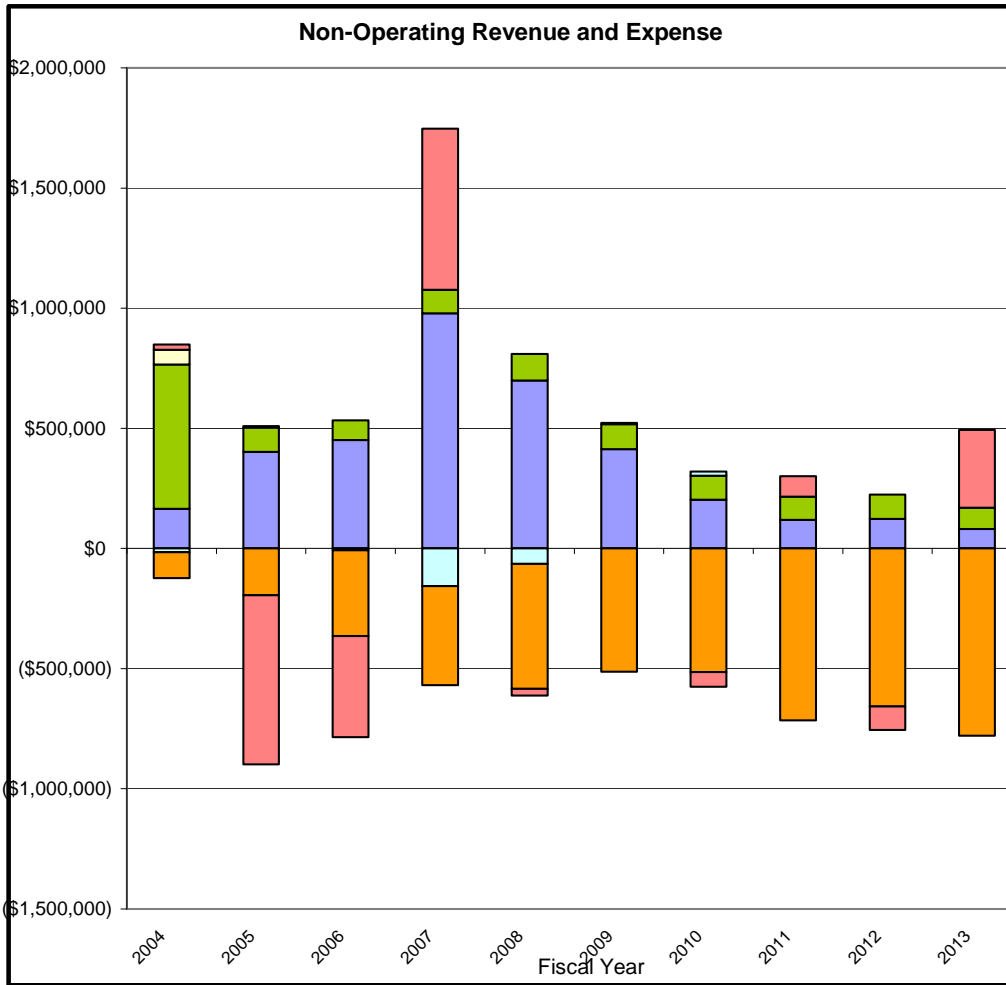
Source: North Marin Water District Audited Financial Statements

(1) FY09 Excludes \$7,691,033 depreciation due to change in asset lives

**North Marin Water District
Non-operating Revenues and Expenses
Last Ten Fiscal Years**

Schedule 4

| Fiscal Year | Investment Income ⁽¹⁾ | Property Taxes | Grant Revenue | Gain/(Loss) on Asset Sales | Interest Expense | Other Inc & Exp, net | Net Non-Op Rev/(Exp) |
|-------------|----------------------------------|----------------|---------------|----------------------------|------------------|----------------------|----------------------|
| 2004 | 164,878 | 600,979 | 61,000 | (15,799) | (107,839) | 21,022 | 724,241 |
| 2005 | 402,249 | 100,708 | - | 6,015 | (194,860) | (703,646) | (389,534) |
| 2006 | 450,799 | 82,137 | - | (7,178) | (357,793) | (419,947) | (251,982) |
| 2007 | 978,923 | 97,919 | - | (157,126) | (411,543) | 670,566 | 1,178,739 |
| 2008 | 699,107 | 110,129 | - | (64,347) | (519,484) | (28,194) | 197,211 |
| 2009 | 413,681 | 103,630 | - | - | (513,314) | 4,957 | 8,954 |
| 2010 | 202,459 | 100,220 | - | 17,796 | (513,763) | (61,930) | (255,218) |
| 2011 | 118,410 | 96,768 | - | - | (715,491) | 85,750 | (414,563) |
| 2012 | 122,598 | 101,559 | - | - | (657,337) | (98,138) | (531,318) |
| 2013 | 80,713 | 88,088 | - | - | (778,763) | 324,472 | (285,490) |



Notes:

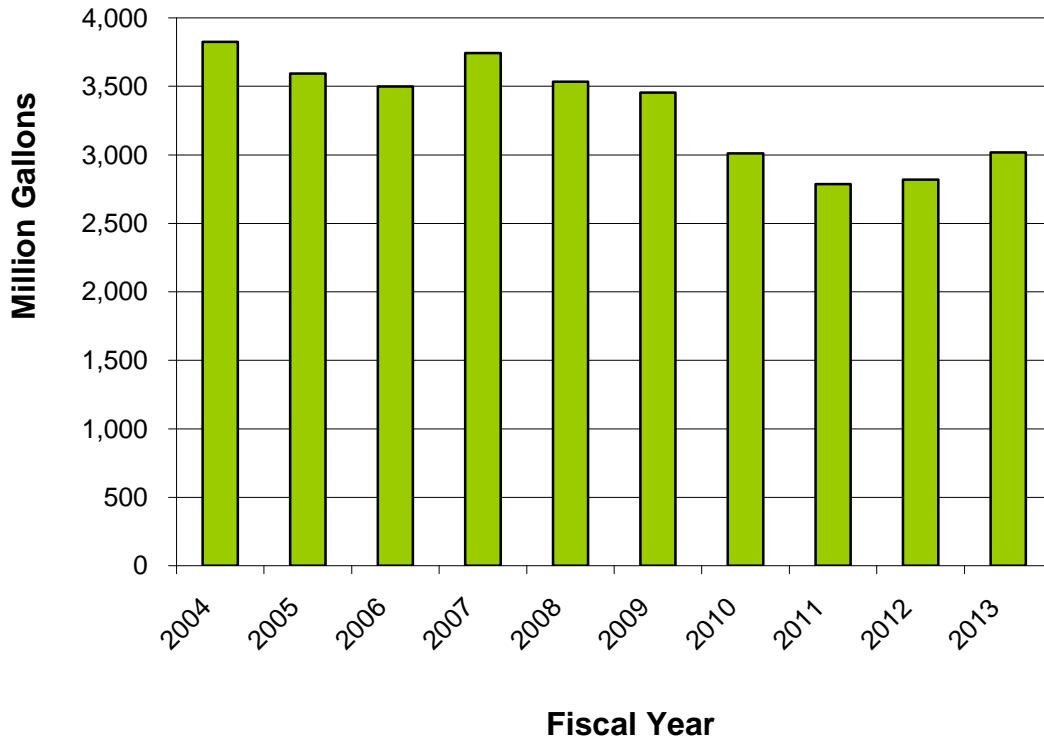
(1) Includes interest income and realized and unrealized gains and losses on investments.

Source: North Marin Water District Audited Financial Statements

**North Marin Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 5

| <u>Fiscal Year</u> | Water Consumption (Million Gallons) |
|------------------------|--|
| 2004 | 3,824 |
| 2005 | 3,593 |
| 2006 | 3,498 |
| 2007 | 3,743 |
| 2008 | 3,533 |
| 2009 | 3,454 |
| 2010 | 3,011 |
| 2011 | 2,786 |
| 2012 | 2,820 |
| 2013 | 3,018 |



Note: See Schedule 2 "Revenue by Source" for information regarding water sales.

Source: Novato Water District Billing System

**North Marin Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

| Fiscal Year | Novato Potable & Recycled | | | | | West Marin Water | Oceana Marin Sewer | Total |
|-------------|---------------------------|--------------------------|---------------------|------------|----------|------------------|--------------------|--------|
| | Single-Family Residential | Multi-Family Residential | Commerical/Business | Government | Recycled | | | |
| 2004 | 17,072 | 660 | 1,198 | 200 | - | 740 | 209 | 20,079 |
| 2005 | 17,641 | 672 | 1,219 | 207 | - | 741 | 215 | 20,695 |
| 2006 | 18,054 | 702 | 1,232 | 205 | - | 753 | 218 | 21,164 |
| 2007 | 18,146 | 712 | 1,253 | 214 | - | 765 | 220 | 21,310 |
| 2008 | 18,157 | 717 | 1,278 | 214 | - | 758 | 223 | 21,347 |
| 2009 | 18,197 | 720 | 1,280 | 219 | - | 760 | 225 | 21,401 |
| 2010 | 18,208 | 730 | 1,280 | 220 | 3 | 769 | 225 | 21,435 |
| 2011 | 18,239 | 715 | 1,280 | 230 | 3 | 770 | 227 | 21,464 |
| 2012 | 18,298 | 720 | 1,246 | 226 | 2 | 777 | 227 | 21,496 |
| 2013 | 18,350 | 687 | 1,222 | 233 | 17 | 776 | 227 | 21,512 |

Source: North Marin Water District - Finance Department

**North Marin Water District
Revenue Rates
Last Ten Fiscal Years**

Schedule 7

Bimonthly Service Charge

| Meter Size | 6/30/04 | 6/30/05 | 6/30/06 | 6/30/07 | 6/30/08 | 6/30/09 | 6/30/10 | 6/30/11 | 6/30/12 | 6/30/13 |
|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| 5/8" & 3/4" | \$9.00 | \$10.00 | \$10.00 | \$10.00 | \$10.00 | \$13.20 | \$14.40 | \$20.00 | \$25.00 | \$30.00 |
| 1" | \$18.00 | \$20.00 | \$20.00 | \$20.00 | \$20.00 | \$26.40 | \$28.80 | \$40.00 | \$50.00 | \$60.00 |
| 1 1/2" | \$22.00 | \$24.00 | \$24.00 | \$24.00 | \$24.00 | \$32.40 | \$35.30 | \$49.00 | \$61.00 | \$73.00 |
| 2" | \$34.00 | \$38.00 | \$38.00 | \$38.00 | \$38.00 | \$50.40 | \$54.95 | \$76.00 | \$95.00 | \$114.00 |
| 3" | \$68.00 | \$75.00 | \$75.00 | \$75.00 | \$75.00 | \$99.60 | \$108.55 | \$151.00 | \$189.00 | \$227.00 |
| 4" | \$112.00 | \$120.00 | \$120.00 | \$120.00 | \$120.00 | \$159.60 | \$173.95 | \$242.00 | \$303.00 | \$364.00 |
| 6" | \$226.00 | \$251.00 | \$251.00 | \$251.00 | \$251.00 | \$334.80 | \$364.95 | \$507.00 | \$634.00 | \$761.00 |
| 8" | \$338.00 | \$375.00 | \$375.00 | \$375.00 | \$375.00 | \$499.20 | \$544.15 | \$756.00 | \$945.00 | \$1,134.00 |

Water Use Rate (per 1,000 Gallons)

| User Type | 6/30/04 | 6/30/05 | 6/30/06 | 6/30/07 | 6/30/08 | 6/30/09 | 6/30/10 | 6/30/11 | 6/30/12 | 6/30/13 |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>Residential</u> | | | | | | | | | | |
| Zone A Base Rate ⁽¹⁾ | \$1.64 | \$2.01 | \$2.21 | \$2.27 | \$2.27 | \$3.02 | \$3.29 | \$3.49 | \$3.73 | \$4.03 |
| Tier 1: 616-1845 gpd | - | - | - | \$3.61 | \$3.61 | \$4.81 | \$5.24 | \$5.55 | \$5.94 | \$6.42 |
| Tier 2: >1845 gpd | \$5.66 | \$6.02 | \$6.22 | \$6.28 | \$6.28 | \$8.36 | \$9.11 | \$9.66 | \$10.34 | \$11.17 |
| <u>Non-Residential</u> | | | | | | | | | | |
| Zone A Base Rate ⁽¹⁾ | \$1.64 | \$2.01 | \$2.21 | \$2.41 | \$2.61 | \$3.48 | \$3.62 | \$3.84 | \$4.11 | \$4.44 |
| Seasonal Rate | - | - | - | - | - | - | \$3.90 | \$4.13 | \$4.42 | \$4.77 |

Notes:

(1) Rates shown exclude additional elevation rate applicable to customers in upper elevation zones
N/A - Rate class was not established during the period

Source: North Marin Water approved rates

**North Marin Water District
Ten Largest Water Customers by Revenue
Current Fiscal Year and Ten Years Ago**

Schedule 8

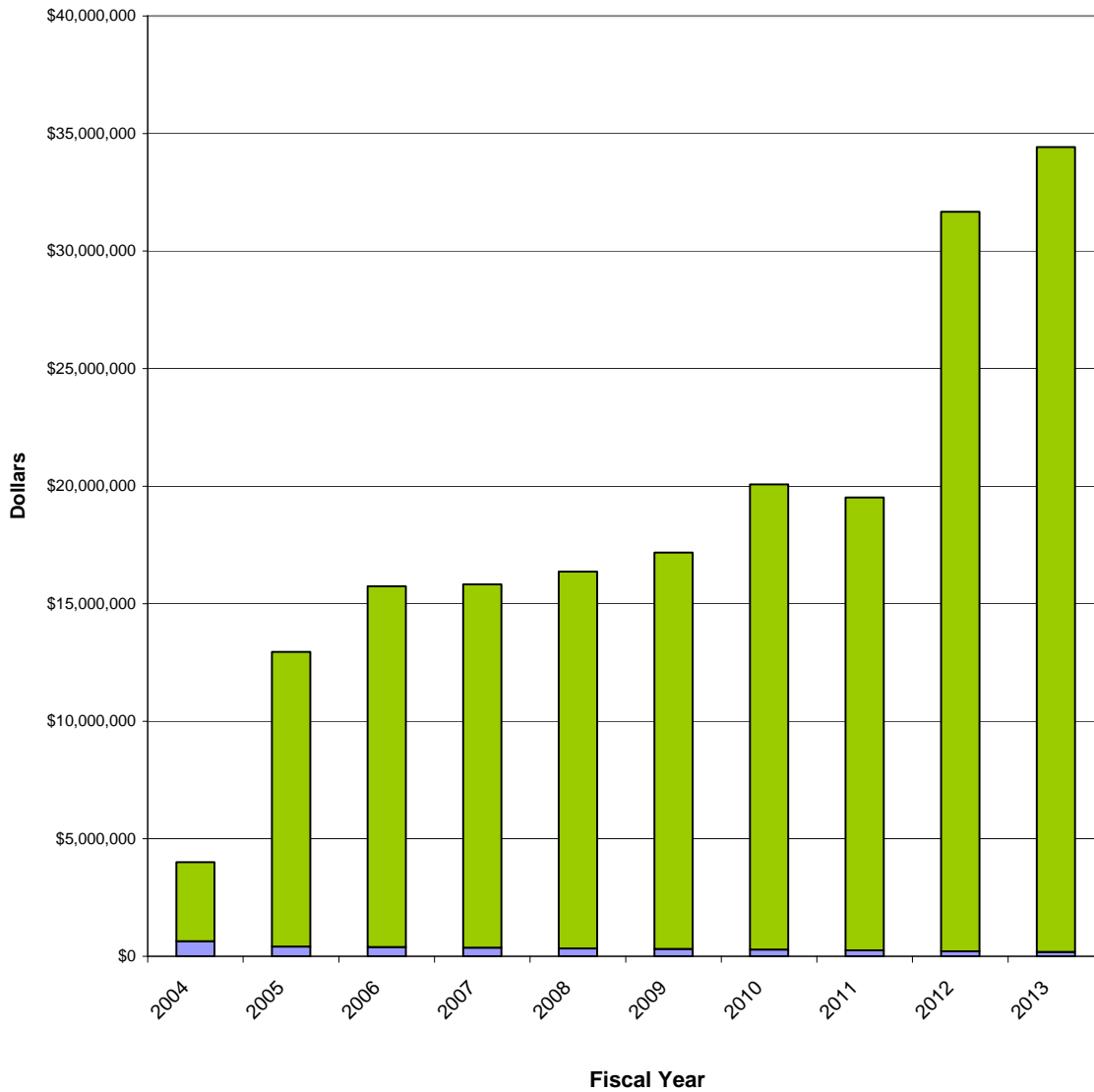
| | FY 2012/13 | % of Total | FY 2002/03 | % of Total |
|----|--------------------------------|-------------------|----------------------------------|-------------------|
| 1 | City of Novato | 2.2% | Coast Guard Spanish Housing | 2.0% |
| 2 | Novato Unified School District | 1.8% | Novato Unified School District | 1.7% |
| 3 | StoneTree Golf Course | 1.6% | City of Novato | 1.5% |
| 4 | Fireman's Fund | 0.9% | StoneTree Golf Course | 1.2% |
| 5 | Coast Guard Spanish Housing | 0.8% | Fireman's Fund | 1.0% |
| 6 | Biomarin Pharmaceutical | 0.7% | Lanham Village HOA | 0.6% |
| 7 | Meadow Park HOA | 0.6% | Indian Valley Golf Course | 0.6% |
| 8 | Indian Valley Golf Course | 0.6% | Marin Valley Mobile Country Club | 0.5% |
| 9 | Bay Vista Apartments | 0.5% | Marion Park Apartments | 0.5% |
| 10 | Marion Park Apartments | 0.5% | Marin Country Club | 0.4% |
| | | <u>10.1%</u> | | <u>10.0%</u> |
| | Total Water Service Revenue | \$17,530,000 | | \$7,480,000 |

Source : NMWD Billing System

North Marin Water District Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Schedule 9

| Fiscal Year | Bonds Payable | Loans Payable | Total | | |
|-------------|---------------|---------------|-------------|------------|--|
| | | | Debt | Per Capita | As a Share of Personal Income ⁽¹⁾ |
| 2004 | \$645,172 | \$3,360,808 | \$4,005,980 | \$70.28 | 0.10% |
| 2005 | 421,768 | 12,527,765 | 12,949,533 | 219.48 | 0.28% |
| 2006 | 396,243 | 15,338,404 | 15,734,647 | 262.24 | 0.31% |
| 2007 | 363,593 | 15,458,618 | 15,822,211 | 259.38 | 0.29% |
| 2008 | 335,801 | 16,020,049 | 16,355,850 | 268.13 | 0.30% |
| 2009 | 312,878 | 16,856,896 | 17,169,774 | 281.47 | 0.33% |
| 2010 | 282,809 | 19,790,955 | 20,073,764 | 329.08 | 0.36% |
| 2011 | 250,587 | 19,260,766 | 19,511,353 | 319.86 | 0.34% |
| 2012 | 209,203 | 31,463,504 | 31,672,707 | 519.22 | 0.55% |
| 2013 | 181,652 | 34,241,715 | 34,423,367 | 564.32 | 0.59% |



Source: North Marin Water District Audited Financial Statements

⁽¹⁾ Per Capita/Personal Income per Capita (See Schedule 11)
N/A - Data not available

**North Marin Water District
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Schedule 10

| <u>Fiscal Year</u> | <u>Revenue⁽¹⁾</u> | <u>Operating Expense⁽²⁾</u> | <u>Net Available Revenue</u> | <u>Debt Service</u> | | | <u>Coverage Ratio</u> |
|--------------------|------------------------------|--|----------------------------------|---------------------|-----------------|--------------|---------------------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2004 | 13,531,528 | (10,138,573) | 3,392,955 | 776,157 | 197,588 | 973,745 | 3.48 |
| 2005 | 11,378,935 | (10,520,105) | 858,830 | 399,142 | 295,881 | 695,023 | 1.24 |
| 2006 | 11,999,690 | (11,769,614) | 230,076 | 210,070 | 465,060 | 675,130 | 0.34 |
| 2007 | 14,460,109 | (13,149,592) | 1,310,517 | 226,423 | 413,111 | 639,534 | 2.05 |
| 2008 | 14,214,682 | (12,627,537) | 1,587,145 | 171,909 | 519,485 | 691,394 | 2.30 |
| 2009 | 14,131,892 | (13,257,125) | 874,767 | 319,248 | 513,314 | 832,562 | 1.05 |
| 2010 | 14,635,090 | (13,102,113) | 1,532,977 | 690,462 | 694,044 | 1,384,506 | 1.11 |
| 2011 | 14,506,888 | (11,905,026) | 2,601,862 | 644,740 | 740,416 | 1,385,156 | 1.88 |
| 2012 | 16,789,744 | (12,610,862) | 4,178,882 | 1,116,410 | 654,484 | 1,770,894 | 2.35 |
| 2013 | 19,761,431 | (13,284,705) | 6,476,726 | 1,337,041 | 778,762 | 2,115,803 | 3.06 |

Notes:

- (1) Revenues includes Connection Fee Revenue, Interest Revenue, Rent & Lease Revenue, other non-operating revenue
(2) Operating expense excludes depreciation expense.

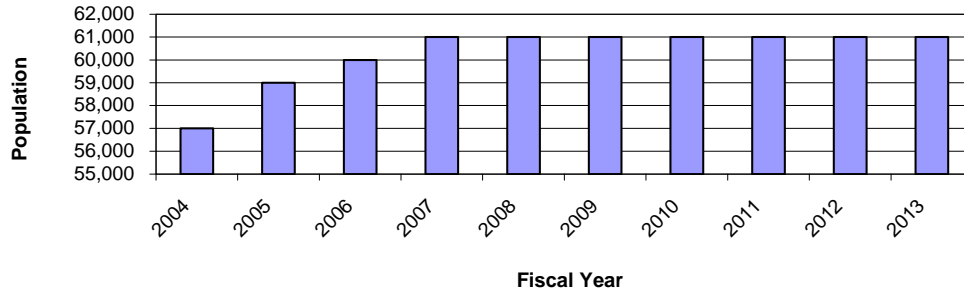
Source: North Marin Water District Audited Financial Statements

North Marin Water District Demographics and Economics Statistics Last Ten Fiscal Years

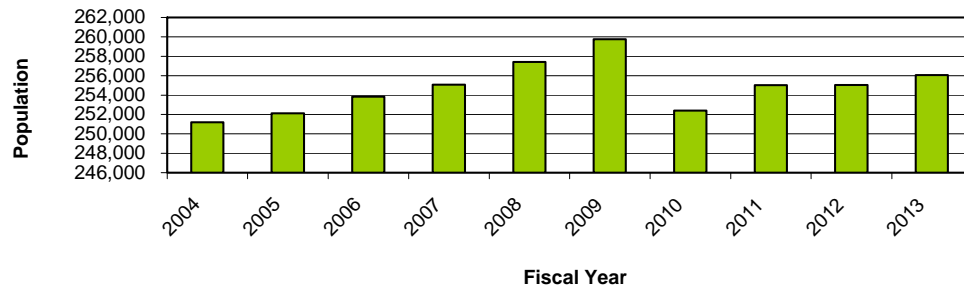
Schedule 11

| Year | Novato | | County of Marin | | |
|------|------------|-------------------|-----------------|--|----------------------------|
| | Population | Unemployment Rate | Population | Personal Income (thousands of dollars) | Personal Income per Capita |
| 2004 | 57,000 | 5.6% | 251,202 | 18,114,794 | 72,112 |
| 2005 | 59,000 | 4.8% | 252,116 | 19,763,926 | 78,392 |
| 2006 | 60,000 | 4.5% | 253,818 | 21,800,000 | 85,888 |
| 2007 | 61,000 | 4.4% | 255,080 | 22,600,000 | 88,600 |
| 2008 | 61,000 | 5.6% | 257,406 | 23,200,000 | 90,130 |
| 2009 | 61,000 | 9.6% | 259,772 | 22,400,000 | 86,229 |
| 2010 | 61,000 | 9.4% | 252,409 | 22,800,000 | 90,330 |
| 2011 | 61,000 | 9.1% | 255,015 | 24,300,000 | 95,289 |
| 2012 | 61,000 | 7.9% | 255,031 | 23,920,000 | 93,793 |
| 2013 | 61,000 | 6.0% | 256,069 | 24,342,800 | 95,063 |

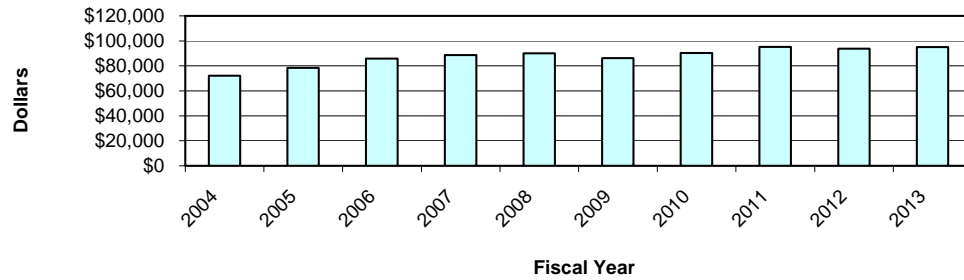
Population - Novato



Population - Marin County



Personal Income per Capita - Marin County



Sources: California Department of Finance, County of Marin, City of Novato, quickfacts.census.gov, Real Estate Center demographics, NMWD Annual Report population estimate, Google Public Data

North Marin Water District
Demographics and Economics Statistics – Ten Largest Employers
Current Year **Schedule 12**

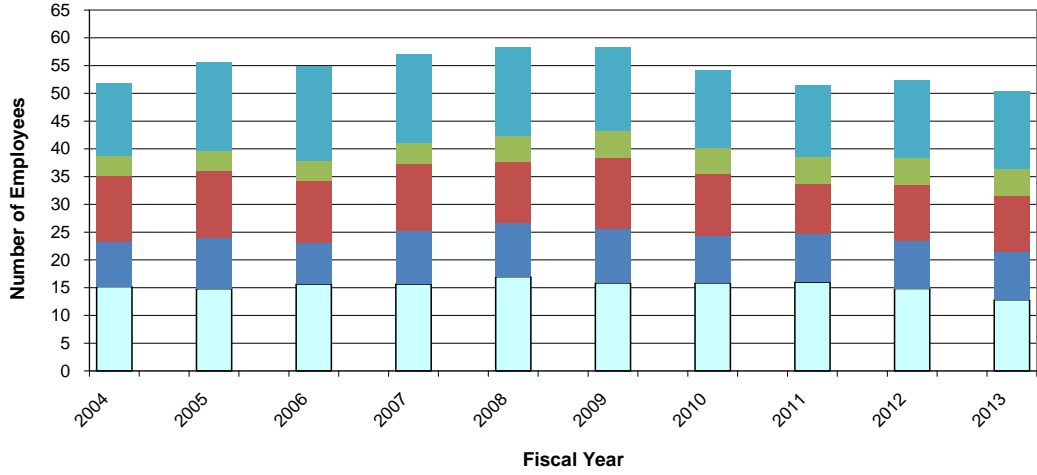
| FY 2012/2013 | | | FY 2003/2004 | | |
|----------------------------------|------------------------|-----------------------------------|--------------------------------|------------------------|-----------------------------------|
| Employer | Number of Employees | Percent of Total Employment | Employer | Number of Employees | Percent of Total Employment |
| 1 Novato Unified School District | 800 | 3.04% | Fireman's Fund | 1400 | 5.81% |
| 2 Fireman's Fund | 736 | 2.80% | Novato Unified School District | 860 | 3.57% |
| 3 BioMarin Pharamaceutical | 607 | 2.31% | Greenpoint Mortgage | 560 | 2.32% |
| 4 2K/Visual Concepts Entertainme | 398 | 1.51% | Novato Community Hospital | 307 | 1.27% |
| 5 Cagwin & Dorward | 387 | 1.47% | Marin Independent Journal | 300 | 1.24% |
| 6 Costco Wholesale | 294 | 1.12% | Riverdeep | 297 | 1.23% |
| 7 Novato Community Hospital | 291 | 1.11% | Costco Wholesale | 250 | 1.04% |
| 8 Target Store | 268 | 1.02% | Brayton & Associates | 244 | 1.01% |
| 9 Buck Institute | 261 | 0.99% | City of Novato | 234 | 0.97% |
| 10 Safeway Stores | 243 | 0.92% | Birkenstock | 230 | 0.95% |
| | 4,285 | 16.29% | | 4,682 | 19.43% |

Source: City of Novato

North Marin Water District Operating and Capacity Indicators – Total Employees Last Ten Fiscal Years

Schedule 13

| Department | Fiscal Year | | | | | | | | | |
|---------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Administrative Services | 15 | 15 | 16 | 16 | 17 | 16 | 16 | 16 | 15 | 13 |
| Engineering Services | 8 | 9 | 8 | 10 | 10 | 10 | 9 | 9 | 9 | 9 |
| Construction /Maintenance | 12 | 12 | 11 | 12 | 11 | 13 | 11 | 9 | 10 | 10 |
| Water Quality | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Operations / Maintenance | 13 | 16 | 17 | 16 | 16 | 15 | 14 | 13 | 14 | 14 |
| | <u>52</u> | <u>56</u> | <u>55</u> | <u>57</u> | <u>58</u> | <u>58</u> | <u>54</u> | <u>52</u> | <u>53</u> | <u>51</u> |



Source: North Marin Water District Overhead Payroll Worksheets for Pay Periods Ending June 30
Note: Excludes temporary employees

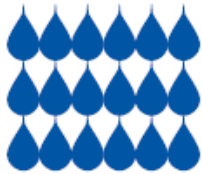
**North Marin Water District
Other Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 14

| Other Operating and Capacity Indicators | | | | |
|--|---|------------------------------|------------------------------------|---|
| Fiscal Year | District Area (Square Miles) | Miles of Pipeline | Number of Fire Hydrants | System Storage Capacity (MG) |
| 2004 | 100 | 310 | 2,501 | 34 |
| 2005 | 100 | 321 | 2,568 | 34 |
| 2006 | 100 | 324 | 2,670 | 34 |
| 2007 | 100 | 337 | 2,713 | 35 |
| 2008 | 100 | 341 | 2,749 | 35 |
| 2009 | 100 | 343 | 2,762 | 38 |
| 2010 | 100 | 345 | 2,773 | 38 |
| 2011 | 100 | 346 | 2,785 | 38 |
| 2012 | 100 | 348 | 2,785 | 38 |
| 2013 | 100 | 356 | 2,797 | 39 |

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the 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, the financial statements of the North Marin Water District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards, continued***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Z. Fedak & Company, CPA's – An Accountancy Corporation
Cypress, California
September 30, 2013

11

MEMORANDUM

To: Board of Directors
From: David L. Bentley, Auditor-Controller
Subj: STP Solar Power Facility - 1st Year Status Report
\\ac\word\stp solar proj\status rpt - 1st year.docx

October 11, 2013

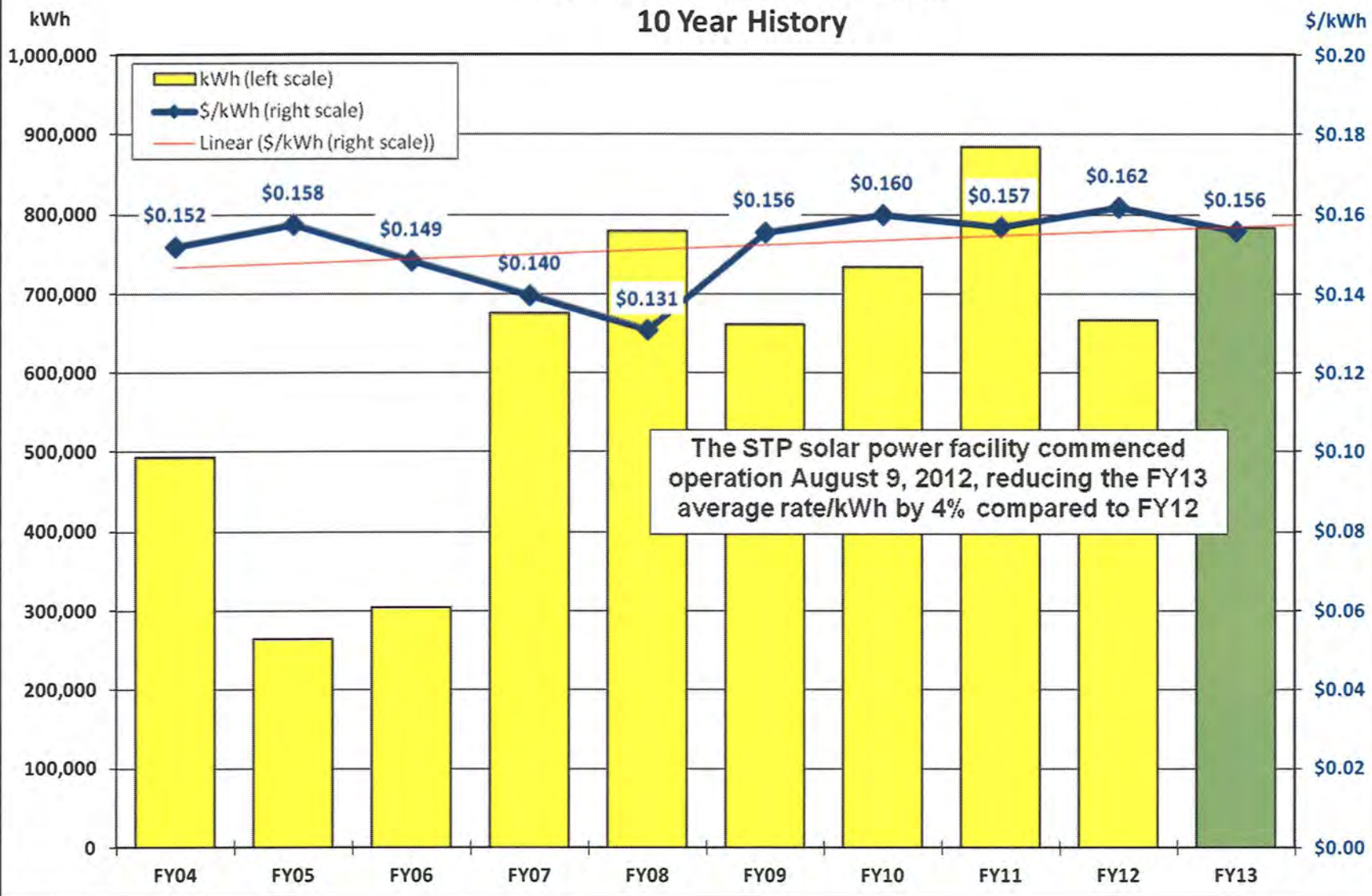
RECOMMENDED ACTION: None**FINANCIAL IMPACT: Approximately \$12,000 Savings in Power Cost**

The Stafford Treatment Plant Solar Power Facility commenced operation on August 9, 2012, and produced 702,000 kWh of electricity during its first year of operation, significantly exceeding the 607,000 kWh design capacity. Under the terms of the Power Purchase Agreement, the District paid 17¢/kWh produced. By selling surplus power back to PG&E during the peak summer demand period at 45¢/kWh, while buying power at night at 12¢/kWh, the District was able to reduce its average power cost to 14.7¢/kWh, saving about \$12,000 compared to the 16.2¢/kWh rate paid to PG&E in FY12.

Outages and maintenance issues were nil during the first year of operation. However, during system startup, SPG Solar was required to take the system off-line for 27 days while awaiting a PG&E operational permit. This down-time created a net-metering deficit which carried through the operational year, resulting in an \$8,000 true-up payment to PG&E in September 2013. The District's out-of-pocket cost for constructing the access road, fencing, plant screening and legal came to \$43,000. The District is responsible for weed-whacking outside the perimeter of the facility (approximately 2 man-days/year) while SPG Solar takes care of all maintenance within the fenced area.

The rate per kWh increases 3% annually, to 17.51¢/kWh for the second year of operation. However, we anticipate increased savings in power cost during year two as we endeavor to increase sale of power to PG&E during peak demand periods, thereby avoiding any true-up payment to PG&E at the close of the second year of operation.

STP Power Demand and Cost 10 Year History



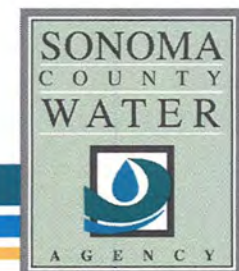
12

Mirabel Inflatable Dam Operations

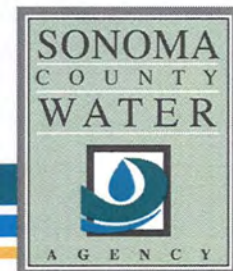
Eric Keel

Maintenance Mechanics Service Coordinator

Eric.Keel@scwa.ca.gov

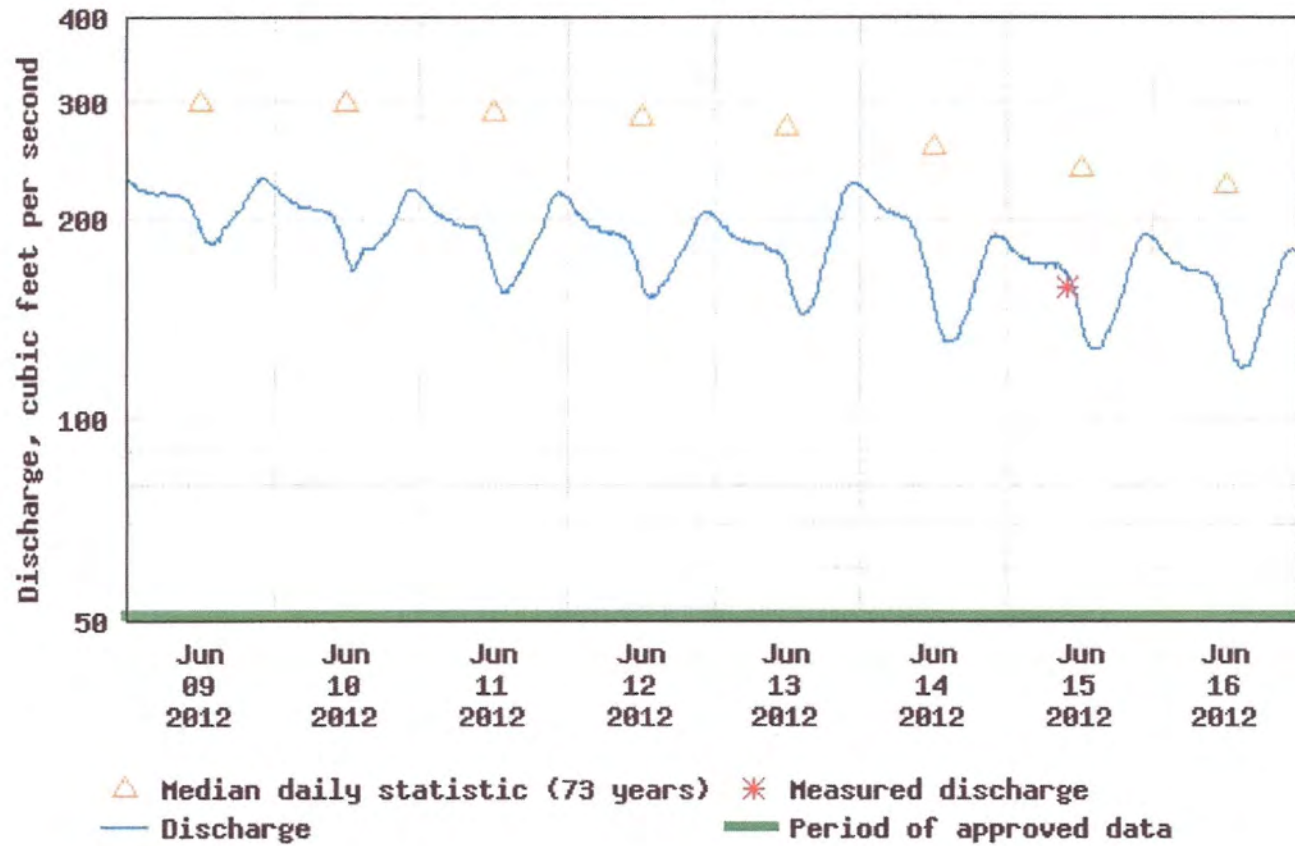


Normal Water Years: The V-Notch



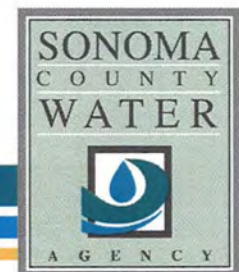


USGS 11467000 RUSSIAN R NR GUERNEVILLE CA

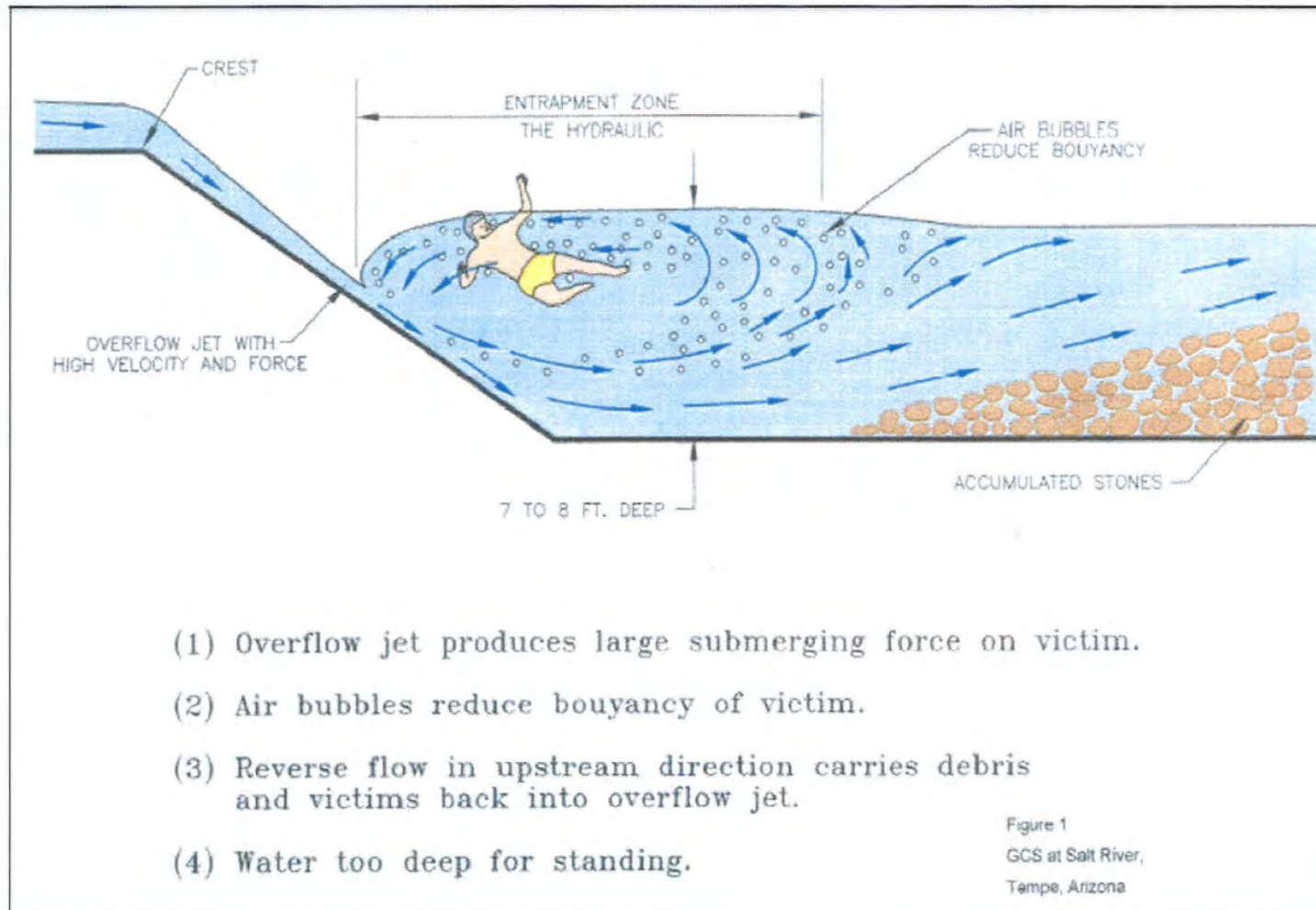


2013 Goals

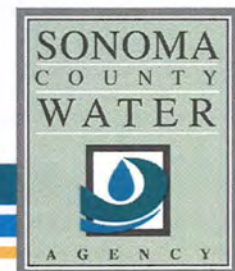
- Create a V-Notch for fish passage & downstream migration trapping
- Reduce fluctuations in downstream flows
- Allow for diversion of water
- Avoid Low Head Dam condition



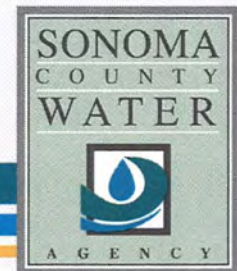
Low Head Dam Condition

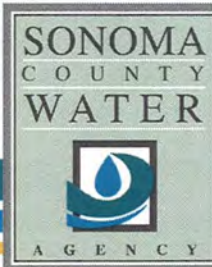


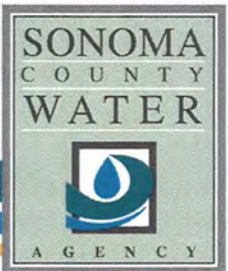
The 2013 Dam Experiment

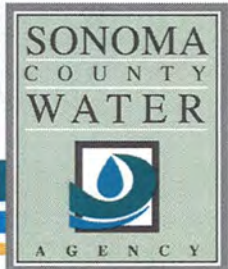


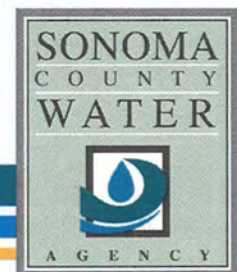
Setting the Buoy Line

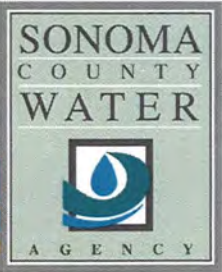




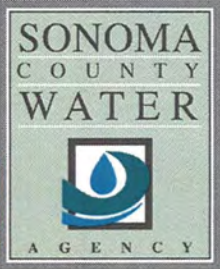


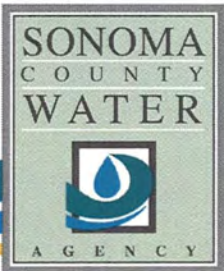


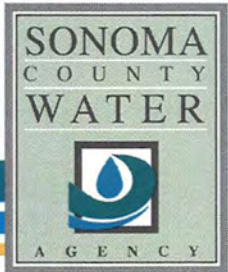


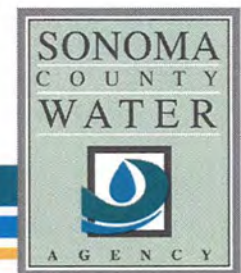
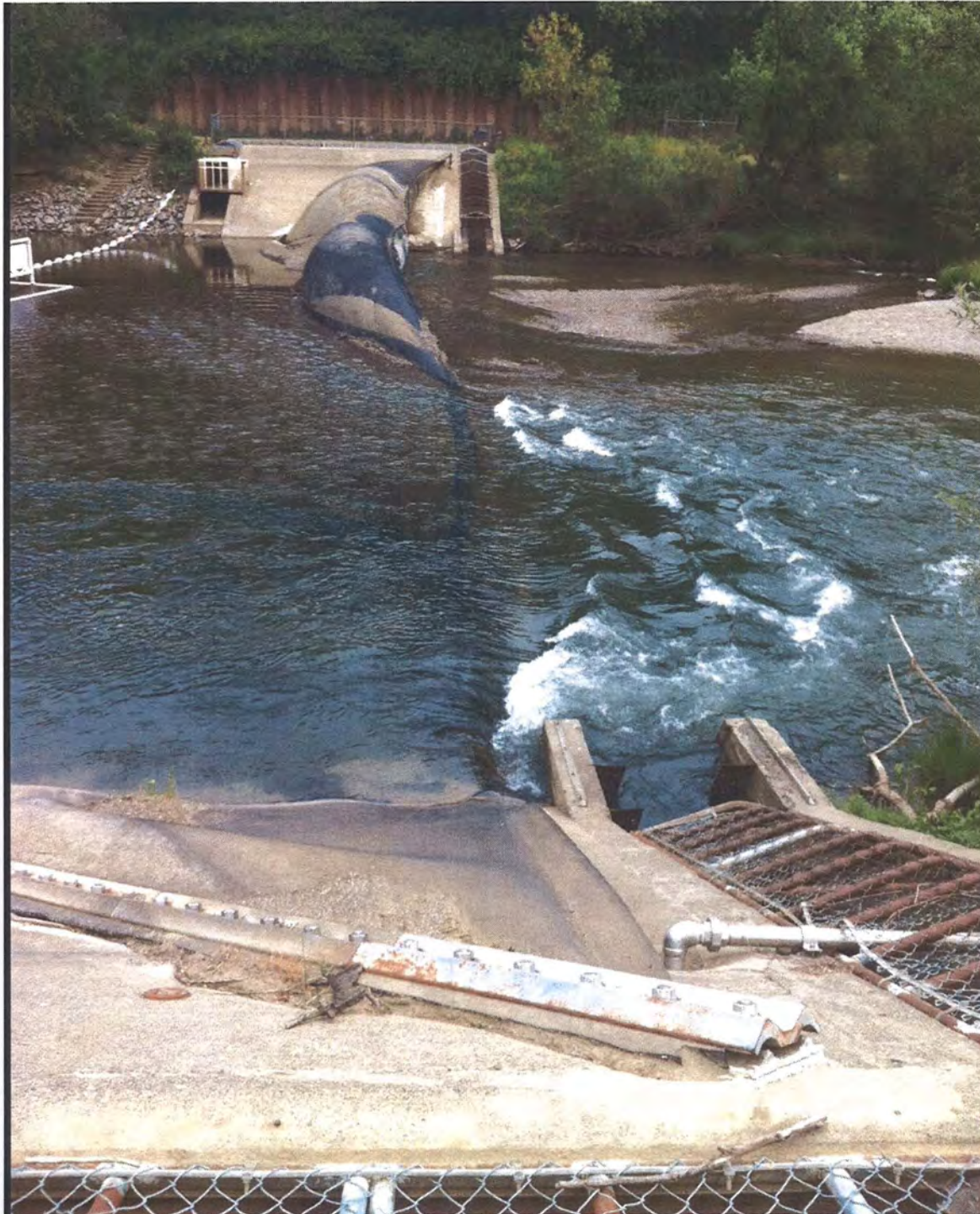


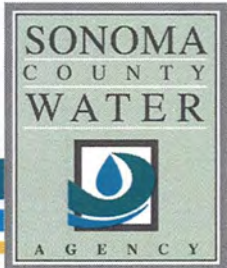
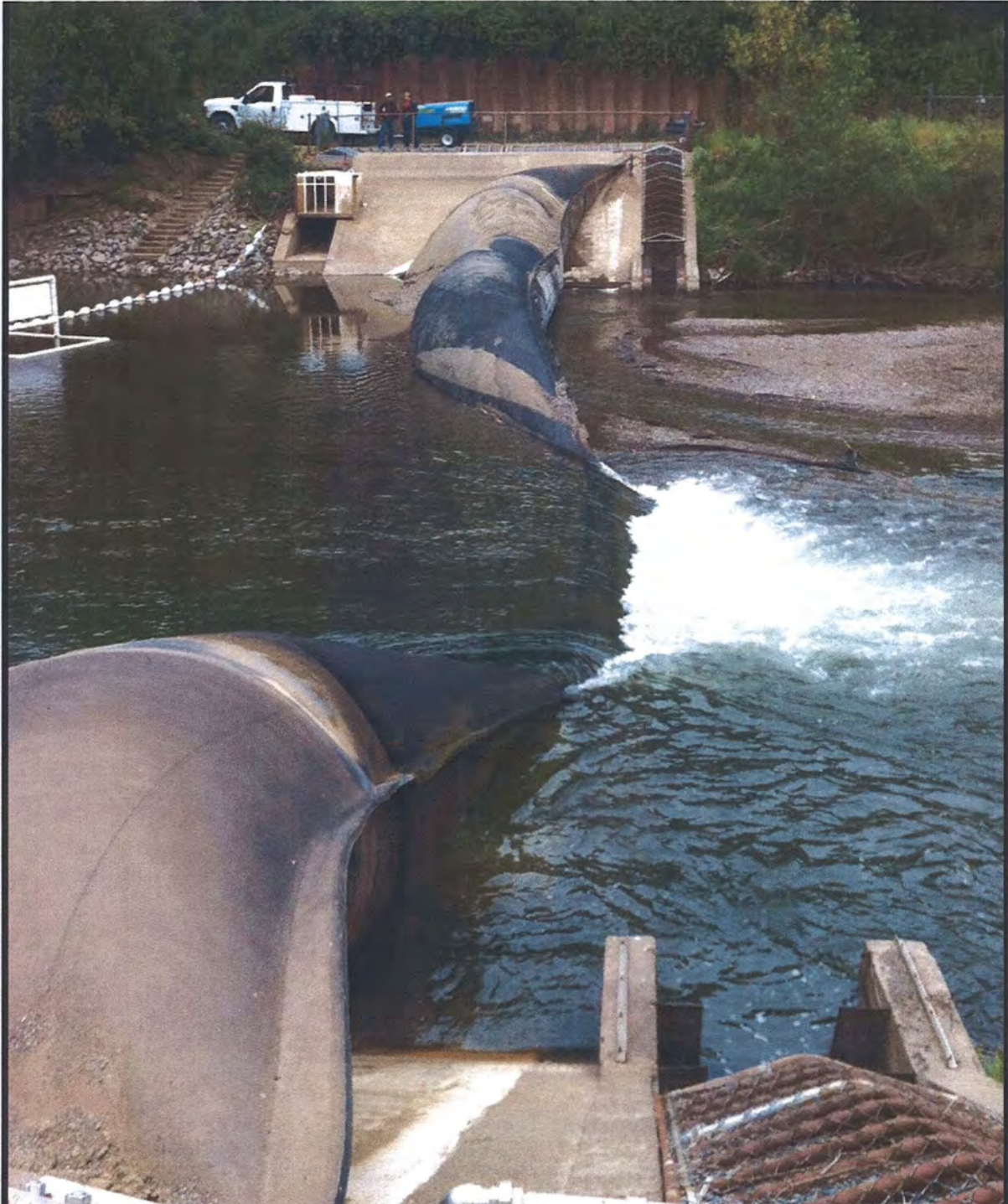
Raising the dam



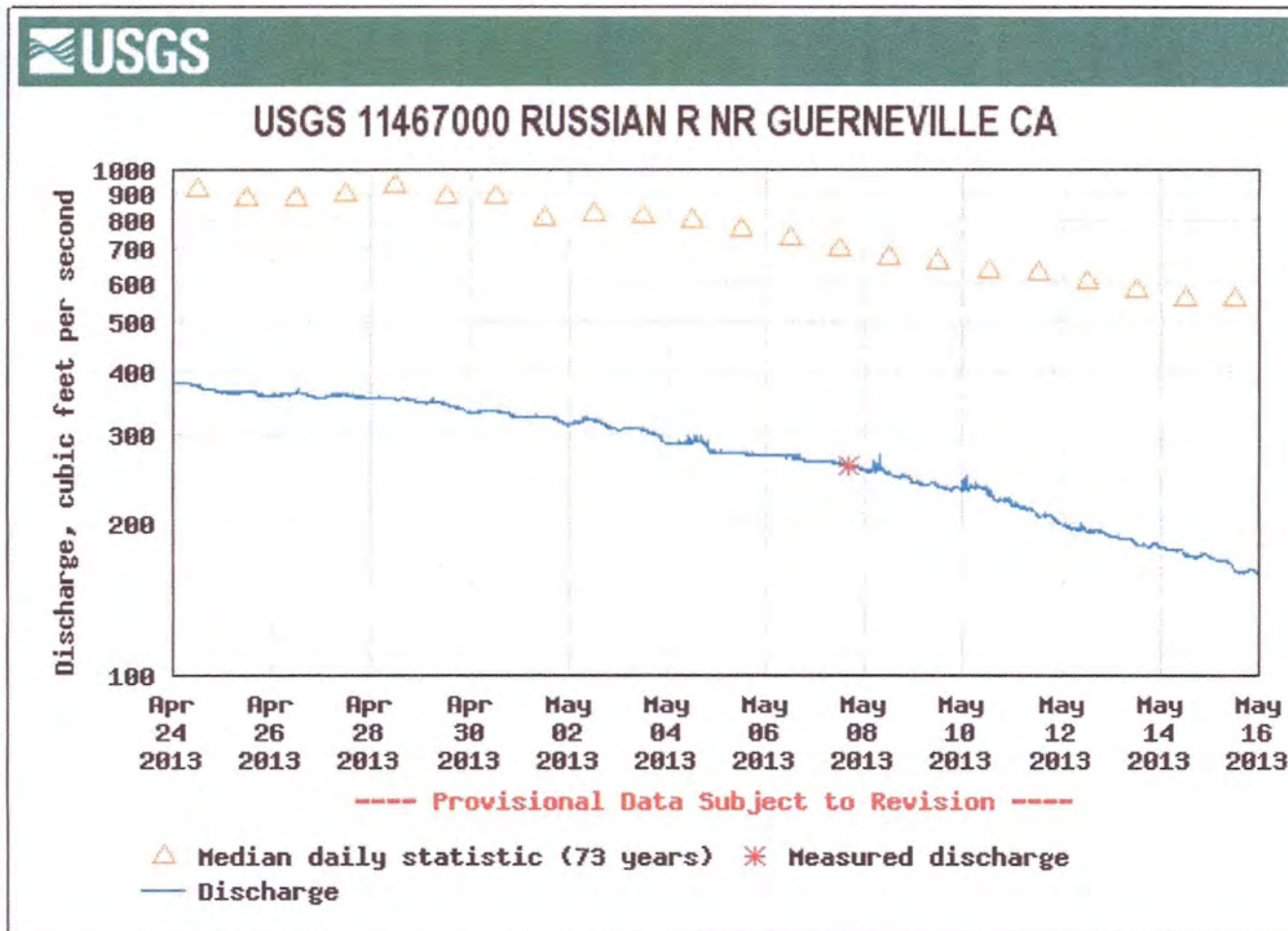






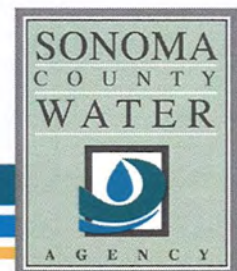


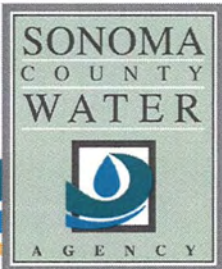
The Results

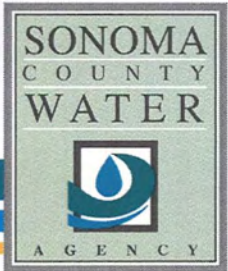


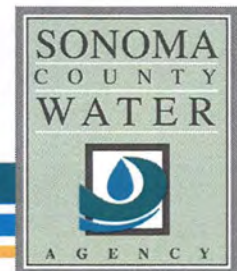
Raising the Dam to 38 Feet

- Hot weather (increased riparian and upper river demand)
- Reduced TUC flows
- Healdsburg Memorial Beach Dam







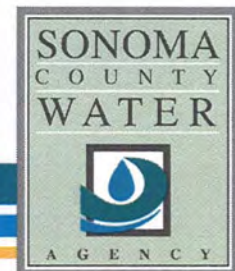


Mirabel Inflatable Dam Operations

Eric Keel

Maintenance Mechanics Service Coordinator

Eric.Keel@scwa.ca.gov




13

MEMORANDUM

To: Board of Directors

October 11, 2013

From: Chris DeGabriele, General Manager 

Subject: Technical Advisory Committee Meeting – October 7, 2013

t:\gm\scwa\tac minutes and agenda\2013\meeting notes\100713 tac cd notes.doc

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None

Agenda attached (Attachment 1).

3. Recap from September 9, 2013 TAC Meeting and Approval of Minutes

The minutes from the September 9 TAC meeting were approved as mailed (Attachment 2)

4. Water Supply Conditions and Summer Water Conservation

Jay Jasperse, SCWA Chief Engineer, gave an update of inflows and outflows at Lake Mendocino. Even though the total water stored at Lake Mendocino has dropped below 40,000 acre feet, it is still approximately 3,000 acre feet above the critical storage curve (Attachment 3). The flow at Hacienda Bridge, in the lower Russian River, is approximately 100 cubic feet per second. Jay advised that a water supply reliability study for Lake Mendocino will be initiated over the next couple of months, with meetings on upper river water users being the starting point. The study is to be submitted to the State Water Resources Control Board on December 31, 2014. Water production this summer was consistently in the low 60MGD range and has now dropped off considerably with cooler weather and shorter days and less irrigation.

5. Biological Opinion Status Update

The Russian River Biological Opinion Update, October 2013, was reviewed by David Manning, SCWA Principle Environmental Specialist (Attachment 4). To-date 30 Chinook salmon have passed the Mirabel Fish Ladder. The estuary is expected to be breached this week and the numbers of Chinook salmon migrating upstream is expected to increase.

6. Items For The Next Agenda

The WAC and TAC meeting scheduled for November 4th may have a number of agenda items including a presentation by Windsor on their PAYS program, a report on the Water Supply Coordination Council Meeting, a preliminary report on the Temporary Urgency Change Order, the year-end budget review, IRWMP, Biological Opinion Status Report, and information on the partnership between Sonoma State University and SCWA.

FOR ACCESSIBLE
MEETING INFORMATION
CALL: (707) 543-3350
ADD: (707) 543-3031



TECHNICAL ADVISORY COMMITTEE

MONDAY, OCTOBER 7, 2013

9:00AM

Utilities Field Operations Training Center
35 Stony Point Road, Santa Rosa, CA

1. Check In
2. Public Comment
3. Recap from September 9, 2013 TAC Meeting and Approval of Minutes
4. Water Supply Conditions and Summer Water Conservation
5. Biological Opinion Status Update
6. Items for next agenda
7. Check Out

Draft Minutes of Technical Advisory Committee
35 Stony Point Road, Santa Rosa, California

September 9, 2013

Attendees: Glen Wright, City of Santa Rosa
Kimberly Zunino, City of Santa Rosa
Linda Hall, City of Santa Rosa
Dan St. John, City of Petaluma
Damien O'Bid, City of Cotati
Dan Takasugi, City of Sonoma
Dennis Rodoni, North Marin Water District
Drew McIntyre, North Marin Water District
Chris DeGabriele, North Marin Water District
Toni Bertolero, Town of Windsor
Dan Muelrath, Valley of the Moon Water District
Lynne Rosselli, SCWA
Ann DuBay, SCWA
Jessica Martini Lamb, SCWA
Carrie Pollard, SCWA

Public Attendees: David Keller, FOER
Brenda Adelman, RRWPC
J. Dietrich Stroeh
Dawna Gallagher Stroeh
Tom Yarish, Friends of the Esteros
Bob Anderson, United Wine Growers
Lynn Kwitt

1. Check-in

Chair Chris DeGabriele called the meeting to order at 9:07a.m.

2. Public Comment

None

3. Water Supply Conditions and Summer Water Conservation

The status of Lake Mendocino storage and the 20-gallon challenge are in the Biological Opinion Status report which was emailed to the members. This is the 3rd lowest level for Lake Mendocino, only 1976 and 1977 were lower on this date. 60 Million gallons a day is the demand level at this time.

Brenda Adelman commented on lower water use this summer. She thanked the SCWA for all their work to conserve water. She commented that Russian River water use was down for all contractors except Santa Rosa, which was up in usage. Glen Wright responded that SR water use was up because our wells were not operational until two weeks ago.

4. TAC Comments on the Draft Fluoridation Preliminary Engineering Design Report

Chris reviewed the comments and the draft letter that were sent to the members via email. Glen Wright, Santa Rosa, moved to send the letter and comments to the Sonoma County Department of Health Services, seconded by Dan Takasugi, City of Sonoma; unanimously approved by the members present.

5. Biological Opinion Status Update

The Biological Opinion Status Update was reviewed by Jessica Martini Lamb, SCWA . The report was emailed to the members. The estuary has been open since July 3, closed in late May and the 2nd week of June, breached July 3 and remains open. Late September or early October a closure is expected. Chinook peak run is late October.

Brenda Adelman raised the concern regarding the Chinook coming back into the Russian River earlier than normal. Jessica explained it is not unusual for earlier moves up the river, with the peak in late October. The movement of the Chinook is being closely monitored. David Keller commented on flow from Dry Creek into the river. He was referred to the SCWA website for further information.

6. Items for Next TAC Agenda

Biological Opinion Status Update

Water Supply Conditions and Summer Water Conservation

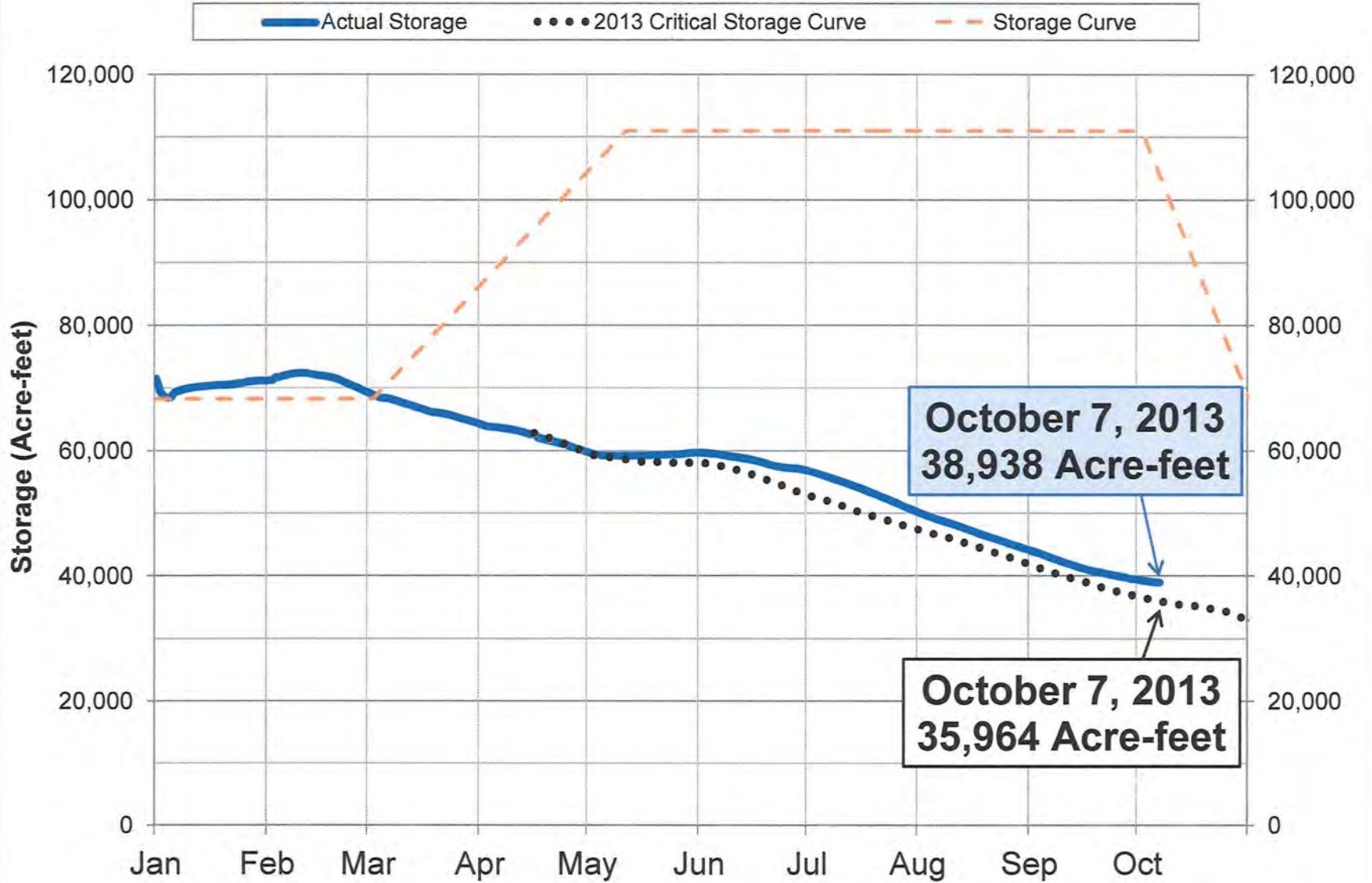
7. Check Out

Next TAC meeting is October 7, 2013, chaired by Glen Wright.

Next WAC/TAC meeting is November 4, 2013

Meeting adjourned at 9:30a.m.

Lake Mendocino 2013 Critical Storage Curve





Russian River Biological Opinion Update – October 2013

The Sonoma County Water Agency is continually planning and implementing the Russian River Biological Opinion requirements. The following project updates provide a brief synopsis of current work. For more detailed information about these activities, please visit www.sonomacountywater.org.

Dry Creek Habitat Enhancement and Demonstration Project

- Construction of the remainder of the one-mile demonstration project is underway. Hanford Applied Restoration & Conservation, out of Sonoma, is constructing the project. This summer's work is largely complete, and focuses on habitat downstream of Lambert Bridge. Features include bank stabilizations, a large backwater with constructed log jams, large wood habitat features, and boulder clusters in the creek channel.
- Construction is complete on the U.S. Army Corps of Engineers habitat enhancement project, on Corps property immediately below Warm Springs Dam. The Water Agency is partnering with the Corps on a grant application to provide signage and public access to the site.
- Site identification, outreach to landowners, preliminary environmental studies and topographic surveys are underway for the second and third miles of habitat enhancement. Two firms, Interfluve and ESA PWA, have been selected to design the second and third miles of habitat enhancement.
- The Water Agency, National Marine Fisheries Service, Department of Fish & Wildlife and the U.S. Army Corps of Engineers are working with consultants, ESSA, to develop clear success measures for habitat enhancement. The plan should be completed in 2013.

Tributary Fish Passage and Habitat Enhancement Projects

- Trapping efforts at Austin Creek, Dutch Bill Creek, Dry Creek, Mark West Creek and in the Russian River near Mirabel have concluded for the season. On September 2, video taken at the fish ladder at Mirabel captured an image of the first Chinook migrating upstream. As of September 28, six Chinook have been counted.



Mirabel Screen and Fish Ladder Replacement

- The 90% design is ongoing; the Water Agency Board has adopted the Initial Study and Mitigated Negative Declaration; and major construction is estimated to begin in June 2014.

Russian River Estuary Management Project

- At its August meeting, the California Coastal Commission unanimously approved the Water Agency's applications to conduct lagoon management activities and physical studies of the jetty, as required by the Biological Opinion.
- The 2013 Lagoon Management Period began May 15 and will end on October 15. Biological and water quality monitoring is underway.
- The mouth of the river closed on September 24, and as of October 1, remained closed. This is the third closure since the Lagoon Management Period began on May 15. The first closure, in mid-May, lasted for nearly two weeks until the estuary breached on its own. The second closure lasted for nearly a month, with the river mouth closing on June 7 and breaching on its own on July 3.
- A study of the jetty is underway. The purpose of the study is to determine if and how the jetty impacts the formation of the barrier beach and lagoon water surface elevation. While the historic assessment component of the study was completed at the end of 2012, field investigations were postponed until all permits were acquired.

Fish Flow Project

Work is occurring internally on the preparation of the draft Environmental Impact Report for the Fish Habitat Flows and Water Rights Project. The EIR is being prepared by Water Agency staff, with assistance from consultants on some areas of impact analysis. A draft EIR is anticipated to be released in 2014.

Interim Flow Changes

- The State Water Resources Control Board issued the 2013 Temporary Urgency Change order in late April and flows were reduced beginning on May 1. The minimum flows requirements in the upper river were based on the rapid decline in Lake Mendocino levels and differ from the minimum flows required in the Biological Opinion. Minimum flows requirements in the order are 75 cfs in the upper river and 85 cfs in the lower river. Beginning July 1, minimum flows requirements could go down if storage in Lake Mendocino dips below a critical storage curve for three days. As of September 30, actual storage in the lake was 2,703 acf above the storage curve.
- More than 1,100 people have signed up for the 20 Gallon Challenge, a Sonoma Marin Saving Water Partnership paid media campaign to increase voluntary conservation. People who took the pledge are eligible to win one of five monthly prizes, including front-load washing machines, high-efficiency toilets, and landscaping or graywater system design. So far, winners have included residents of Santa Rosa, Forestville and Cotati.

Public Outreach, Reporting & Legislation

- Senator Boxer's proposed Water Resources Development Act (WRDA) legislation contains language that would authorize the U.S. Army Corps of Engineers to conduct work on Dry Creek.

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DISBURSEMENTS - DATED OCTOBER 3, 2013

Date Prepared: 10/1/13

The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

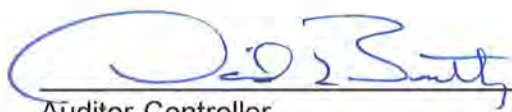
| Seq | Payable To | For | Amount |
|-----|---------------------------------|---|------------|
| 1 | Aberegg, Michael | Drafting Services: Atherton Tank As-Builts & Renovations | \$1,210.00 |
| 2 | Argonaut Constructors | Release of Final Retention (\$76,775 less \$12,500 for Record Documents & Outstanding Labor Compliance Issues) | 64,275.25 |
| 3 | Association of State Dam Safety | Annual Dues (10/13-9/14) (McIntyre) (Budget \$50) | 49.00 |
| 4 | AT&T | Telephone Charges: Voice Lines | 758.86 |
| 5 | Baker, Jack | September Director's Fee (\$200), Adhoc Recycled Water Subcommittee Meeting on 9/24/13 (\$100) & North Bay Watershed Assoc Meeting on 9/6/13 (\$100) | 400.00 |
| 6 | Business Card | Spring Kit (4) (\$25), Facebook-Public Outreach Advertising (\$218), Internet Payment (\$144), Excel Class (Cantiller) (\$128), AWWA-CA-NV Conference (\$149) (Kurfirst), AWWA-CA-NV Conference, Technical Tour (\$335) | 1,009.97 |
| 7 | Calgon Carbon | Granular Activated Carbon for Polishing of STP Treated Water (40,000 lbs) | 92,055.00 |
| 8 | Calif Public Health Services | Distribution Operator Grade 2 Renewal (3/14-2/15) (Bena) (Budget \$80) | 80.00 |
| 9 | California State Disbursement | Wage Assignment Order | 1,018.50 |
| 10 | Core Utilities | Consulting Services: August IT Support (\$5,000), Amaroli Hill Tank Level Controls & Communications Alarm for Kastania (\$425) & Moved APS Form to Rate Page & Set up Rotating Slide Show for AEEP on Website (\$350) | 5,775.00 |
| 11 | Deluxe | Cash Receipts (4,000) (Billing) | 550.52 |


| Seq | Payable To | For | Amount |
|-----|--------------------------|---|-----------|
| 12 | Ed Aiona Photography | Photograph Documentation of MSN B-1 Aqueduct Relocation Project (Balance Remaining on Contract \$890) | 200.00 |
| 13 | Electrical Equipment | Starter Coils (2) | 173.62 |
| 14 | Environmental Express | Chlorate & Phosphate Standards (Lab) | 88.39 |
| 15 | Fisher Scientific | Chemical Standards (\$40) & Sulfuric Acid (Lab) | 65.32 |
| 16 | GHD | Engineering Services: Aqueduct Relocation (Bal Remaining on Contract \$78,100) | 2,652.00 |
| 17 | Ghilotti Construction | Refund Security Deposit on Hydrant Meter Less Final Bill | 488.07 |
| 18 | Golden Gate Petroleum | Gasoline (\$3.75/gal) & Diesel (\$4.09/gal) | 3,905.24 |
| 19 | Grisso, Ryan | Exp Reimb: Water Conservation Plant Seminar on 9/19/13 in Richmond | 30.00 |
| 20 | Henry, Craig & Renee | Novato "Washer Rebate" Program | 50.00 |
| 21 | Holland, Stanley | Novato "Washer Rebate" Program | 50.00 |
| 22 | Home Depot | Roof Jack & Hedge Shear (\$50) | 65.64 |
| 23 | | Vision Reimbursement | 160.00 |
| 24 | Jim-n-i Rentals | Traffic Plate Rentals (9/5-9/19/13) (7) | 515.27 |
| 25 | | Cafeteria Plan: Uninsured Medical Reimbursement | 748.00 |
| 26 | Lincoln Life | Deferred Compensation PPE 9/30/13 | 10,892.06 |
| 27 | | Cafeteria Plan: Childcare Reimbursement | 416.66 |
| 28 | Mammoser, Charles & Mary | Refund Deposit-New Development Water Conservation Restriction | 1,000.00 |
| 29 | Drew McIntyre | Exp Reimb: May- Aug 2013 Mileage | 190.97 |
| 30 | McKeith, Margaret | Novato "Toilet Rebate" Program | 100.00 |
| 31 | McQuade, Jim | Novato "Toilet Rebate" Program | 300.00 |
| 32 | Metrohm USA | Consumable Parts for IC System (Lab) | 2,078.71 |
| 33 | | Wage Assignment Order | 284.00 |

| Seq | Payable To | For | Amount |
|-----|--------------------------------|---|-----------|
| 34 | Mutual of Omaha | Oct Group Life Insurance Premium | 714.00 |
| 35 | Nationwide Retirement Solution | Deferred Compensation PPE 9/30/13 | 1,025.00 |
| 36 | Pace Supply | Caps (7) (\$135) & Service Saddles (3) (\$336) | 471.08 |
| 37 | Pacific e-Documents Solutions | Document Scanner Software Upgrade Installation & Training (Admin) | 248.20 |
| 38 | PERS Health Benefits | Health Insurance Premium (Employee \$48,439, Retirees \$11,387 & Employee Contrib \$10,358) | 70,184.23 |
| 39 | Peterson Trucks | Lower Seat Cushion ('02 Int'l Dump Truck) | 314.06 |
| 40 | NMWD Petty Cash | Petty Cash Reimbursement | 109.66 |
| 41 | Petterle, Stephen | September Director's Fee | 200.00 |
| 42 | Redler, Coleen | Novato "Washer Rebate" Program | 50.00 |
| 43 | | Cafeteria Plan: Childcare Reimbursement | 208.33 |
| 44 | Roberts & Brune | 5" Aluminum Pipe (120') | 1,034.63 |
| 45 | Rodoni, Dennis | September Director's Fee (\$200) & TAC Meeting on 9/9/13 (\$100) | 300.00 |
| 46 | Schoonover, John | September Director's Fee Less Deferred (\$150), NBWRA Board Meeting on 8/19/13 (\$100) & Adhoc Recycled Water Subcommittee Meeting on 9/24/13 (\$100) | 350.00 |
| 47 | Sequoia Safety Supply | Earplugs (400) (\$58), Lens Wipes (200), Rainjacket (\$44), Overalls (2) & Sunscreen Toilettes (50) | 198.14 |
| 48 | Soiland | Rock (20 tons) (\$771) & Asphalt Recycling | 830.75 |
| 49 | Syar Industries | Asphalt (15 tons) | 2,348.34 |
| 50 | Verizon California | Telephone Charges: Voice Lines | 46.56 |
| 51 | Verizon Wireless | August CIMIS Station Data Transfer Fee (2) | 26.34 |
| 52 | VWR International | Chlorite Standard, Heat Resistant Test Tube Racks (8) (\$127) & Nitric Acid (\$126) (Lab) | 294.14 |
| 53 | Water Opcert School | Water Treatment Plant Operator Exam Review (10/29-10/30/13) (Reed) | 200.00 |

| Seq | Payable To | For | Amount |
|----------------------------|-----------------------|--|----------------------------|
| 54 | Weeks Drilling & Pump | Clean Gallagher Well Casing to Remove Iron Oxide, Removal & Reinstallation of Pump | 6,682.67 |
| 55 | White & Prescott | Engineering Services: MSN Joint Use Agreement – Director's Deeds Support & AEEP Easement Support (Balance Remaining on Contract \$8,925) | 680.00 |
| TOTAL DISBURSEMENTS | | | <u>\$278,152.18</u> |

The foregoing payroll and accounts payable vouchers totaling \$278,152.18 are hereby approved and authorized for payment.

 _____
 Auditor-Controller Date 10/1/13

 _____
 General Manager Date 10/1/2013

DISBURSEMENTS - DATED OCTOBER 10, 2013

Date Prepared: 10/8/13

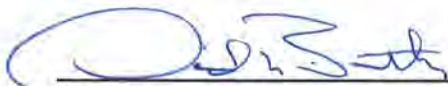
The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

| Seq | Payable To | For | Amount |
|------|-------------------------------|--|--------------|
| P/R* | Employees | Net Payroll PPE 9/30/13 | \$117,494.70 |
| EFT* | Bank of the West | Federal & FICA Taxes PPE 9/30/13 | 49,800.80 |
| EFT* | State of California | State Taxes & SDI PPE 9/30/13 | 8,839.90 |
| 1 | Able Tire & Brake | Tires (4) ('09 Toyota Prius \$133, '04 Chevy PU \$315 & '99 JCB Forklift \$724) | 1,172.38 |
| 2 | AT&T | September Internet Service @ PRTP | 70.00 |
| 3 | Backflow Distributors | Pressure Relief Valve Repair Kit | 113.73 |
| 4 | Bastogne Inc. | Refund Credit: Account Closed | 15.36 |
| 5 | Bay Area Barricade Service | Red Striping Paint (24-17 oz cans) | 112.28 |
| 6 | Bay Alarm Company | Quarterly Fire Alarm Monitoring Fee (STP) | 322.08 |
| 7 | CSW/Stuber-Stroeh Engineering | Engineering Services: NMWD Aqueduct Energy Efficiency Project (Balance Remaining on Contract \$43,255.00) | 47,714.50 |
| 8 | Cummings Trucking | Rock (129 yds) & Sand (65 yds) | 7,846.16 |
| 9 | Environmental Science Assoc | Progress Pymt #27: CEQA Construction Tasks for RW South Project (Bal Remaining on Contract \$28,847) | 453.75 |
| 10 | Goodpaster, Stacie | Exp Reimb: AWWA Conference. Parking (\$29), Lunch (\$22) & Cafeteria Plan: Uninsured Medical Reimbursement (\$106) | 157.59 |
| 11 | Grainger | Security Signs (2) | 33.88 |
| 12 | Harris and Associates, Inc. | Pipeline Inspection & Testing Services for MSN B-1 Reach E Project (Balance Remaining on Contract \$158,926) | 32,548.40 |

| Seq | Payable To | For | Amount |
|-----|--------------------------------|---|-----------|
| 13 | Ho, Puu & Mimi | Novato "Toilet Rebate" Program (\$300) & Alternative Compliance Reg 15 Deposit (\$945) | 1,245.00 |
| 14 | Holton, Nancy | Vision Reimbursement | 67.10 |
| 15 | Irish & Son Welding | Weld 12" Dog Leg (Bal Remaining on Contract \$3,510) | 460.00 |
| 16 | Keith, Margaret | Novato "Toilet Rebate" Program | 100.00 |
| 17 | KP Promotions | Annual Uniform Order: Shirts (103) (\$2,247), Sweatshirts (12) (\$375), Jacket (\$59), Coveralls (1) (\$39) & Caps (51) (\$764) | 3,483.63 |
| 18 | Leighton Stone Corp | Valve Repair Kit | 310.66 |
| 19 | Maltby Electric | Telemetering Cable Splice Kits (2) | 346.94 |
| 20 | Marin County Recorder | File Notice of Exemption for Atherton Tank Recoat/Mixing System | 50.00 |
| 21 | Novato Builders Supply | Concrete (2 yds) (\$434), Paint Paddles, Roof Cement, Washers, Nutsetter, Bolts & Nails (\$46), Mortar (160 lbs) (\$19) | 499.33 |
| 22 | Pacific Coast Cutters | Saw Cut @ City of Novato Admin-Delong Avenue | 392.00 |
| 23 | Pape Material Handling | Forklift Muffler | 136.10 |
| 24 | PERS Retirement System | Pension Contribution PPE 9/30/13 | 47,814.07 |
| 25 | Peterson Trucks | Oil Filters (2), Air Filter & Exhaust Clamps (2) (\$154), Exhaust Pipe (\$125), & Trailer Hitch (\$292) ('99 Intl Dump Truck) | 571.77 |
| 26 | Petro Tech | Fuel Dispenser Hoses (2) | 602.26 |
| 27 | Pini Hardware | Hardware (RW), Paint Rollers (3), Glue | 159.13 |
| 28 | Ramudo, Pablo | Exp Reimb: Registration for AWWA Water Technology Conference (Long Beach) (11/3-11/7) | 700.00 |
| 29 | Rasmussen, Alison | Novato "Washer Rebate" Program | 50.00 |
| 30 | Red Wing Shoe Store | Safety Boots (Stafford) | 181.47 |
| 31 | Sebastopol Bearing & Hydraulic | Protective Hose Cover | 6.76 |

| Seq | Payable To | For | Amount |
|----------------------------|-------------------------------|--|----------------------------|
| 32 | Sequoia Safety Supply Company | Safety Glasses (23) (\$77) & Brief Relief Urine Bags (100) (\$230) | 307.13 |
| 33 | Shirrell Consulting Services | October Dental Insurance Admin Fee | 288.15 |
| 34 | Shirrell Consulting Services | September Dental Expense | 4,805.00 |
| 35 | Siemens Water Technologies | Service on Deionization System | 217.78 |
| 36 | Stompe, Brad | Cafeteria Plan: Uninsured Medical | 81.44 |
| 37 | Syar Industries Inc | Asphalt (16 tons) | 1,458.23 |
| 38 | Unimin Corporation | Filtersil Sand for Water Treatment (STP) | 2,009.54 |
| 39 | USA BlueBook | Rust Remover (3 Lbs) (STP) | 85.19 |
| 40 | Verizon California | Telephone Charges: Leased Lines | 834.33 |
| 41 | Verizon Wireless | Cellular Charges: (Data \$101, Airtime \$128) | 229.66 |
| 40 | VWR International | Stop Watch, Terrycloth Gloves, Vials (600), & Autoclave Gloves | 214.34 |
| 41 | Wilson Bohannon Company | Brass Padlocks (36) | 293.16 |
| TOTAL DISBURSEMENTS | | | <u>\$334,695.68</u> |

The foregoing payroll and accounts payable vouchers totaling \$334,695.68 are hereby approved and authorized for payment.

 _____
 Auditor-Controller Date 10/7/13

 _____
 General Manager Date 10/7/2013

MEMORANDUM

To: Board of Directors

October 11, 2013

From: David L. Bentley, Auditor-Controller 

Subj: Self-Insured Workers' Comp – 1st Quarter Status Report

t:\acl\word\personnel\wctself ins status 0913.docx

RECOMMENDED ACTION: None

FINANCIAL IMPACT: Cumulative Cash Outlay Avoided of \$256,506

The District returned to self-insuring its workers compensation liability effective July 1, 2011, after the low-cost proposal for first-dollar workers' compensation coverage increased 20% over the prior year, to \$159,331. The avoided-cost in FY12 and FY13 from self-insuring is calculated at \$194,607. The proposed premium for FY14 came in at an astounding \$311,764¹. Through the first quarter of FY14, the District incurred two minor claims, the medical bills for which have not yet come in. Thus the District has accumulated an additional \$61,899 in avoided cost during the FY14 first quarter.

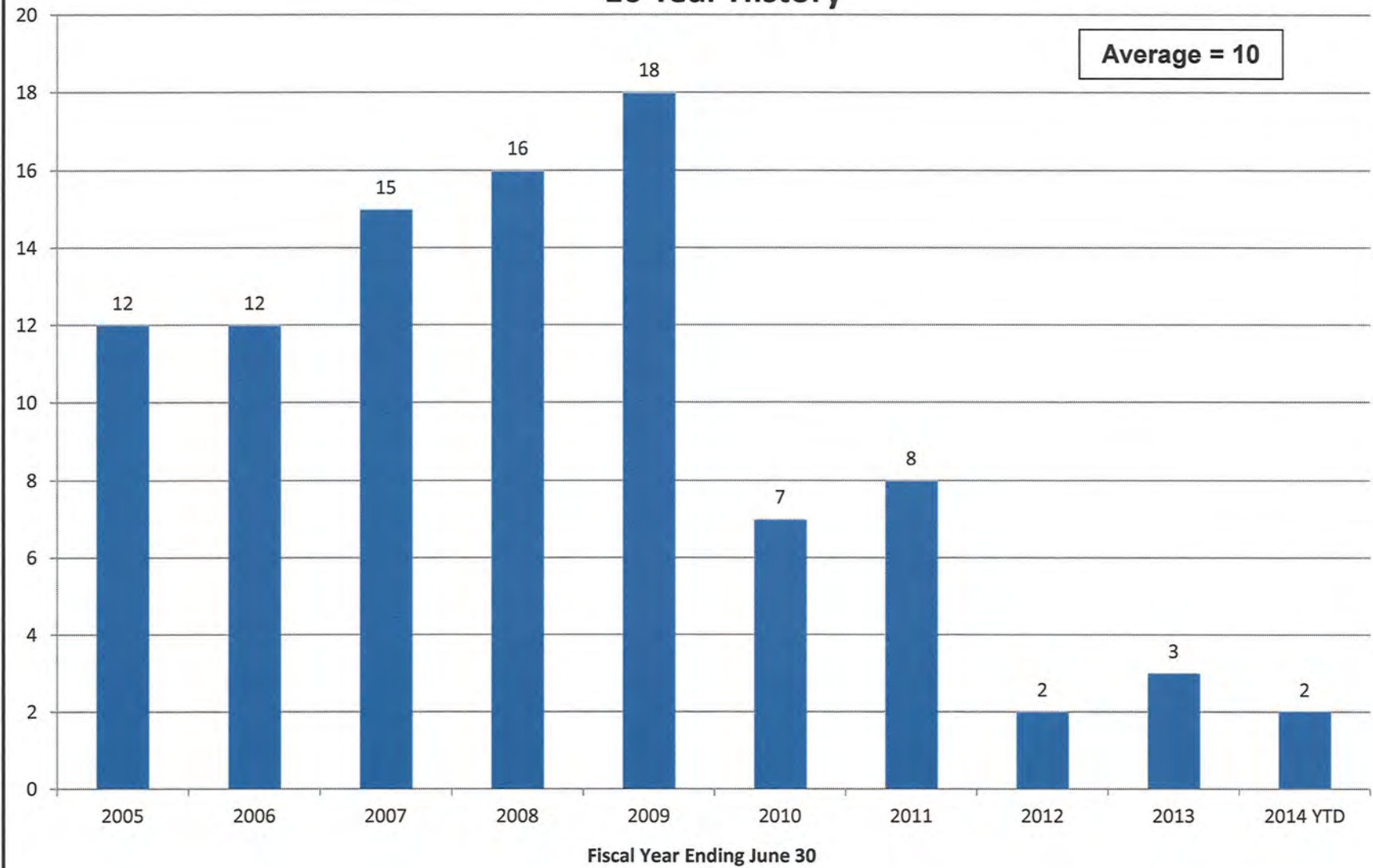
Cumulative cost avoided for the first nine quarters of self-insurance total \$224,470. When the Reserve for Future Medical (which is money not yet paid out) is added, the total cash outlay avoided to date is \$256,506. This money is set-aside in a reserve for future claims.

Attached are charts showing a 10-year history of annual claims cost (average \$40,000 per year) and 10-year history of claims frequency (average 10 claims per year).

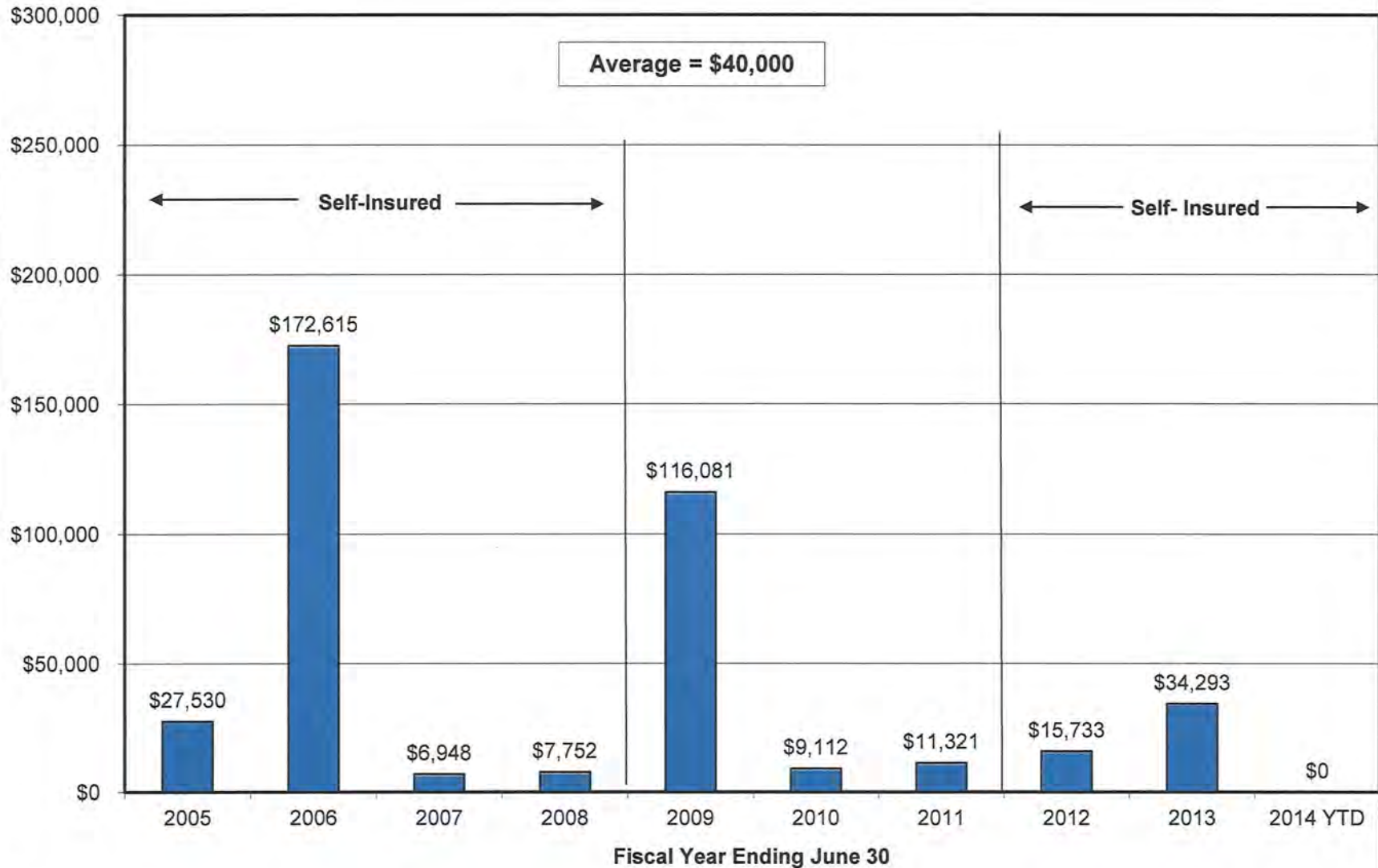
| | FY12 | FY13 | FY14 thru 9/30/13 | Cumulative |
|----------------------------------|-----------------|------------------|----------------------|------------------|
| Premium Avoided | \$159,331 | \$170,574 | \$77,218 | \$407,123 |
| Self-Insurance Cost | | | | |
| Medical/Indemnity Payments | (15,733) | (34,293) | 0 | (50,026) |
| Third Party Administration | (12,000) | (12,000) | (3,000) | (27,000) |
| Excess Insurance Premium | (45,546) | (47,762) | (12,319) | (105,627) |
| Legal/Miscellaneous | 0 | 0 | 0 | 0 |
| Net Cost Avoided | \$86,052 | \$76,519 | \$61,899 | \$224,470 |
| Reserve for Future Medical | 5,496 | 26,540 | 0 | 32,036 |
| Total Cash Outlay Avoided | \$91,548 | \$103,059 | \$61,899 | \$256,506 |

¹ Chartis Insurance proposed \$311,764. State Compensation Insurance Fund proposed \$317,190.

Workers' Compensation Claims Filed - Frequency 10 Year History



Workers' Compensation Claim Cost by Year Injury Incurred 10 Year History



DATE: September 27, 2013
TO: LAFCO Members
Marin County Independent Special Districts
FROM: Keene Simonds, Executive Officer
Candice Bozzard, Clerk to the Commission
RE: Result of Election by Ballot
Selection of Alternate Special District Member

BODMLSC
cc: Jack Baker
File

RECEIVED

OCT 02 2013

North Marin Water District

There are 30 independent special districts eligible to cast ballots for special district seats on the Marin LAFCO Commission. The LAFCO office received 18 ballots within the 60-day selection period ending September 25, 2013. According to the adopted policy, special district members' election requires a majority of votes cast and a majority of special districts (16 votes). Since no candidate received a majority of "First Choice" votes the "instant runoff" or ranked-choice voting process provided in the adopted policy and procedure was required to determine the outcome.

Mr. Jack Baker of the North Marin Water District has been selected to serve as the alternate special district member of LAFCO for the term ending in May 2015.

Ballots were received from the following special districts:

Almonte Sanitary District
Alto Sanitary District
Bel Marin Keys Community Services District
Bollinas Fire Protection District
Homestead Valley Sanitary District
Inverness Public Utility District
Kentfield Fire Protection District
Las Gallinas Valley Sanitary District
Marin Municipal Water District
Marinwood Community Services District
North Marin Water District

Chairperson: Jeffrey Blanchfield
Members: Susan Adams, Judy Arnold, Barbara Heller, Carla Condon, Craig K. Murray, Dennis J. Rodoni,
Alternates: Christopher Burdick, Kathrin Sears, Herb Weiner
Executive Officer: Keene Simonds

Marin Local Agency Formation Commission

555 Northgate Drive, Suite. 230 • San Rafael, California 94903
Telephone (415) 446-4409 • Facsimile (415) 446-4410 • Email staff@marinlafco.org
Website <http://lafco.marin.org>

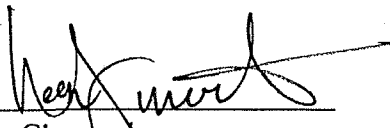
(ballots received, continued)

Richardson Bay Sanitary District
Sanitary District #1 (Ross Valley)
Sanitary District #5 (Tiburon)
Sausalito-Marín City Community Services District
Southern Marin Fire Protection District
Tamalpais Community Services District
Tamales Village Community Services District

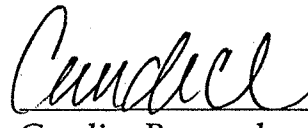
The following independent special districts did not submit ballots to the LAFCO office:

Bolinas Community Public Utilities District
Marin Health Care District
Marin City Community Services District
Marin Resource Conservation District
Muir Beach Community Services District
Novato Fire Protection District
Novato Sanitary District
Sleepy Hollow Fire Protection District
Stinson Beach Fire Protection District
Stinson Beach Water District
Strawberry Recreation District
Tiburon Fire Protection District

Respectfully submitted,



Keene Simonds
Executive Officer



Candice Bozzard
Clerk to the Commission



FOR IMMEDIATE RELEASE
October 3, 2013

CONTACT: Carrie Pollard
Cell: (707)975-3415

Sonoma Marin Saving Water Partnership Wins 2013 EPA WaterSense® Excellence Award

(Santa Rosa, CA) Today the Sonoma Marin Saving Water Partnership (Partnership) was recognized with a 2013 WaterSense Excellence award from the U.S. Environmental Protection Agency (EPA) for promoting water efficient irrigation practices through implementation of the Qualified Water Efficient Landscaper Program. The Partnership was honored for its groundbreaking regional approach towards cost-effective incentive and educational based water use efficiency programs.

The Partnership represents 10 water utilities in Sonoma and Marin counties, including the Cities of Santa Rosa, Rohnert Park, Petaluma, Sonoma, Cotati; North Marin, Valley of the Moon and Marin Municipal Water Districts; Town of Windsor and Sonoma County Water Agency. The Partnership was formed to identify and recommend implementation of water-use efficiency projects and maximize the cost-effectiveness of water use efficiency programs in Sonoma and Marin Counties.

“The Partnership is a unique agreement among stakeholders who want a secure and affordable water supply,” said David Rabbitt, chairman of the Board of the Sonoma County Water Agency and the Sonoma County Board of Supervisors. “The Partnership, through its many water efficiency programs, educational seminars and outreach campaigns, provides information to our communities about the importance of conserving water and curbing water-wasting behaviors.”

The Partnership establishes common water use efficiency programs on a regional basis that are applicable across political and jurisdictional boundaries. The partnership has surpassed conservation goals set in 2009, showing that establishing regional programs may be a cost effective way to conserve more water than would otherwise have been saved on an agency-by-agency basis.

“Water use efficiency programs are critical as we strive to supply our communities with fresh water during California’s long, dry periods,” said Jake Mackenzie, Rohnert Park Councilman and chairman of the Water Advisory Committee. “Despite a hot summer, water use in the Sonoma-Marin region dropped this year in response to a call for water-use efficiency, indicating that the

Partnership's financial incentives for ratepayers and education-based outreach have been successful."

The 2013 WaterSense Excellence Award from the EPA recognizes that the Partnership is distinguished for its innovative regional approach to water use efficiency programs and the reduction in per capita water use based on data from previous years. One of the most successful of these programs is the Qualified Water Efficient Landscaper Program (QWEL). From its early development, QWEL's mission has been to educate landscape professionals and their customers on the benefits of sound landscape design, management, and irrigation practices. Since the QWEL program became WaterSense labeled in 2007, QWEL has issued over 700 certifications and is offered by 10 organizations throughout the US.

The Partnership will continue to offer educational resources, programs and incentives to aid our communities in meeting water use efficiency requirements in the future. For more information please visit www.savingwaterpartnership.org or contact Carrie Pollard at Carrie.Pollard@scwa.ca.gov.

###

The purpose of the Sonoma-Marin Saving Water Partnership is to establish the financial obligation for the eight local water utilities, Marin Municipal Water District and Sonoma County Water Agency, identify and recommend implementation of water conservation projects and to maximize the cost-effective projects for the Partnership. Visit us online at www.savingwaterpartnership.org.

BOB MUX

Road WarriorMailbag: What will Marin/Sonoma Narrows look like?Saturday, September 28, 2013 at 5:54 by [Road Warrior](#)

A Caltrans map of the remodeled interchange at the Redwood Landfill north of Novato along Highway 101. [Click to enlarge.](#)

Nearly six months into the Highway 101 widening project between Petaluma and Novato, drivers have a lot of questions about what's happening, why they're being delayed and when the work will be done. For construction details, see [yesterday's Road Warrior column](#). For answers to specific questions about traffic, earth moving, orange fences and dairy farms, keep reading.

Question: South of Kastania Road on 101 there appears to be a road being built alongside the freeway for several miles, there's lots of earthmoving equipment plus large pipes, drainage or sewage? And then further south towards Novato there's a long stretch with work in the center of 101, is this just widening or is it related to the train service we keep hearing about? — AB

Answer: It doesn't have anything to do with the SMART train, which will run on existing rail lines near Highway 101. What you're seeing south of Kastania Road is the frontage roads that are being built on both sides of the highway south of Petaluma Blvd. South. It will serve local traffic that is now able to enter and exit Highway 101 at lots of locations between Petaluma and Novato. The widening project will limit their access to one interchange at Redwood Landfill Road.

Work being done in the center of 101 further south has two purposes — creating what will become HOV lanes and adding lanes to the existing Redwood Landfill bridge.

Question: What on earth is happening on and around the hill immediately to the side of 101 near the Novato dumps and Olompali State Park? I assume it's part of the 101 widening, but it couldn't possibly be where they are intending 101 to be, right? If I had to guess, I would say they are building a sound wall, would that be correct? I just looks like a monstrous undertaking for a sound wall... — kstedry

Answer: They aren't soundwalls. What you're seeing is construction of the massive new Redwood Sanitary Landfill interchanges, will will become the only point to enter and exit the freeway between

Petaluma and the Atherton Avenue exit in Novato. San Antonio Road, the Olompali entrance and all other driveways will no longer be able to directly access 101.

The roadway being cut closest to the hill on the west side of 101 at the Redwood interchange is the frontage road that will handle local traffic to and from San Antonio Road and the farm driveways. The road cuts south of Olompali are for the frontage road that will run between the historic park and Novato.

You can read more details about the projects and its funding in an earlier Road Warrior story [HERE](#).

Question: In the narrows proper, south of the county line, there is about 100-150 feet of land staked off, actually on both sides of the freeway. The dairy ranch between San Antonio Road and Olompali Park has lost a bit of working land. Maybe it's just construction frontage roads? Can you find out why so much land is staked off and is being graded west of 101 through the Narrows? I thought the new lanes were going in the center of the roadway. – Chris Eich

Answer: Land from several dairy farms was purchased for the Narrows project, but the most visible is the Silveira dairy farm on the west side of 101. A portion of the farm adjacent to the highway was purchased to use for the frontage road and the interchange construction.

The new HOV lanes in the center of the highway also are being constructed. Once the widening project is finished, 101 will have three lanes going in each direction, but only two will be open until funding is available to complete the HOV lanes in the middle.

Question: What's with all the BRIGHT ORANGE fences along 101 especially south of Petaluma? They are way off the highway out in the fields and an eyesore. How about something green or brown? The animals don't care what color is blocking their routes and the cars aren't driving 100 feet off the road. — Alan

Answer: You were kidding, right? Cows don't care what color the fences are, nor should drivers, but construction workers do. They're used to seeing orange fences around hazards and project boundaries. Using more aesthetic colors that blend with the environment would defeat the purpose.

Question: Traffic is getting really bad along 101. In the morning going south, what should take 5-7 minutes from mid-Petaluma through Kastania now takes 20-30 minutes. Going north through the Novato Narrows between Hwy. 37 and Petaluma should take 15 minutes, but now can take up to 30-45 min.

The landfill portion I'm sure will take much longer, but the only resolution appears to be the 1.5 mile carpool lane extension. This would (hopefully) have the biggest improvement on traffic. When is it supposed to be finished? — Ole

Answer: Driving through the Narrows is a real pain during construction, and probably will get worse before it gets better. The only relief on the horizon is the 1.6-mile northbound carpool lane between Atherton Avenue and the Novato city limits. It's on schedule to open in spring 2014.

Question: How about a map of how the new freeway will look thru the Novato narrows? — Mike O'Brien

Answer: Caltrans hasn't prepared one yet, maybe because design work is still being done on projects in the second phase of construction and funding is still being sought. Nor is there an estimate about when the full Narrows project will be completed.

Latest rainfall and water use

The Marin Municipal Water District reports that rain on Sept. 21 brought the total to 1.087 inches for the new water year which began July 1. The average is .054 inches for this time of the year.

Current reservoir levels as of Sept. 27 are at 67 percent of capacity. Storage levels last year at this time were at 78 percent. The average at this date is 69 percent. The current storage at the individual reservoirs is Nicasio, 28.2 percent; Soulajule, 13.3; Lagunitas, .04; Phoenix, .05; Kent, 41.3; Alpine, 11.2; Bon Tempe, 5.1.

MMWD water use for the week of Sept. 22 averaged 29.3 million gallons per day. For the same week last year, water consumption was 29.7 million gallons per day.

A preliminary assessment of water use in West Marin was about three percent below 2012 at this time in the new water year, said General Manager Chris DeGabriele of North Marin Water District. "Folks in West Marin are always pretty cautious of water use," he said. "This year, especially with the dry spring, we were fortunate to have no use restrictions."

DeGabriele said forecasters aren't making any predictions about how much rain we'll get during the rainy season, and ocean conditions aren't giving any indication.

In August, MMWD made its annual release of impounded water from Kent Lake reservoir. It sent 266 million gallons into Lagunitas and Walker creeks to maintain adequate in-stream flow and temperatures for fish, per agreement with the State Water Resources Control Board. Kent, Alpine, Bon Tempe, and Lagunitas reservoirs hold water diverted from the Lagunitas Creek basin to serve customers in central and southern Marin, so water is released from Kent Lake reservoir as mitigation. -Lynn Axelrod

West Marin
Citizen
10/03/13

Plastics News

Jury trial underway on JM Eagle whistle-blower lawsuit

By: **Catherine Kavanaugh**

September 19, 2013

NMWD IS ONE OF THE 45 CLAIMANTS

A jury trial is underway in a federal courtroom in California to determine whether J-M Manufacturing Co. defrauded 45 cities, states and government entities by selling defective PVC pipe for sewer systems from at least 1996 through 2005.

The lawsuit alleges J-M, which became JM Eagle Co., violated the False Claims Act by knowingly selling pipe that would fail earlier than promised.

Formosa Plastics, JM Eagle's former parent company, had been a co-defendant. Los Angeles-based JM Eagle is the largest pipe extruder in North America, according to Plastics News' ranking.

Attorneys for J-M call the fraud allegations meritless, malicious and legally deficient. They contend a "dishonest and disgruntled" former employee cobbled together incorrect testing standards and baseless insinuations. They also say there is no proof the plaintiffs received substandard pipes.

The case stems from a 2006 whistle-blower lawsuit brought by John Hendrix, a former J-M quality assurance engineer at a New Jersey plant. Hendrix claims J-M lied about the quality of PVC pipes used all over the country and that the pipes will rupture earlier than expected.

Hendrix was fired in November 2005 after writing a memo that said J-M cherry-picked the product it subjected to tests, and that much of the PVC pipe sold did not meet Underwriters Laboratories Inc. standards, particularly for longitudinal tensile strength (LTS).

Hendrix is a plaintiff along with the states of Nevada, New Mexico and Virginia, 21 cities in California and 21 water districts in California.

The case is being argued before U.S. District Court Judge George H. Wu, who ruled in March that JM Eagle could be liable under the False Claims Act if it not only sold state and local governments faulty pipe but if it failed to conduct adequate testing on its pipes.

The lawsuit says when Walter Wang, the son of late Taiwanese billionaire Y.C. Wang, who controlled Formosa Plastics Corp., became president of J-M manufacturing, the company substituted cheaper and lower quality ingredients in its PVC compound and used shortcuts to speed up the manufacturing process, which hurt the pipes' tensile strength.

After the production changes, J-M failed to requalify its pipe as industry standards require and instead falsely represented that the pipes were unchanged, the lawsuit alleges.

In one of its court filings, defense attorneys contend Hendrix's allegations boil down to unsupported conclusions and disagreements over technical matters.

However, attorneys for the plaintiffs plan to call as many 30 witnesses to show otherwise.

The jury of six men and six women also could hear from as many as 40 defense witnesses before they begin deliberations. The case is scheduled to go to the jury on Nov. 6.

If the jurors find liability, a second phase of the trial will determine damages.

Link: <http://www.plasticsnews.com/article/20130919/NEWS/130919900>

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