

**NORTH MARIN  
WATER DISTRICT**

**NORTH MARIN WATER DISTRICT  
AGENDA - REGULAR MEETING  
October 18, 2011 – 7:30 p.m.  
District Headquarters  
999 Rush Creek Place  
Novato, California**

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<b>Est. Time</b>	<b>Item</b>	<b>Subject</b>
7:30 p.m.	<b>CALL TO ORDER</b>	
	1. <b>APPROVE MINUTES FROM REGULAR MEETING</b> , October 4, 2011	
	2. <b>GENERAL MANAGER'S REPORT</b>	
	3. <b>OPEN TIME: (Please observe a three-minute time limit)</b>	
	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. <b>STAFF/DIRECTORS REPORTS</b>	
	5. <b>MONTHLY PROGRESS REPORT w/Quarterly Customer Service Questionnaire</b>	
	<b>CONSENT CALENDAR</b>	
	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. <b>Consent – Approve</b> Auditor-Controller's Statement of Investment Policy	
	7. <b>Consent – Approve</b> Text for Water Line, Volume 12, Issue 26	
	<b>ACTION CALENDAR</b>	
	8. Approve: AEEP Bank of Marin Loan	<b>Resolution</b>
8:00 p.m.	<b>INFORMATION ITEMS</b>	
	9. Review – Outside Auditor's 2011 Report, Single-Audit Report and Management Report	
	10. Local Coastal Program Amendment	
	11. Solar Power Project Alternative	
	12. <b>MISCELLANEOUS</b>	
	Disbursements	
	Letter to President Schoonover Re Candidacy for Vice President of ACWA Board	
	Self-Insured Workers' Comp – Status Report	
	Russian River Biological Opinion Update – October 2011	

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)

<b>Est. Time</b>	<b>Item</b>	<b>Subject</b>
		State Controller's Local Government Compensation Report for 2010 GFOA Award
		<u>News Articles:</u> Lake Mendocino Water Releases Increased to Secure Flood Control Capacity Winzler & Kelly merges with Australian firm Salinity Notice Gorin to run for Board of Supervisors
9:00 p.m.	13.	<b>ADJOURNMENT</b>

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**DRAFT**  
**NORTH MARIN WATER DISTRICT**  
**MINUTES OF REGULAR MEETING**  
**OF THE BOARD OF DIRECTORS**  
October 4, 2011

6 **CALL TO ORDER**

7 President Schoonover called the regular meeting of the Board of Directors of North Marin  
8 Water District to order at 7:30 p.m. at the District headquarters and the agenda was accepted as  
9 presented. Present were Directors Rick Fraites, Steve Petterle and Dennis Rodoni. Also present  
10 were General Manager Chris DeGabriele, Secretary Renee Roberts and Chief Engineer Drew  
11 McIntyre. Director Jack Baker was absent.

12 Russell Rudden of URS Corporation and District employee Doug Moore (Construction/  
13 Maintenance Superintendent) were in the audience.

14 **MINUTES**

15 On motion of Director Rodoni, seconded by Director Fraites, the Board approved the minutes  
16 from the previous meeting as presented by the following vote:

17 AYES: Directors Fraites, Petterle, Rodoni, Schoonover

18 NOES: None

19 ABSTAIN: None

20 ABSENT: Director Baker

21 **GENERAL MANAGER'S REPORT**

22 Mr. DeGabriele reported that two temporary District employees have been hired as regular  
23 full-time employees effective October 1, bringing the staffing level to 52.5 FTE. He said that Adam  
24 Breit, who has been a temporary laborer for approximately 18 months, has been hired as a Laborer  
25 at the beginning salary step; and he has obtained a D-1 Water Distribution Certification on his own  
26 initiative and passed a Class A driver's license test. He informed the Board that Michael Connolly  
27 was hired as a temporary Water Distribution and Treatment Plant Operator in July and he holds a T-  
28 2 Treatment Operator Certification and a D-2 Water Distribution Certification; he will start as a  
29 regular employee at the beginning salary step of Water Distribution and Treatment Plant Operator.  
30 Mr. DeGabriele opined that both men are expected to be good solid employees and have  
31 demonstrated good performance. He advised that before making the decision to hire the two  
32 employees, he reviewed the District financial performance. He said that the facilities reserve charge  
33 collection has exceeded the annual projection by \$200,000 principally due to the Warner Creek

1 Senior Housing Project. He further advised that water sales continue to lag from a year ago, but  
2 2700MG was budgeted this fiscal year and the District is on track to sell between 2600MG and  
3 2700MG; however, this should not have a huge effect on the District goal to improve its reserve  
4 balance.

5 **OPEN TIME**

6 President Schoonover asked if anyone in the audience wished to bring up an item not on the  
7 agenda and there was no response.

8 **STAFF / DIRECTORS' REPORTS**

9 President Schoonover asked if staff or Directors wished to bring up an item not on the  
10 agenda and there was no response.

11 **ACTION CALENDAR**

12 **FY 2011 ANNUAL REPORT**

13 Mr. DeGabriele presented the final Annual Report for FY 2010/2011 for Board approval. He  
14 advised that there was one comment received regarding the photo of the Oceana Marin dosing tank,  
15 and that Director Baker spoke with Drew McIntyre after the previous Board meeting and suggested  
16 that additional information be included in the Historical Highlights. He stated that Director Baker is  
17 currently out of town and has not responded to his phone calls and he does not know exactly what  
18 Director Baker wanted to include. Mr. DeGabriele advised the Board that they can approve the  
19 report as presented tonight, postpone the vote until Director Baker's wishes are known and changes  
20 made, or approve with changes pursuant to Director Baker's comments.

21 Director Petterle stated that Historical Highlights do not affect the content of the report and  
22 moved to approve the FY 2011 Annual Report as presented. Director Fraites provided the second  
23 and the motion was unanimously carried by those Directors present.

24 **CHANGE ORDER #1 FOR CREST TANK NO. 1 INTERIOR RE-COAT- BLASTCO, INC.**

25 Drew McIntyre stated that Blastco, Inc. was awarded the Plum Street Tank Recoat Project in  
26 July 2011. He advised that the construction of Crest Tank No. 2 was recently completed, and at that  
27 time the exterior of Crest Tank No. 1 was recoated. He further advised that the interior of Crest  
28 Tank No. 1 had not been inspected at that time because it was a single tank zone system and could  
29 not be taken out of service. He stated that with the completion of Crest Tank No. 2, an inspection of  
30 the interior of Crest Tank No. 1 was performed and revealed that the interior of the tank was in need  
31 of recoating.

1 Mr. McIntyre stated that staff requested a proposal from Blastco to recoat the interior of  
2 Crest Tank No. 1 as staff felt it was cost-effective and prudent to have this work performed by  
3 Blastco at the same time as the Plum Street Tank Recoat project. He said staff compared the cost  
4 of the Plum Street Tank recoat with the proposal for the Crest Tank No. 1 recoat and stated that the  
5 cost per square foot is 24% higher. He advised that staff believes this is reasonable because the  
6 height of Crest Tank No. 1 is nearly twice the height of Plum Street Tank, and coating removal and  
7 application is expected to be more complicated and costly due to additional scaffolding  
8 requirements. Mr. McIntyre further advised that there would be additional savings of approximately  
9 24% by not having to prepare contract documents, going through the bid phase and additional  
10 administrative costs. He said that staff is not recommending a budget augmentation; but because  
11 the recoating of Crest Tank No. 1 is a higher priority, staff is proposing to defer two projects (totaling  
12 \$190,000) until FY 2013 (Stafford Treatment Plant Transmission Line Assessment and the ongoing  
13 Repair and Service Line Anodes Installation project).

14 Director Petterle stated that when the County of Marin issues change orders for projects, the  
15 public contract code limits an increase or decrease of 10% of the contract amount. Mr. McIntyre  
16 responded that it is the District's legal counsel's opinion that this change order is in compliance with  
17 the State Water Code under which the District operates.

18 Director Rodoni asked if the two deferred projects would be performed by outside  
19 contractors. Mr. McIntyre stated that the Stafford Treatment Plant Transmission Line Assessment  
20 project would be contracted out, and the Repair and Service Line Anodes Installation would be  
21 performed by District crews.

22 Director Rodoni stated that since District crews would be getting paid anyway, deferral of the  
23 Anode Installation Project noted above will not result in the projected savings. Mr. McIntyre replied  
24 that the total budgeted amount, including crew work, will not exceed the authorized budget. Director  
25 Rodoni stated that the dollar amount would shift to other projects and may not be a real savings.

26 On motion of Director Petterle, seconded by Director Rodoni and unanimously carried by  
27 those Directors present, the Board authorized the General Manager to execute Change Order No. 1  
28 in the amount of \$166,299 for extra work associated with the interior recoating of Crest Tank No. 1  
29 with a contingency of \$8,000.

30 **LEVERONI CREEK BANK REPAIR PROJECT- AGREEMENT FOR CONSTRUCTION PHASE**  
31 **SERVICES WITH PRUNUSKE CHATHAM INC.**

32 Mr. McIntyre stated that Leveroni Creek bank is eroding along the access road to the  
33 Stafford Treatment Plant sludge thickener and backwash recovery basins. He said that in fiscal year

1 2010/2011 Prunuske Chatham, Inc. (PCI) was hired by the District to develop the design and  
2 procure permitting for the Leveroni Creek Bank Repair Project. He said that it was planned to have  
3 District crews begin the construction in the late summer season when Leveroni Creek would be dry;  
4 however, because of the wet spring it was apparent that compliance with the permit conditions  
5 would not be met. He said that the original permitting was only suitable if the construction area in  
6 Leveroni Creek was dry. Mr. McIntyre advised that staff also received permit conditions from State  
7 Department of Fish and Game, County of Marin and Army Corps of Engineers that limited  
8 construction of the project to the period between July and October. He said that it became apparent  
9 that the simplified permitting process was not realistic for this year, and it is staff's belief that it is not  
10 realistic for any future summertime work.

11 Mr. McIntyre informed the Board that an additional scope of work includes more involved  
12 permitting work that assumes that there will be standing water in Leveroni Creek when construction  
13 begins next July. He stated that the cost for the additional permitting requirement is \$5,000. He  
14 said the additional scope also includes construction observation and biological pre-construction  
15 monitoring that are required by local, state and federal agencies. Mr. McIntyre advised that after  
16 talking with the District Construction Superintendent, it became apparent that District crews do not  
17 have the expertise for creek restoration; and it is expected to put the project out for bid in the spring.  
18 He said that PCI would be available during the construction phase and their cost is included in the  
19 contract.

20 Mr. McIntyre advised that with the additional winter season permitting requirements coupled  
21 with construction phase services, the contract amount to PCI would be \$14,303 with a contingency  
22 of \$6,860. He further advised that the contingency amount would only be expended if the Army  
23 Corps of Engineers requires a "take permit" for CEQA compliance. He explained that the "take  
24 permit" would be required to relocate steelhead trout should any be found in standing water within  
25 the creek bed. Mr. McIntyre said that \$130,000 was budgeted this fiscal year; and with the  
26 additional permitting work, the total project cost is now \$145,000 with a 15% contingency. He  
27 advised that the costs will be pushed out into the next fiscal year because construction will not be  
28 started due to the additional permitting requirements.

29 On motion of Director Fraites and seconded by Director Rodoni and carried by those  
30 Directors present, the Board authorized the General Manager to execute an agreement with  
31 Prunuske Chatham Inc. for the Leveroni Creek Bank Repair project for services during permitting  
32 and construction work for a not-to-exceed fee of \$14,030 plus a contingency of \$6,860.

1 **RECYCLED WATER EXPANSION PROJECT SOUTH SERVICE AREA- CONSTRUCTION**  
2 **MANAGEMENT SERVICES CONTRACT AWARD**

3 Mr. McIntyre stated that staff is recommending that the District hire URS Corporation to  
4 perform construction management services for the Recycled Water Expansion Project South  
5 Service Area, and he introduced Russell Rudden from URS who was in the audience. He said the  
6 Novato South Service Area Project includes six miles of pipe and rehabilitation of the 500,000 gallon  
7 Reservoir Hill Tank in Hamilton. Mr. McIntyre informed the Board that a Request for Proposal was  
8 mailed to 25 firms, seven firms returned proposals, and after preliminary review, three firms were  
9 chosen for interviews. He advised that the interview team used similar criteria for consultant  
10 evaluation as that used for Novato North Service Area construction management selection, and  
11 each firm's qualifications were ranked separately by each panel member. He stated that the  
12 interview team ranked URS as the highest because they best identified specific characteristics of  
13 the project; and their project team, particularly their inspector and construction manager, have many  
14 years' experience. Mr. McIntyre said that the combination of inspector and construction manager  
15 brings an economy of scale to the District reflected in the cost of the construction management  
16 services.

17 Mr. McIntyre stated that staff has worked with URS to negotiate their scope of work and fee;  
18 and he said that when compared with the Novato North Service Area project, the fees were found to  
19 be very competitive. He said that the contract is structured on a time and expense basis contract  
20 with a not-to-exceed limit without prior authorization, and the project is expected to last  
21 approximately sixteen months and encompass two fiscal years. Mr. McIntyre informed the Board  
22 that the cost for the South Service Area project is now estimated to be \$7.5M, \$1.5M more than the  
23 conceptual cost estimate. He said additional grant money is being sought to offset higher costs, and  
24 he opined that there may be savings in the project construction because of the current competitive  
25 market. He said that he will update the Board once construction costs are known.

26 Director Rodoni asked Mr. Rudden to tell the Board about his firm.

27 Mr. Rudden said that URS Corporation is a large corporation with approximately 100  
28 employees headquartered in San Francisco and is a leading provider of geotechnical services, civil  
29 engineering and construction management. He said their firm is fortunate to have Martin Falarski  
30 join their firm from EBMUD and that he is an outstanding fit for the District's project.

31 On motion of Director Rodoni, seconded by Director Fraites and unanimously carried by  
32 those Directors present, the Board authorized the General Manager to execute an agreement



1 between URS Corporation and the District for construction management services on a time and  
2 expense basis with a not-to-exceed limit of \$572,000 plus a \$57,200 contingency.

3 Mr. Rudden thanked staff and the Board and he left the meeting.

4 **INFORMATION ITEMS**

5 **AUDITOR-CONTROLLER'S MONTHLY REPORT OF INVESTMENTS FOR AUGUST 2011**

6 Mr. DeGabriele presented the Auditor-Controller's Monthly Report of Investments for August  
7 in Mr. Bentley's stead. He said the cash balance increased by \$1.2M; the LAIF interest rate  
8 increased slightly and the District portfolio's market value has held steady at approximately \$5M.

9 **CONSULTING SERVICES AGREEMENT WITH RETIRED EMPLOYEE RICK RUDOLPH**

10 Mr. DeGabriele informed the Board that he executed an agreement to provide consulting  
11 services with Rick Rudolph for the purpose of providing mark and locate services for the recycled  
12 water project. He said that the need for Mr. Rudolph's services came quickly as the construction  
13 department was short-staffed. Mr. DeGabriele stated that Mr. Rudolph retired from the District in  
14 April of 2010 after 45 years of service and knows the District system very well. He said that Mr.  
15 Rudolph will be available if his services are needed in the future.

16 **TAC MEETING – OCTOBER 3, 2011**

17 Mr. DeGabriele provided highlights of the Technical Advisory Committee meeting on  
18 October 3, 2011. He reported that the Russian River Watershed Protection Committee advised that  
19 they will file a lawsuit against SCWA over the adequacy of the EIR on the Estuary Project, the  
20 project required by the Biological Opinion to keep a closed estuary at the lagoon at Jenner. He  
21 stated that SCWA provided an update to their Water Supply Strategies Action Plan and a brief  
22 update on the Draft SCWA Long Range Financial Plan. Mr. DeGabriele stated that contractors who  
23 have not received their allocation for Local Supply, Recycled Water and Tier 2 Water Conservation  
24 Funding (LRT2) were reminded to submit their proposals for LRT2 projects; the Agency's lead  
25 mechanic made a presentation on the Sonoma Booster Station No. 1 meter and 20" mainline valve  
26 installation; and Brown and Caldwell have been selected to update the annual allocation model and  
27 prepare a summer allocation model. He said that the Agency is planning a rate study and there was  
28 an update on the Biological Opinion presented by Pam Jeane.

29 **NBWA MEETING- OCTOBER 7, 2011**

30 Mr. DeGabriele stated that Director Fraites will attend the NBWA meeting on Friday, October  
31 7, 2011 as Director Baker is out of town.

32 **MISCELLANEOUS**



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**NORTH MARIN WATER DISTRICT**  
**MONTHLY PROGRESS REPORT FOR September 2011**  
 October 18, 2011

<b>1. Novato Potable Water Prod - RR &amp; STP Combined - in Million Gallons - FYTD</b>						
Month	FY11/12	FY10/11	FY09/10	FY08/09	FY07/08	12 vs 11 %
July	371	379	360	419	417	-2%
August	365	368	367	417	416	-1%
September	346	358	335	393	374	-3%
FYTD Total	1,082	1,106	1,061	1,229	1,206	-2%
<b>West Marin Potable Water Production - in Million Gallons - FY to Date</b>						
Month	FY11/12	FY10/11	FY09/10	FY08/09	FY07/08	11 vs 10 %
July	9.2	9.9	10.0	11.8	11.5	-7%
August	9.4	9.9	10.6	11.9	11.5	-5%
September	8.7	9.2	9.6	10.2	9.8	-5%
FYTD Total	27.4	29.0	30.2	33.9	32.8	-6%
<b>Stafford Treatment Plant Production - in Million Gallons - FY to Date</b>						
Month	FY11/12	FY10/11	FY09/10	FY08/09	FY07/08	11 vs 10 %
July	115	109	152	131	131	6%
August	126	108	150	128	121	17%
September	77	112	155	117	106	-32%
FYTD Total	318	329	457	376	357	-3%
<b>Recycled Water Production - in Million Gallons - FY to Date</b>						
Month	FY11/12	FY10/11	FY09/10	FY08/09	FY07/08	11 vs 10 %
July	11.0	11.9	12.0	13.6	13.4	-8%
August	12.2	11.2	12.9	13.6	12.7	9%
September	9.6	9.5	10.2	10.9	9.4	1%
FYTD Total	32.8	32.7	35.1	38.1	35.5	0%

**2. Stafford Lake Data**

	September Normal	September 2010	September 2011
Rainfall this month	0.0 Inches	0.3 Inches	0.0 Inches
Rainfall this FY to date	0.0 Inches	0.3 Inches	0.0 Inches
Lake elevation*	187.1 Feet	184.5 Feet	184.6 Feet
Lake storage**	925.4 MG	665.3 MG	670.6 MG

\* Spillway elevation is 196.0 feet

\*\* Lake storage less 390 MG = quantity available for production

**Temperature (in degrees)**

	Minimum	Maximum	Average
Sept 2010	42	109	68
Sept 2011 (STP)	50	101	70
Sept 2011 (Novato)	45	113	76

3. Number of Services												
September 30	Novato Water			Recycled Water			West Marin Wtr			Oceana Marin Swr		
	FY12	FY11	Incr %	FY12	FY11	Incr %	FY12	FY11	Incr %	FY12	FY11	Incr %
Total meters installed	20,742	20,733	0.0%	3	3	0.0%	818	815	0.4%	-	-	-
Total meters active	20,476	20,450	0.1%	2	3	-33%	772	769	0.4%	-	-	-
Active dwelling units	23,869	23,877	0.0%	0	0	-	805	802	0.4%	227	226	0.4%

4. Oceana Marin Monthly Status Report (September)

Description	FY 10-11	FY 11-12
Effluent Flow Volume (MG)	0.4	0.4
Irrigation Field Discharge (MG)	0	0
Treatment Pond Freeboard (ft)	4.2	3.4
Storage Pond Freeboard (ft)	8.2	7.2

5. Developer Projects Status Report (September)

Job No.	Project	% Complete	% This month
2743	Warner Creek Senior Housing	33	32
2756	Circle Bank	80	0

District Projects Status Report - Const Dept (September)

Job No.	Project	% Complete	% This month
7067	So. Novato Blvd/Rowland Main Break Repair	90	20
8716.08	City Paving Coordination	25	8

Employee Hours to Date, FY 11/12

As of Pay Period Ending September 30, 2011  
Percent of Fiscal Year Passed = 25%

Developer Projects	Actual	Budget	% YTD Budget	District Projects	Actual	Budget	% YTD Budget
Construction	86	1,800	5	Construction	1356	4,944	27
Engineering	180	1,393	13	Engineering	2094	5,564	38

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 Sept 11	0	0	0	0	0	0
FY through Sept 10	0	0	0	0	3	\$2,068

Days without a lost time accident through September 30, 2011 = 204 days



<b>7. Energy Cost</b>								
FYE		<b>August</b>			<b>Fiscal Year-to-Date thru August</b>			
		<i>Kwh</i>	<i>¢/Kwh</i>	<i>Cost/Day</i>	<i>Kwh</i>	<i>¢/Kwh</i>	<i>Cost/Day</i>	
2012	Stafford TP	97,527	16.5¢	\$555	196,254	16.5¢	\$548	
	Pumping	182,965	14.5¢	\$916	459,730	14.2¢	\$1,022	
	Other*	43,888	21.3¢	\$301	87,151	21.3¢	\$304	
		324,380	16.0¢	\$1,926	743,135	15.6¢	\$1,762	
2011	Stafford TP	105,600	17.0¢	\$529	200,100	17.0¢	\$532	
	Pumping	213,553	13.8¢	\$895	419,872	14.4¢	\$944	
	Other*	48,096	21.2¢	\$308	97,985	20.8¢	\$328	
		367,249	15.7¢	\$1,749	717,957	16.0¢	\$1,823	
2010	Stafford TP	108,300	16.0¢	\$597	232,500	15.9¢	\$606	
	Pumping	166,235	14.8¢	\$821	349,809	15.2¢	\$900	
	Other*	48,855	20.4¢	\$333	96,891	20.5¢	\$337	
		323,390	16.1¢	\$1,731	679,200	16.2¢	\$1,832	
*Other includes West Marin Facilities								

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**8. Water Conservation Update (September)**

	Month of September 2011	FY to Date	Program Total to Date
High Efficiency Toilet (HET) Rebate (\$150 each)	12	64	2250
Retrofit Certificates Filed	15	69	4252
Cash for Grass Rebates Paid Out	8	18	467
Washing Machine Rebates	20	76	5613
Water Smart Home Survey	39	115	1472

# NORTH MARIN WATER DISTRICT

## Summary of Complaints & Service Order September 2011

Prepared: 10/07/11

Type	Sep-11	Sep-10	Action Taken September 2011
<b><u>Consumers' System Problems</u></b>			
Consumer Service Line Leaks	29	0	Notified Customer
Meter Leak Consumer's Side	0	16	~
House Plumbing	0	0	~
Noisy Plumbing	0	0	~
Seepage or Other	0	0	~
House Valve / Meter Off	7	6	Turned Back On
Nothing Found	6	6	Notified Customer
Low Pressure	1	2	Pressure @ 70 PSI. Customer Notified.
High Pressure	0	1	~
Water Waster Complaints	0	0	~
<b>Total</b>	<b>43</b>	<b>31</b>	
<b><u>Service Repair Reports</u></b>			
Register Replacements	0	0	~
Meter Replacement	4	3	Notified Customer
Meter Box Alignment	0	0	~
Meter Noise	1	0	Meter Replaced
Dual Service Noise	0	0	~
Box and Lids	0	4	~
Water Off/On Due To Repairs	2	7	Notified Customer
Misc. Field Investigation	2	7	Notified Customer
<b>Total</b>	<b>9</b>	<b>21</b>	
<b><u>Leak Complaints</u></b>			
Main-Leak	0	0	~
Mains-Nothing Found	0	0	~
Mains-Damage	0	0	~
Service- Leak	18	9	Repaired
Services-Nothing Found	4	6	Notified Customer
Service-Damaged	0	0	~
Fire Hydrant-Leak	0	5	~
Fire Hydrants-Nothing Found	0	0	~
Fire Hydrants-Damaged	1	0	Repaired
Meter Replacement	0	2	~
Meters-Leak	0	0	~
Meters-Nothing Found	0	0	~
Meters Damaged	0	0	~
Washer Leaks	8	7	Replaced
<b>Total</b>	<b>31</b>	<b>29</b>	
<b><u>High Bill Complaints</u></b>			
Consumer Leaks	18	23	Notified Customer
Meter Testing	0	0	~
Meter Misread	2	6	Notified Customer
Nothing Found	33	93	Notified Customer
Projected Consumption	0	0	~
Excessive Irrigation	5	2	Notified Customer
<b>Total</b>	<b>58</b>	<b>124</b>	

## NORTH MARIN WATER DISTRICT

### Summary of Complaints & Service Order September 2011

Prepared: 10/07/11

<u>Type</u>	<u>Sep-11</u>	<u>Sep-10</u>	<u>Action Taken September 2011</u>
<b><u>Low Bill Reports</u></b>			
Meter Misread	0	0	~
Stuck Meter	1	0	Meter Replaced
Nothing Found	1	0	Notified Customer
Projected Consumption	0	0	~
Minimum Charge Only	0	0	~
<b>Total</b>	<b>2</b>	<b>0</b>	
<b><u>Water Quality Complaints</u></b>			
Taste and Odor	2	4	<b>Customer reported bad smell in water. (Hillside Ter)</b> Slight chlorine odor noted by lab staff. Bacteria clean. Customer was notified of results.
			<b>Customer reported bad taste in water. (Jackson Ct)</b> Adverse taste may be due to stale water on dead end. Water in mains were flushed.
Color	1	0	<b>Customer reported murky water. (Wilmac Ave)</b> Color may be due to sediment in the water heater. Staff saw galvanized pipes outside. Bacteria clean. Customer was notified of results.
Turbidity	0	0	~
Suspended Solids	0	0	~
Other	0	1	~
<b>Total</b>	<b>3</b>	<b>5</b>	
<b>TOTAL FOR MONTH:</b>	<b>146</b>	<b>210</b>	<b>-30%</b>
<b><u>Fiscal YTD Summary</u></b>			
Consumer's System Problems	129	90	43%
Service Repair Report	28	51	-45%
Leak Complaints	101	103	-2%
High Bill Complaints	138	226	-39%
Low Bills	3	2	50%
Water Quality Complaints	12	13	-8%
<b>Total</b>	<b>411</b>	<b>485</b>	<b>-15%</b>
			<b><u>Change Primarily Due To</u></b>
			Increase In Consumer Line Leaks
			Decrease in Water Off/On To Repairs
			Decrease In Fire Hydrant Leaks
			Decrease In "Nothing Found"
			Increase In Stuck Meter
			Decrease in Taste & Odor

# NORTH MARIN WATER DISTRICT

## Summary of Complaints & Service Order September 2011

Prepared: 10/07/11

<u>Type</u>	<u>Sep-11</u>	<u>Sep-10</u>	<u>Action Taken September 2011</u>
<b><u>"In House" Generated and Completed Work Orders</u></b>			
<b><u>Check Meter:</u></b> possible consumer/District leak, high bill, flooded, need read, etc.	223	275	
<b><u>Change Meter:</u></b> leaks, hard to read	9	24	
<b><u>Possible Stuck Meter</u></b>	5	1	
<b><u>Repair Meter:</u></b> registers, shut offs	0	0	
<b><u>Replace Boxes/Lids</u></b>	9	8	
<b><u>Hydrant Leaks</u></b>	0	0	
<b><u>Trims</u></b>	42	93	
<b><u>Dig Outs</u></b>	57	79	
<b><u>Letters to Consumer:</u></b> meter obstruction, trims, bees, gate access, etc.	0	0	
<b><u>Misc:</u></b> locate meter, get meter number, cross connection follow ups, kill service, etc.	0	0	
	<hr/> 345	<hr/> 480	

### Bill Adjustments Under Board Policy:

#### September 11 vs. September 10

Sep-11	31	\$9,394
Sep-10	33	\$9,634

#### Fiscal Year to Date vs. Prior FYTD

11/12 FYTD	77	\$17,738
10/11 FYTD	79	\$25,971

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## Customer Service Questionnaire Quarterly Report

Quarter Ending 9/30/11

Issues NMWD Should Address  
In The Future

Staff Response to Negative Comments

### Customer Comments

#### Water Quality

The two techs that came out were not only professional & informative they were friendly. I was concerned about lead in my internal plumbing (older home) and recd test results in a very timely manner.

#### Leaks

Service rep thought leak was under house. Also told us the gate valve was a problem. Plumber found leak between house and meter.

Nice guy. Knows his job.

I still think I have a small leak that is keeping the ground wet. It does not register on the meter.

Very kind and helpful.

I was impressed with how prompt NMWD responded and resolved my problem.

First reaction about leak was it was my doing without investigating.

The leak has been fixed.

Miguel was great.

All of the above were very good!

NMWD turned off water so leak could be repaired

Box is old and valve doesn't work.

Darrell was great!

Very responsive to request.

The water running in the middle of the night was daunting. We called the police who called your emergency person. The person who came was more than polite and helpful. Please thank him for me.

Sprinkler hose leak problem fixed by gardner.

Darrell was prompt, courteous and very helpful to our needs.

Lady in office was an excellent help with my problem!

Gentleman who checked my toilets was on time and informative about my problem.

No consumer leak. Water was due to natural spring.

Scheduled NMWD rep to replace box and shut-off valve.

**Customer Service Questionnaire Quarterly Report**

**Quarter Ending 9/30/11**

**Issues NMWD Should Address In The Future**

**Staff Response to Negative Comments**

**Customer Comments**

**Leaks Continued**

Darrel helped me locate the source of my leak which turned out to be under my house. Darrell was very polite and professional.

I would like to know about the cost benefit of replacing my lawn with low water alternative.

The troubleshooting info on the backside of the bill is very good.

Miguel is an outstanding field representative.

Great crew! They did a good job and were very helpful when we had to leave for an appointment.

Excellent service!! I was very impressed with quick service, information and the follow-up call regarding the leak.

Both men were fantastic, helpful and nice. Thanks.

Very positive experience.

Plumber was unable to turn off at meter. NMWD rep shut water off & plumber made repairs.

Thank you for the great service.

Darrell was professional, helpful & informed me of my options.

**Billing**

We were favorably impressed with the young man's knowledge, recommendations and willingness to take time to ensure our understanding.

I did not see the service man, but I thought my water bill was too high.

We were gone two months and bill was the same as last year.

Darrell and Alicia were both courteous, prompt, professional and helpful. Rose and I appreciated them getting back to us quickly and resolving our concerns. Excellent employees. Thank you.

Referred to Conservation.

NMWD rep went out on 7/14/11. No leaks found.

**Customer Service Questionnaire Quarterly Report**

**Quarter Ending 9/30/11**

**Issues NMWD Should Address In The Future**

**Customer Comments**

**Staff Response to Negative Comments**

**Billing Continued**

Here we have an abundance of water which they seem to send down the drain and run-off to the ocean, and we are getting charged more than double for a 2 month period.

Well done.

My bill was so unusually high I though I may have a leak.

The customer service person I spoke to was patient and very helpful. She offered various suggestions and answers to my questions.

**Other**

Rich took the time to locate where the water was coming from.

The service was very prompt and were very nice. Serviceman very helpful and courteous. Keep up the good work.

Excellent person was sent to my home-very helpful. Outstanding support from Miguel-replaced meter

**Pressure**

Good service and a good honest worker. Extremely fast response and very helpful with solving sprinkler pressure problem. Very impressive! Rich was very helpful. He took extra time to make suggestions on how I could easily improve my system.

NMWD rep went out on 7/22/11 and no leaks were found and everything looked normal. Customers bill decreased 3% compared to same period prior year.

NMWD rep went out on 8/22/11. No leaks found.





## MEMORANDUM

To: Board of Directors

October 14, 2011

From: David L. Bentley, Auditor-Controller

Subj: Auditor-Controller's Monthly Report of Investments for September 2011  
t:\ac\word\invest\12\investment report 0911.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 \$4,899,398 and a market value of \$4,906,355. During September the cash balance decreased by \$192,744. For the FY, the cash balance increased \$525,427. The market value of securities held increased by \$1,585 during the month. The ratio of total cash to budgeted annual operating expense stands at 40%, down 2% from the prior month. This compares to the District's target ratio of 90%, or \$11 million.

During September, the District's \$1 million Westamerica Time Certificate of Deposit earning 0.95% matured. Westamerica offered a renewal rate of 0.08%. The \$1 million investment was moved to California's Local Agency Investment Fund.

At September 30, 2011, 74% of the District's Portfolio was invested in California's Local Agency Investment Fund (LAIF), and 20% in Time Certificates of Deposit placed in Novato banks. The weighted average maturity for the portfolio was 128 days, compared to 133 days at the end of last month. The LAIF interest rate for the month was 0.38%, compared to 0.41% in the previous month. The weighted average Portfolio rate was 0.52%, compared to 0.63% in the previous month. The District earned \$12,148 in interest revenue during September with 53% earned by Novato Water and the balance distributed to the other improvement districts.

**NORTH MARIN WATER DISTRICT  
AUDITOR-CONTROLLER'S MONTHLY REPORT OF INVESTMENTS  
September 30, 2011**

Type	Description	S&P Rating	Purchase Date	Maturity Date	Cost Basis <sup>1</sup>	9/30/2011 Market Value	Yield <sup>2</sup>	% of Portfolio
<b>LAIF</b>	State of CA Treasury	A	Various	Open	\$3,619,914	\$3,625,620	0.38% <sup>3</sup>	74%
<b>Time Certificate of Deposit</b>								
TCD	Bank of Marin	n/a	6/3/11	6/3/13	\$1,000,000	\$1,000,000	1.00%	20%
<b>Other</b>								
Agency	Marin Co Treasury	AA+	Various	Open	\$232,078	\$232,078	0.45%	5%
Bond	Olema G.O. Bond	A+	5/31/91	1/1/15	14,595	15,846	5.00%	0%
Other	Various	n/a	Various	Open	32,812	32,812	0.00%	1%
<b>TOTAL IN PORTFOLIO</b>					<b>\$4,899,398</b>	<b>\$4,906,355</b>	<b>0.52%</b>	<b>100%</b>

Weighted Avg. Maturity = 128 Days

LAIF: State of California Local Agency Investment Fund.

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, Union Bank Securities Custodial Account & NMWD Petty Cash Fund.

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

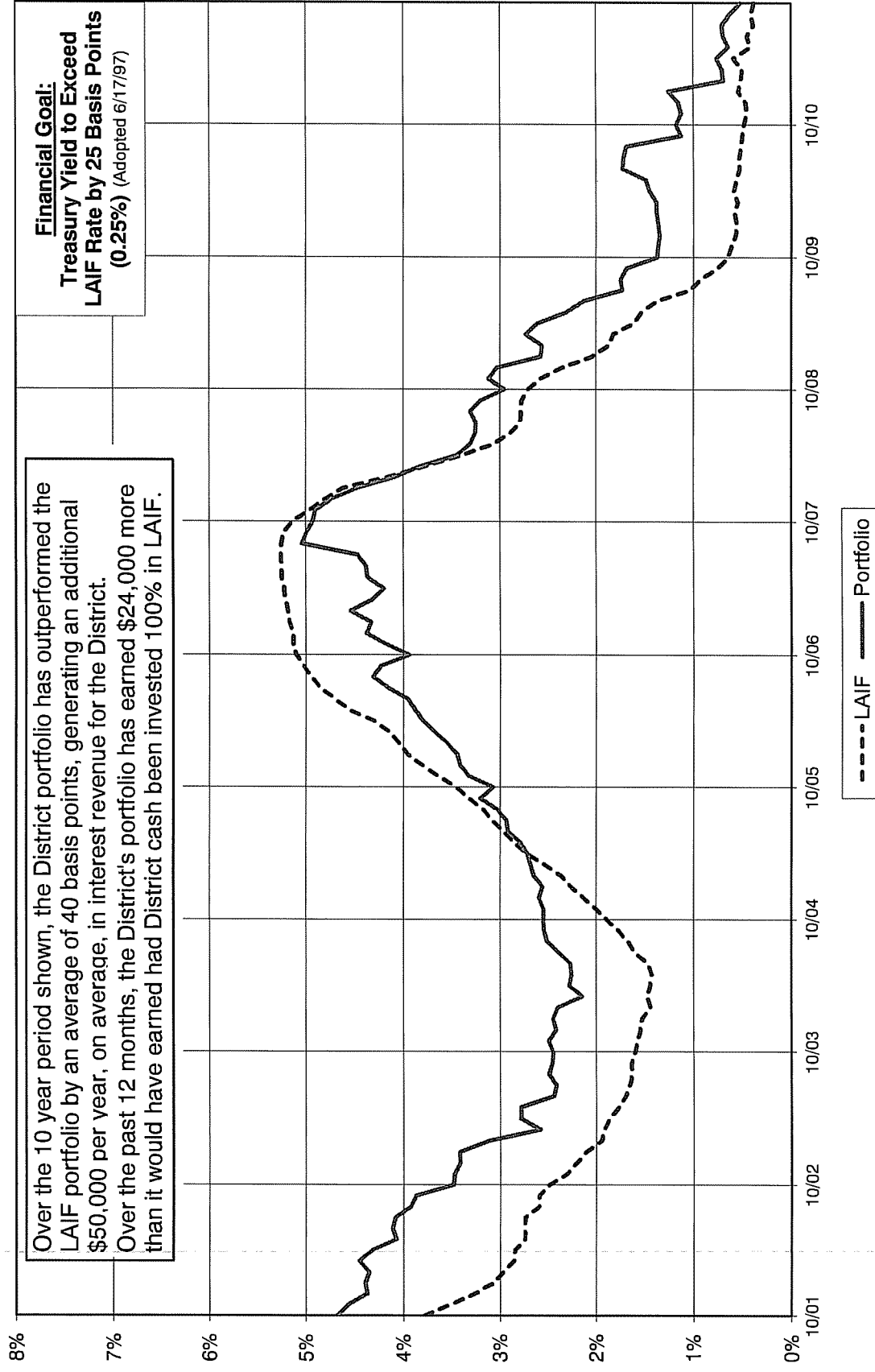
2 Yield defined to be annualized interest earnings to maturity as a percentage of invested funds.

3 Earnings are calculated daily - this represents the average yield for the month ending September 30, 2011.

<b>Interest Bearing Loans</b>	Loan Date	Maturity Date	Original Loan Amount	Principal Outstanding	Interest Rate
Black Point Partners-BPGL	6/30/06	2/28/24	\$3,612,640	\$2,682,256	2.39%
Employee Housing Loans (8)	Various	Various	1,441,785	1,441,785	Contingent
Employee Computer Loans (9)	Various	Various	13,300	8,253	1.97% (avg)
<b>TOTAL INTEREST BEARING LOANS</b>			<b>\$5,067,725</b>	<b>\$4,132,294</b>	

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

## NMWD Portfolio Rate of Return State of CA Local Agency Investment Fund vs District Portfolio 10-Year History





6

**MEMORANDUM**

To: Board of Directors

October 14, 2011

From: David L. Bentley, Auditor-Controller

Subj: Approve Auditor-Controller's Statement of Investment Policy

\\nmwdsrv1\administration\aclword\invest\12\policy memo 2012.doc

**RECOMMENDED ACTION:** Approve the Investment Policy as Presented.

**FINANCIAL IMPACT:** None

Following is the District's Statement of Investment Policy which is presented to the Board annually for review. There are no changes in this investment policy from that approved by the Board last year.

***North Marin Water District Statement of Investment Policy***

1) Investment of sinking fund or reserve money of the North Marin Water District shall be made in securities in which North Marin Water District is legally empowered to invest such funds in accordance with Section 53601 of the Government Code, taking into consideration the probable income as well as the probable safety of said funds, exercising the judgment and care, under the circumstances then prevailing, which individuals of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of said funds.

2) As far as possible, all money shall be deposited for safekeeping in financial institutions insured by the Federal Deposit Insurance Corporation or may be invested as provided in Section 53635 of the Government Code.

3) Money may be invested in the Local Agency Investment Fund in accordance with Section 16429.1 of the Government Code.

4) A minimum of 20% of the District's investment portfolio shall remain liquid (i.e., in demand deposit accounts or equivalent) at all times. In addition, the weighted average life of the portfolio shall not exceed 2½ years.

5) No investments shall be made in financial futures or financial option contracts that are otherwise allowed pursuant to Section 53601.1 of the Government Code except that the District may sell option contracts against securities owned or positions owned by the District.

6) Interest earned through investment of the pooled District treasury shall be credited to the various water, sewer, and reserve account funds in direct proportion to their percentage of the total District treasury.

7) Accounts shall be maintained in North Marin Water District accounting records to record the reserve and inactive funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the Government Code.

8) Reserve fund account balances shall be maintained separately and shall reflect at all times the balance in each reserve fund in a manner consistent with generally accepted accounting practices.

9) Depositories having custody of North Marin Water District funds shall be directed to forward copies of all correspondence concerning North Marin Water District funds to the

Approved by GM CD

Date 10/14/2011

Auditor-Controller of North Marin Water District. In the Auditor-Controller's absence, the General Manager of the District shall serve as Treasurer. In addition to the Auditor-Controller, the General Manager and a Senior Accountant shall be signatories on all investment accounts maintained by the District. Banking Institutions shall require authorization from two signatories to execute any non-recurring wire transfer.

10) Verification that moneys have been on deposit at all times and collateralized in amounts equal to or in excess of funds designated by the Board of Directors as reserve funds shall be made in the annual audit of records.

11) The Auditor-Controller shall render a monthly investment report to the Board.

12) Criteria for selecting investments and the absolute order of priority shall be: (a) safety, (b) liquidity, (c) yield.

13) No more than two-thirds of District deposits in a depository shall be collateralized by mortgage backed securities, with the remainder to be backed by non-mortgage backed securities.

14) The Auditor-Controller shall maintain a list of authorized broker/dealers who are approved for investment purposes. All authorized broker/dealers must certify that they have received and read the District's Investment Policy and will follow the guidelines therein, and must submit a copy of their firm's most recent audited financial statement annually. Staff shall investigate broker/dealers who wish to do business with the District to verify their experience with California public sector agencies.

### **RECOMMENDATION**

Approve the Investment Policy as presented.

7



MEMORANDUM

To: Board of Directors

October 14, 2011

From: Ryan Grisso, Water Conservation Coordinator *RG*

Subject: Approve Text for *Water Line*, Volume 12, Issue 26

\\nwdsrv1\water conservation\Memos to Board\Fall 2011 WaterLine Text 1011.doc

**RECOMMENDED ACTION:** Approve Fall 2011 Novato "*Water Line*" Text and Layout

**FINANCIAL IMPACT:** \$6,500 (Included in FY 2011/2012 Budget)

Draft text and design for the Fall 2011 "*Water Line*", Volume 12, Issue 26 is attached for your review. The Fall "*Water Line*" traditionally focuses on water conservation program advertisements with a brief General Manager message regarding water supply. This year, staff added an update on the Recycled Water Expansion Program and also included District Water Conservation advertising for programs including the High Efficiency Toilet and Clothes Washer Rebate Programs, Water Smart Home Survey Program (Indoor Survey), Cash for Grass and information on the Rain-water/Graywater rebate.

Should any Board member have individual comments please provide them to the General Manager at the Board meeting on October 18, 2011. It is expected the "*Water Line*" will be mailed in late October or early November 2011.

RECOMMENDATION

Board authorize General Manager to approve final text and design of Fall 2011 Novato "*Water Line*", Volume 12, Issue 26.

Approved by GM *RG*

Date *10/14/2011*





**NORTH MARIN  
WATER DISTRICT**

# THE WATER LINE

NOVATO'S WATER CONSERVATION NEWSLETTER • VOLUME 12 ISSUE 26 FALL 2011

## Water Supply Update

**T**he water supplies at Stafford Lake and on the Russian River, which serve NMWD customers, are at good levels going into the winter rainy season. This summer NMWD customers were supplied with potable water from those sources. Stone Tree Golf Course and Fire Station 62 used recycled water for irrigation.

Through the first 3 months of this fiscal year water sales are down when compared to the same period last year, likely due to cool summer temperatures and a slower than normal economy. While this lag was not predicted, revenue projections are still on track and District costs are being closely monitored to stay within budget and no salary increases for District employees have been authorized for this year.

Detail design is on-going for the Aqueduct Energy Efficiency Project, which will upsize the NMWD aqueduct from Petaluma to Novato. 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. Additionally, expansion of the NMWD recycled water system is now under construction (see box above).

## Expanded Recycled Water is Coming Soon!

NMWD is working with Novato Sanitary District and Las Gallinas Valley Sanitary District to expand the use of recycled water in Novato. This fall, winter and spring you will observe recycled water pipeline construction work on Olive Ave. from Atherton Ave. to Redwood Blvd. and on Redwood Blvd. north of Olive to Wood Hollow as a part of the Novato North Area Recycled Water Expansion Project. NMWD will be using direction drilling at the Olive Ave. railroad crossing to minimize traffic disruption. Recycled water construction in the Novato South Area (Hamilton) will start in 2012. Streets will be restored according to the City of Novato specifications.

This recycled water expansion project has been designed to provide water for many of the large irrigation users in Novato, and will offset approximately 130 million gallons of potable water use yearly. This project is partially funded by Federal Economic Stimulus Funds and state grants with the remainder funded by new development connection fees. For more information on the Recycled Water Expansion Project, please visit [www.nmwd.com](http://www.nmwd.com), where you can download a Novato Recycled Water Program Summary sheet, Frequently Asked Questions, maps showing planned pipeline routes and a list of properties that are identified to receive recycled water. Construction schedule updates will be available at [www.nmwd.com](http://www.nmwd.com), and also on our Facebook page

## 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. Cut back on watering as needed — sometimes by as much one third to one half.

The costs to stretch our existing water supplies coupled with the costs to meet fisheries obligations on the Russian River have required a series of rate increases, the next of which are scheduled for June 1, 2012 and June 1, 2013. Still, the current cost of water service for a typical Novato customer is a good value and falls below the median of 16 comparable urban retail SF Bay Area water agencies (see [www.nmwd.com/account.php#NovatoComparison](http://www.nmwd.com/account.php#NovatoComparison)).

## Water Smart Home Survey for Fall & Winter



This fall and winter NMWD will be focusing on indoor water use, and we have adapted the survey to include commercial and other non-residential customers.

Our friendly, knowledgeable survey technicians can show you how you can easily become more water efficient and save money, and we'll even give you money-saving rebate and incentive information to get you started. You'll also get free low-flow showerheads and aerators as needed to achieve maximum water use efficiency. Remember that your

wastewater charges are calculated from your winter water use, so now is an important time to make sure you are using water efficiently.

### Indoors, we will survey:

- Faucets
- Showerheads
- Toilets
- Dishwashers
- Clothes washers
- Other water-using devices in the home

Call today to schedule your **Free Water Smart Home Survey:** 415-897-4133 ext. 8711





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

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**NORTH MARIN  
WATER DISTRICT**

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## Water Smart Savings Program

More water saving programs at [www.nmwd.com](http://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](http://www.nmwd.com).

### 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](http://www.nmwd.com).

### Water Smart Landscape Efficiency Rebate

Water efficient landscapes can be achieved through a number of strategies including efficient irrigation devices and equipment, and soil maintenance.

You may be eligible for rebates (call for rebate amounts and participation details or visit [www.nmwd.com](http://www.nmwd.com)) when you install District-qualified water-efficient landscape equipment including:

- Drip irrigation systems
- Weather Based Irrigation Controllers
- Check valves
- Multi-stream rotating sprinkler nozzles (for lawn areas only)
- Rain shut-off devices
- Mulch
- Water pressure-regulating device
- Soil conditioner/amendment



### 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](http://www.nmwd.com).



### High-Efficiency Clothes Washer Rebate Program

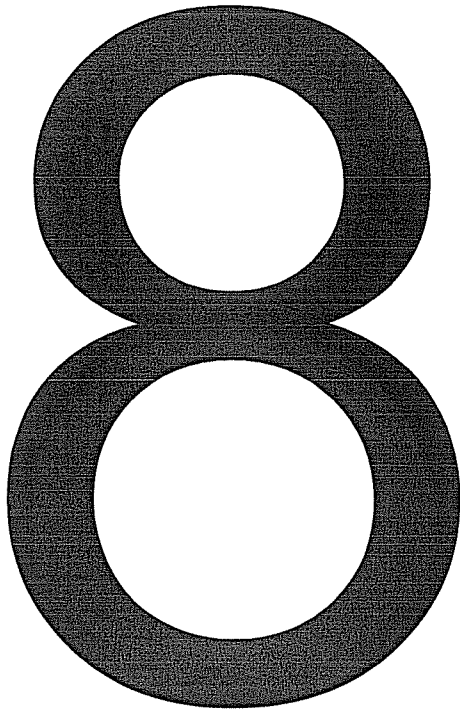
High Efficiency clothes washers can save up to 50% of the water used and 65% of the energy used compared to conventional top-loading clothes washers. NMWD currently offers a rebate to customers when they purchase qualifying high-efficiency clothes washer. Call for rebate value and participation details,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



### Rainwater Harvesting and Graywater Rebate

With the rainy season here, now is the perfect time to install a rainwater harvesting system, and District rebates may be available. Rainwater harvesting is the collection and storage of rainwater for reuse in landscape irrigation. Systems can range from simple catchment devices, such as rain barrels, to more complex systems, such as cisterns or storage tanks. Rebates are also available for greywater system installations. Pre-inspection and plan approval required. Call for participation details and rebate values.





**MEMORANDUM**

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: AEEP Bank of Marin Loan

October 14, 2011

t:\aclword\bank of marin\resolution cvr memo - tax exempt obligation.docx

**RECOMMENDED ACTION: Approve**

**FINANCIAL IMPACT: \$8 Million Loan at a Very Attractive Interest Rate**

Bank of Marin has requested the Board adopt a resolution designating the \$8 million Aqueduct Energy Efficiency Project loan as a qualified tax exempt obligation. Legal counsel is working out the required language for the resolution with Bank of Marin. The resolution will be available at the meeting.

Staff anticipates drawing down the \$8 million loan the week of October 24. The index upon which the loan rate will be based currently shows the effective rate to NMWD will come in about 3%.

**RECOMMENDATION:**

Board approve Resolution No. 11-XX.

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## MEMORANDUM

To: Board of Directors October 14, 2011  
From: Dianne Landeros, Accounting Supervisor  
Subject: Review – Outside Auditor's 2011 Report, Single-Audit Report, and Management Report  
t:\finance\audit\audit11\bod review outside auditor's 2011 report.doc

**RECOMMENDED ACTION:** Review FY11 Audit Report and Management Report

**FINANCIAL IMPACT:** None with this Review. Annual Audit Cost is \$28,900.

Paul Kaymark of Charles Z. Fedak & Company, CPAs will be present 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 Management Report (Attachment 1) states that the auditors did not identify any deficiencies in the District's internal control that might result in material misstatement of the District's financial position. The auditors did not have any comments or recommendations regarding internal controls this year.

Two 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. One adjustment pertains to the loan of FRC fees to Recycled Water; and the other adjustment corrects a prior year over-accrual of water revenue in West Marin. There were no auditor recommended adjustments this year, which is the third year in a row, reflecting the increasing proficiency of the 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 Auditor-Controller by Friday, October 21, 2011. The final report will then be presented for acceptance at the November 1, 2011 Board meeting.





**North Marin Water District**

**Management Report**

**June 30, 2011**

**DRAFT**

North Marin Water District

Management Report

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Schedule of Audit Adjusting Journal Entries	

DRAFT



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

# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)

## **CONFIDENTIAL**

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, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration on internal control was for the limited period described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above; however, in the current or prior year.

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

**Summary of Current Year Comments and Recommendations**

**None Noted**

**Summary of Comments and Recommendations Made in the Previous Year**

**None Noted**

\*\*\*\*\*

This report is intended solely for the information and use of management and the Board of Directors of the District. 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 and Company, CPA's – An Accountancy Corporation**  
Cypress, California  
August 31, 2011

DRAFT

**APPENDIX**

**North Marin Water District**

**Audit/Finance Committee Letter**

**June 30, 2011**

**DRAFT**



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

# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
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EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)

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, 2011 and have issued our report thereon dated August 31, 2011. 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 April 20, 2011, 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 management at the Audit Entrance Conference meeting on April 21, 2011.



### **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 2011 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 8 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 11 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 were no audit adjustments proposed by the auditor to the original trial balance presented to us to begin our audit. However, the District proposed two adjusting entries as 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 August 31, 2011.

### **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 and Company, CPA's – An Accountancy Corporation**  
Cypress, California  
August 31, 2011



North Marin Water District  
June 30, 2011  
Schedule of Audit Adjusting Journal Entries  
(Made by the District subsequent to delivery of the original trial balance to the auditor)

Entry #	Status	Account/Cod	Description	Debit	Credit
AJE 1	Posted	59800.02	Miscellaneous Income Deductions	16,669.00	
		13741.02	Accrued Water Revenue		16,669.00
<b>CPE - To Adjust A/R Water from a Prior Period Overbilling.</b>					
AJE 2	Posted	49313.05	Facilities Reserve Charges	803,637.84	
		49313.01	Facilities Reserve Charges		803,637.84
		30120.01	Facilities Reserve Fees	803,637.84	
		30120.05	Facilities Reserve F:NovRecycl:Dist		803,637.84
		49313.05	Facilities Reserve Charges	371,460.00	
		49313.01	Facilities Reserve Charges		371,460.00
		25502.05	Reserve For Capital:NovRecycl:Dist		1,175,097.87
		25502.01	Reserve For Capital Improvements -	1,175,097.87	
		30120.01	Facilities Reserve Fees		803,637.84
		30120.05	Facilities Reserve F:NovRecycl:Dist	803,637.84	
		31100.01	Earned Surplus	371,460.00	
		25502.01	Reserve For Capital Improvements -		371,460.00
		31100.05	Earned Surplus		1,175,097.87
		25502.05	Reserve For Capital:NovRecycl:Dist	1,175,097.87	
		22400.05	Due To Other Funds - Current Operat		1,175,097.87
		14120.01	Due From Other Funds - Current Oper	1,175,097.87	
		59416.01	Transfer To Reserve - Facility Rese		1,175,097.87
		59416.05	Transfer To Reserve:NovRecycl:Dist	1,175,097.87	
<b>CPE - To Adjust Net Assets for the FRC Fees loan to Recycled Water</b>					
<b>TOTALS</b>				<u>7,870,894.00</u>	<u>7,870,894.00</u>

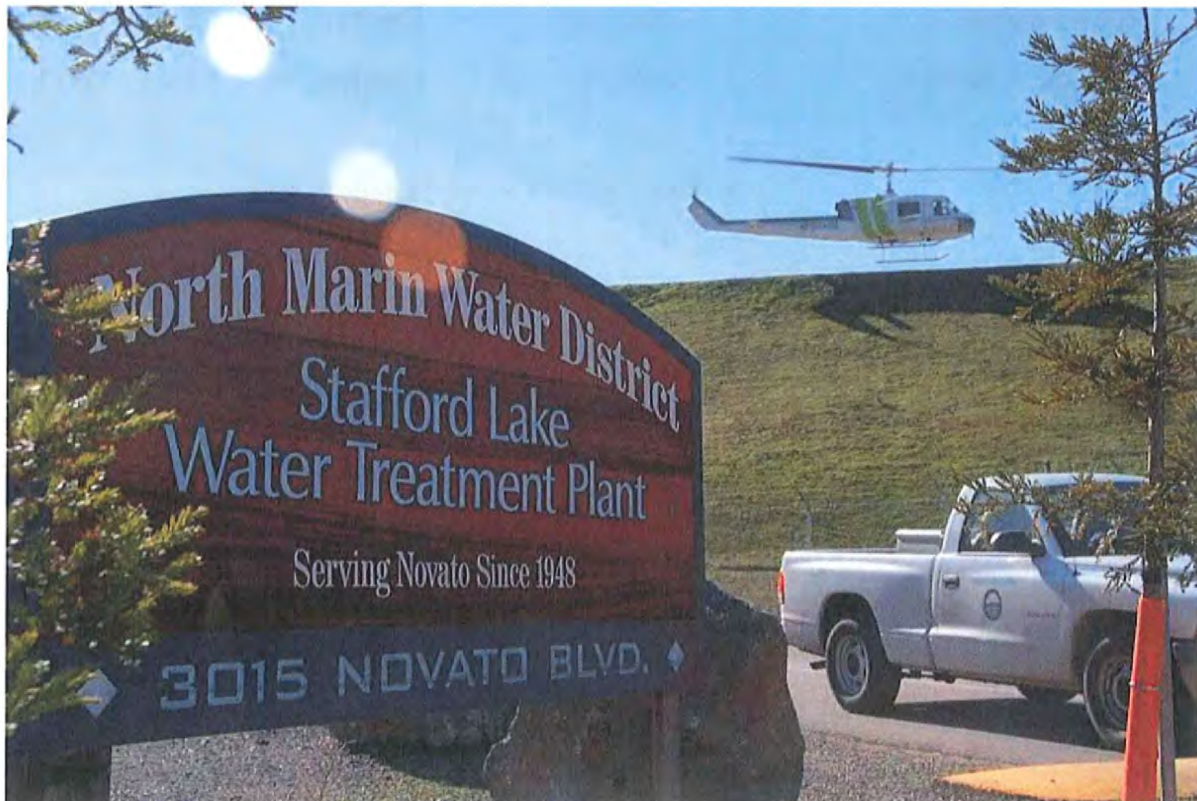




# **NORTH MARIN WATER DISTRICT**

**Novato, California**

**Comprehensive Annual Financial Report  
For the Fiscal Years Ended June 30, 2011 and 2010**





**NORTH MARIN  
WATER DISTRICT**

Board of Directors as of June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
John C. Schoonover	President	Elected	12/09 - 12/13
Stephen Petterle	Vice President	Elected	12/07 - 12/11
Jack Baker	Director	Elected	12/07 - 12/11
Rick Fraites	Director	Elected	12/09 - 12/13
Dennis J. Rodoni	Director	Elected	12/07 - 12/11

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

**North Marin Water District**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

**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, 2011 and 2010**

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# Introductory Section







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August 31, 2011

Board of Directors  
North Marin Water District

### **Introduction**

It is our pleasure to submit the Annual Financial Report for the North Marin Water District for the fiscal year ended June 30, 2011 and 2010, 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) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found on page 10 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 52 (50.5 full-time equivalent) employees, some of whom are part-time. There are currently 25 office positions and 25 field positions and 2 vacant positions. The District's Board of Directors meets on the first and third Tuesdays 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 20,467 service connections. The District also provides water service to approximately 1,800 residents in the Point Reyes service area of West Marin County through 769 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 are approximately 93% of the District's customer base and consume approximately 78% of the water produced annually by the District. The District purchases approximately 80% of its water supply from the Sonoma County Water Agency (SCWA) with the balance derived from the District's Stafford Lake Reservoir and its Deer Island Recycled Water Facility. The District purchased approximately 2.0 billion gallons of water in fiscal year 2010 and 2.0 billion gallons of water in fiscal year 2011 from SCWA.

### **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 SCWA typically provides 80% of Novato's water supply, but continues to have limited capacity in summer months. Rainfall in FY 2010 totaled 29.35" and no restrictions on the Russian River were necessary. Ample water was available for fish, agriculture and urban deliveries. North Marin's new Stafford Lake water treatment plant was fully utilized to augment Russian River supplies with local water supply and the Deer Island recycled water treatment facility (a joint project between North Marin and Novato Sanitary District) delivered highly-treated recycled wastewater to irrigate Stone Tree Golf Course.

SCWA 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. Competing environmental and fishery-related interests delayed the expanded Russian River water facility development. SCWA 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 over the next 15 years and maintain the existing Russian River water supplies. Additionally state legislation passed in November 2009 (SBX7-7) will force a 20% reduction in per capita water use over the next 10 years. North Marin must achieve more water conservation and development of recycled water to further stretch its local source of supply in future years.

Weather patterns in FY 2011 repeated the FY 2010 conditions and rainfall remained above average at 30.06". The return to wet winter weather patterns resulted in reduced water sales for the fiscal year and reduced revenue. In response, the Board of Directors authorized a series of 11% water rate increases over the next 3 years in June 2011.

In West Marin, normal year water supply conditions on Lagunitas Creek prevailed and customers experienced no water restrictions. Work on long-range improvements continued and the Inverness Park Tank replacement was completed.

At \$525 per year, the cost of water service for a typical Novato single family home using 121,176 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 2010 and 2011, 2,456 AF (800 MG) and 2,714 AF (884 MG), respectively, of water was produced from 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 impounds 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. 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 SCWA's aqueduct system.

In fiscal year 2010 and 2011, the District received 5,996 AF (1,954 MG) and 6,179 AF (2,013 MG), respectively, of Russian River water. The District has an agreement in place with SCWA to provide sufficient supply and 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. A 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 over the next 15 years 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 benefits 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 treatment 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" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, and during the fiscal year the District purchased certificates of deposit from local banks and held corporate medium-term notes through its custodial trustee Union Bank of California.

## **Water Rates and District Revenues**

Revenue from user charges generated from District customers support 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 composed of a commodity (water use) charge and a fixed bimonthly service charge; whereas, sewer rates are composed exclusively of a fixed annual charge collected on the Marin County property tax bill.

## **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 second 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 Comprehensive 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 2011.

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,

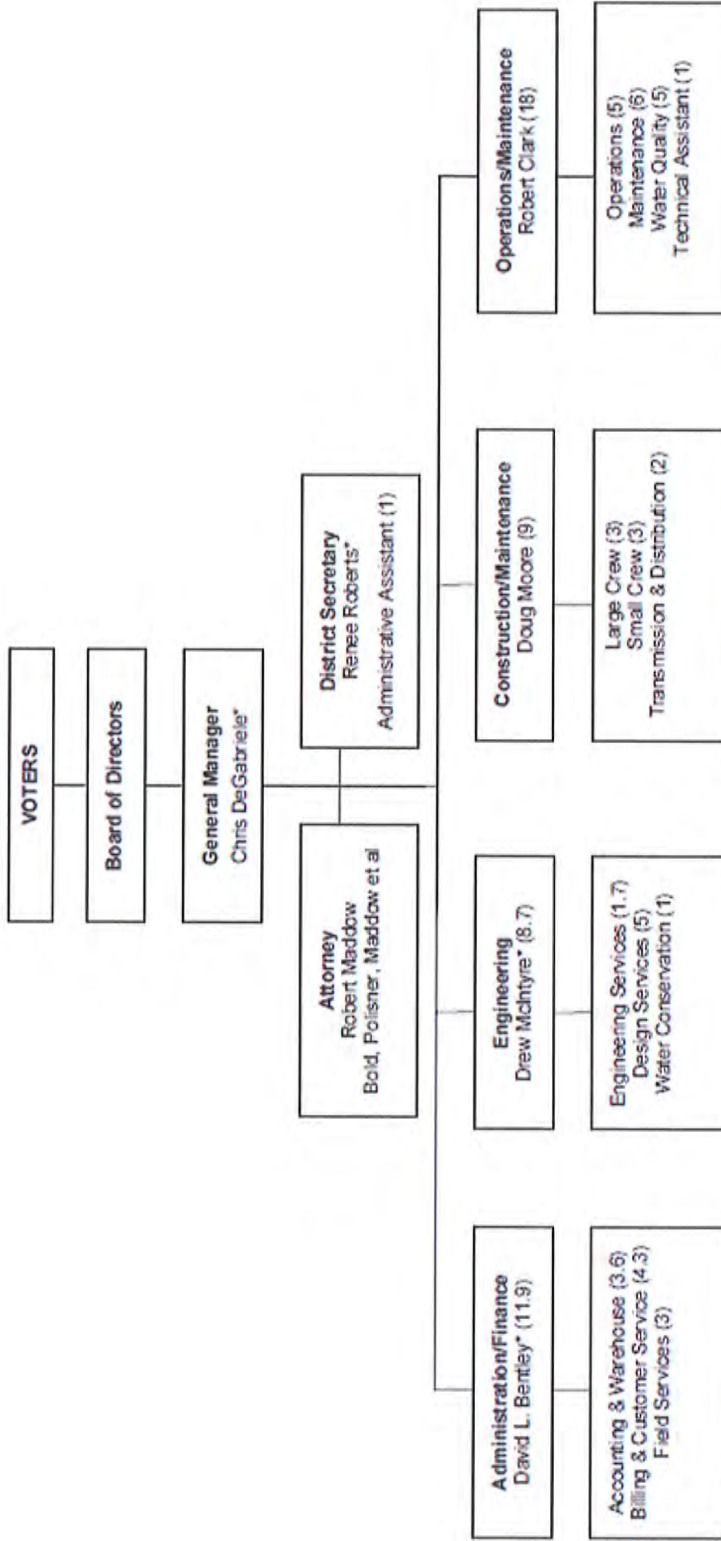
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Chris DeGabriele  
General Manager

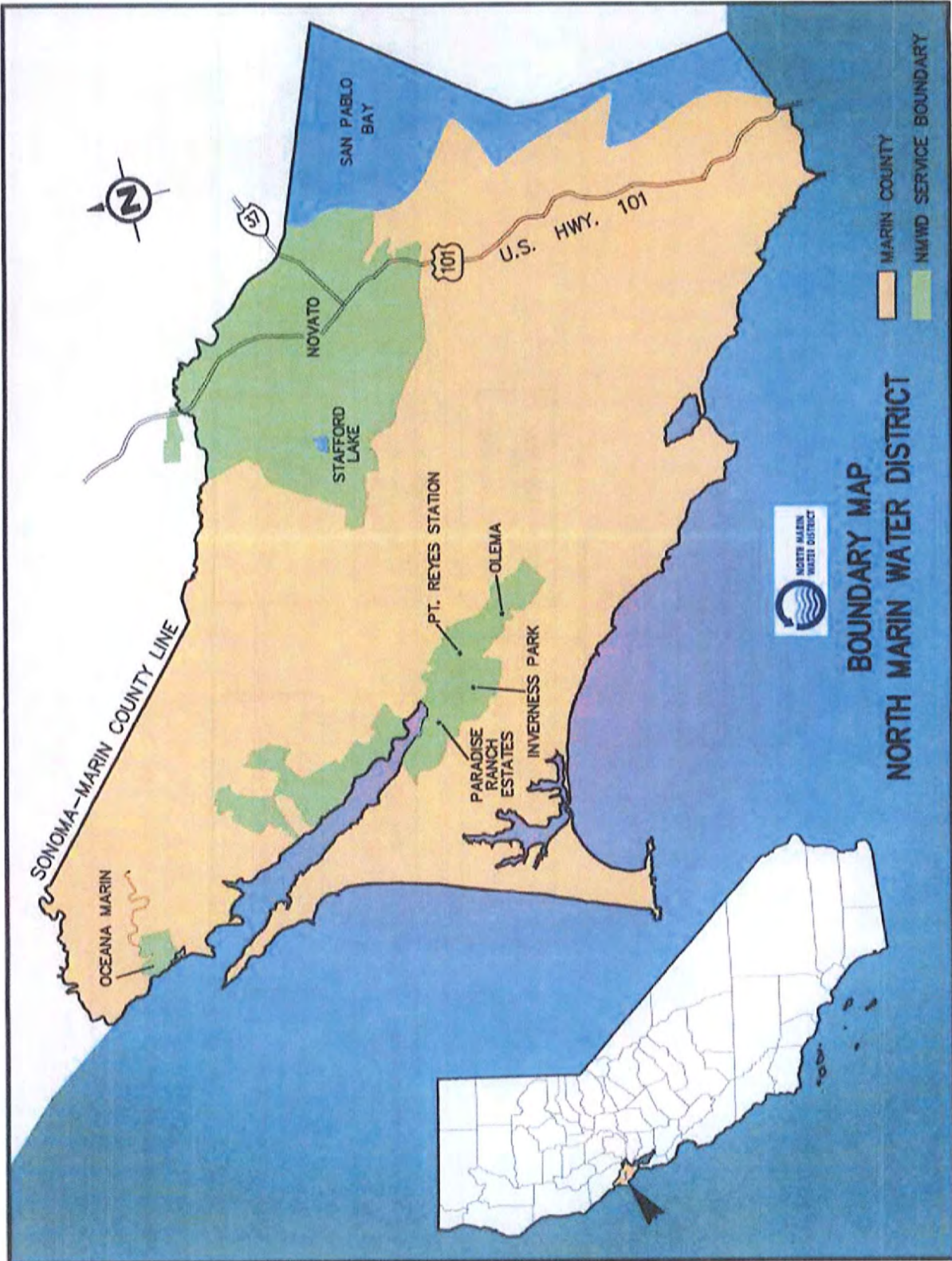
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David L. Bentley  
Auditor-Controller

**North Marin Water District  
Organization Chart  
June 2011**



\*Also serves as District officer



## **Financial Section**





# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers' Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

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# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL czfco@czfcpa.com

## Independent Auditor's Report

Board of Directors  
North Marin Water District  
Novato, California

We have audited the accompanying financial statements of the North Marin Water District (District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the North Marin Water District as of June 30, 2011 and 2010, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011, 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* and should be read in conjunction with this report in considering the results of our audit. That report can be found on page 62.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 14 and the required supplementary information page 41 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.

### **Independent Auditor's Report, continued**

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 42 through 45, and the statistical section on pages 46 through 61 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.

**Charles Z. Fedak and Company, CPA's – An Accountancy Corporation**  
Cypress, California  
August 31, 2011



**North Marin Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

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, 2011 and 2010. 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**

- The District's net assets increased 0.8% or \$628,894 to \$73,293,456 in fiscal year 2011. In 2010, the District's net assets decreased 0.8% or \$618,614 to \$72,664,562.
- In 2011, the District's operating revenues increased 11.4% or \$1,415,519 to \$13,797,012 due primarily to implemented rate increases. In 2010, the District's operating revenues decreased 1.2% or \$144,801 to \$12,381,493 primarily due to an 11% decline in water sales volume due to the 2009 summer water use restrictions and mild spring weather in 2010.
- In 2011, the District's operating expenses before depreciation decreased 7.6% or \$1,204,760 due to primarily a \$1,286,036 decrease in expensed improvement project costs. In 2010, the District's operating expenses before depreciation decreased 1.3% or \$173,753 due primarily to a reduction in the volume of purchased water.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets 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 Assets 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 Assets. 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets 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**  
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These two statements report the District's *net assets* and changes in them. You can think of the District's net assets – 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 assets 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 40.

**Statement of Net Assets**

	Condensed Statements of Net Assets				
	2011	2010	Change	2009	Change
<b>Assets:</b>					
Current assets	\$ 6,311,477	6,873,912	(562,435)	9,438,893	(2,564,981)
Non-current assets	5,983,511	7,209,512	(1,226,001)	6,177,592	1,031,920
Capital assets, net	83,053,832	80,953,926	2,099,906	82,006,722	(1,052,796)
<b>Total assets</b>	<b>95,348,820</b>	<b>95,037,350</b>	<b>311,470</b>	<b>97,623,207</b>	<b>(2,585,857)</b>
<b>Liabilities:</b>					
Current liabilities	2,355,902	2,244,516	111,386	3,450,972	(1,206,456)
Non-current liabilities	19,699,462	20,128,272	(428,810)	20,889,059	(760,787)
<b>Total liabilities</b>	<b>22,055,364</b>	<b>22,372,788</b>	<b>(317,424)</b>	<b>24,340,031</b>	<b>(1,967,243)</b>
<b>Net assets:</b>					
Net investment in capital assets	63,542,479	60,880,162	2,662,317	61,057,551	(177,389)
Restricted for capital proj. and debt	3,171,305	5,321,639	(2,150,334)	4,304,331	1,017,308
Unrestricted	6,579,672	6,462,761	116,911	7,921,294	(1,458,533)
<b>Total net assets</b>	<b>73,293,456</b>	<b>72,664,562</b>	<b>628,894</b>	<b>73,283,176</b>	<b>(618,614)</b>
<b>Total liabilities and net assets</b>	<b>\$ 95,348,820</b>	<b>95,037,350</b>	<b>311,470</b>	<b>97,623,207</b>	<b>(2,585,857)</b>

As noted earlier, net assets 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 \$73,293,456 and \$72,664,562 as of June 30, 2011 and 2010, respectively.

By far the largest portion of the District's net assets (87% and 83% as of June 30, 2011 and 2010, 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 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$6,579,672 and \$6,462,761, respectively. See note 13 for the amount of spendable net assets that may be utilized in future years.

**North Marin Water District**  
**Management's Discussion and Analysis**  
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**Statement of Revenues, Expenses and Changes in Net Assets**

Condensed Statements of Revenues, Expenses and Changes in Net Assets					
	2011	2010	Change	2009	Change
Revenue:					
Operating revenue	\$ 13,797,012	12,381,493	1,415,519	12,526,294	(144,801)
Non-operating revenue	322,267	457,569	(135,302)	659,684	(202,115)
<b>Total revenue</b>	<b>14,119,279</b>	<b>12,839,062</b>	<b>1,280,217</b>	<b>13,185,978</b>	<b>(346,916)</b>
Expense:					
Operating expense	11,878,612	13,083,372	(1,204,760)	13,257,125	(173,753)
Depreciation and amortization	2,660,418	2,659,883	535	10,091,139	(7,431,256)
Non-operating expense	736,830	712,787	24,043	650,730	62,057
<b>Total expense</b>	<b>15,275,860</b>	<b>16,456,042</b>	<b>(1,180,182)</b>	<b>23,998,994</b>	<b>(7,542,952)</b>
<b>Net income before capital contrib.</b>	<b>(1,156,581)</b>	<b>(3,616,980)</b>	<b>2,460,399</b>	<b>(10,813,016)</b>	<b>7,196,036</b>
Capital contributions	1,785,475	2,998,366	(1,212,891)	3,776,402	(778,036)
<b>Change in net assets</b>	<b>628,894</b>	<b>(618,614)</b>	<b>1,247,508</b>	<b>(7,036,614)</b>	<b>6,418,000</b>
<b>Net assets, beginning of year</b>	<b>72,664,562</b>	<b>73,283,176</b>	<b>(618,614)</b>	<b>80,319,790</b>	<b>(7,036,614)</b>
<b>Net assets, end of year</b>	<b>\$ 73,293,456</b>	<b>72,664,562</b>	<b>628,894</b>	<b>73,283,176</b>	<b>(618,614)</b>

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets increased by \$628,894 in the fiscal year ended June 30, 2011 and decreased by \$618,614 for the fiscal year ended June 30, 2010.

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

In 2011, the District's operating revenues increased 11.4% or \$1,415,519 to \$13,797,012 due primarily to implemented rate increases. In 2010, the District's operating revenues decreased 1.2% or \$144,801 to \$12,381,493 primarily due to an 11% decline in water sales volume due to the 2009 summer water use restrictions and mild spring weather in 2010.

In 2011, the District's operating expenses before depreciation decreased 7.6% or \$1,204,760 due to primarily a \$1,286,036 decrease in expensed improvement project costs. In 2010, the District's operating expenses before depreciation decreased 1.3% or \$173,753 due primarily to lower water procurement costs.

**North Marin Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**Total District Revenues**

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
<b>Operating revenues:</b>					
Water consumption sales	\$ 11,334,728	10,086,100	1,248,628	10,573,368	(487,268)
Bi-monthly meter service charge	2,109,255	1,913,170	196,085	1,581,407	331,763
Sewer service charges	149,820	148,427	1,393	147,918	509
Water conservation forfeitures	4,095	24,295	(20,200)	16,068	8,227
Other charges and services	199,114	209,501	(10,387)	207,533	1,968
<b>Total operating revenues</b>	<u>13,797,012</u>	<u>12,381,493</u>	<u>1,415,519</u>	<u>12,526,294</u>	<u>(144,801)</u>
<b>Non-operating revenues:</b>					
Property tax revenue	96,768	100,220	(3,452)	103,630	(3,410)
Investment earnings	118,410	202,459	(84,049)	413,681	(211,222)
Rental revenue	68,062	51,884	16,178	52,061	(177)
Other non-operating revenues	39,027	103,006	(63,979)	90,312	12,694
<b>Total non-operating revenues</b>	<u>322,267</u>	<u>457,569</u>	<u>(135,302)</u>	<u>659,684</u>	<u>(202,115)</u>
<b>Total revenues</b>	<u>\$ 14,119,279</u>	<u>12,839,062</u>	<u>1,280,217</u>	<u>13,185,978</u>	<u>(346,916)</u>

In 2011, total District revenues increased \$1,280,217 and in 2010 total district revenues decreased \$346,916

**Total District Expenses**

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
<b>Operating expenses:</b>					
Source of supply	\$ 3,856,027	3,497,565	358,462	3,960,788	(463,223)
Pumping	299,462	298,583	879	339,236	(40,653)
Water facilities operations	648,743	633,259	15,484	578,868	54,391
Water treatment	2,012,125	2,027,052	(14,927)	1,781,516	245,536
Transmission and distribution	2,400,638	2,450,765	(50,127)	2,335,067	115,698
Sewage collection and treatment	103,054	95,116	7,938	98,715	(3,599)
Customer service	564,940	535,401	29,539	505,218	30,183
General and administrative	1,886,541	1,984,300	(97,759)	1,943,522	40,778
Improvement projects	160,980	1,447,016	(1,286,036)	1,589,413	(142,397)
Water conservation projects	388,168	482,298	(94,130)	507,260	(24,962)
Overhead absorption	(442,066)	(367,983)	(74,083)	(382,478)	14,495
Depreciation and amortization	2,660,418	2,659,883	535	10,091,139	(7,431,256)
<b>Total operating expenses</b>	<u>\$ 14,539,030</u>	<u>15,743,255</u>	<u>(1,204,225)</u>	<u>23,348,264</u>	<u>(7,605,009)</u>
<b>Non-operating expenses:</b>					
Interest expense – long-term debt	490,601	513,763	(23,162)	513,314	449
Sonoma County Water Agency agreement	224,890	189,269	35,621	110,246	79,023
Other non-operating expenses	21,339	9,755	11,584	27,170	(17,415)
<b>Total non-operating expenses</b>	<u>736,830</u>	<u>712,787</u>	<u>24,043</u>	<u>650,730</u>	<u>62,057</u>
<b>Total expenses</b>	<u>\$ 15,275,860</u>	<u>16,456,042</u>	<u>(1,180,182)</u>	<u>23,998,994</u>	<u>(7,542,952)</u>

In 2011, total District expenses decreased by \$1,180,182 and in 2010 total District expenses before depreciation expense decreased by \$111,696.



**North Marin Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**Capital Asset Administration**

Changes in capital asset amounts for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2011</u>
Capital assets:				
Non-depreciable assets	\$ 2,876,446	4,158,992	(914,870)	6,120,568
Depreciable assets	112,023,243	1,516,202	(90,783)	113,448,662
Accumulated depreciation	<u>(33,945,763)</u>	<u>(2,660,418)</u>	<u>90,783</u>	<u>(36,515,398)</u>
Total capital assets, net	<u>\$ 80,953,926</u>	<u>3,014,776</u>	<u>(914,870)</u>	<u>83,053,832</u>

Changes in capital asset amounts for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2010</u>
Capital assets:				
Non-depreciable assets	\$ 3,180,541	1,076,613	(1,380,708)	2,876,446
Depreciable assets	110,457,000	1,911,182	(344,939)	112,023,243
Accumulated depreciation	<u>(31,630,819)</u>	<u>(2,659,883)</u>	<u>344,939</u>	<u>(33,945,763)</u>
Total capital assets, net	<u>\$ 82,006,722</u>	<u>327,912</u>	<u>(1,380,708)</u>	<u>80,953,926</u>

At the end of fiscal year 2011 and 2010, the District's investment in capital assets amounted to \$83,053,832 and \$80,953,926, 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 8 for further information)

**Debt Administration**

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

	<u>Balance 2010</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2011</u>
Long-term debt:				
Bonds payable	\$ 282,809	-	(32,222)	250,587
Loans payable	<u>19,790,955</u>	<u>335,811</u>	<u>(866,000)</u>	<u>19,260,766</u>
Total long-term debt	<u>\$ 20,073,764</u>	<u>335,811</u>	<u>(898,222)</u>	<u>19,511,353</u>

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

	<u>Balance 2009</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>
Long-term debt:				
Bonds payable	\$ 312,878	-	(30,069)	282,809
Loans payable	<u>20,636,293</u>	<u>-</u>	<u>(845,338)</u>	<u>19,790,955</u>
Total long-term debt	<u>\$ 20,949,171</u>	<u>-</u>	<u>(875,407)</u>	<u>20,073,764</u>

(See Note 12 for further debt service 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 Assets  
June 30, 2011 and 2010**

<i>Assets</i>	2011	2010
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 915,270	904,943
Restricted – cash and cash equivalents (note 2)	1,447,293	2,592,880
Accrued interest receivable	11,665	49,317
Accounts receivable – water and sewer sales and services	2,447,954	2,241,494
Accounts receivable – governmental agencies	651,787	235,097
Accounts receivable – other	54,374	62,035
Note receivable – property tax from state (note 3)	7,697	6,760
Note receivable – Black Point Golf Links – current portion (note 4)	187,320	182,888
Notes receivable – employee computer loans (note 5)	7,195	4,158
Materials and supplies inventory	552,753	552,223
Prepaid expenses and deposits	28,169	42,117
Total current assets	6,311,477	6,873,912
<b>Non-current assets:</b>		
Restricted – investments (note 2)	2,015,882	3,054,563
Internal balances (note 7)	-	-
Note receivable – Black Point Golf Links (note 4)	2,525,844	2,713,164
Notes receivable – employee housing assistance loans (note 6)	1,441,785	1,441,785
Capital assets, not being depreciated (note 8)	6,120,568	2,876,446
Depreciable capital assets, net (note 8)	76,933,264	78,077,480
Total non-current assets	89,037,343	88,163,438
<b>Total assets</b>	\$ 95,348,820	95,037,350
<b><i>Liabilities and Net Assets</i></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 998,238	896,554
Accrued wages and related payables	345,588	331,766
Accrued claims payable (note 9)	14,400	14,400
Customer advances and deposits	286,112	319,260
Accrued interest payable – long-term debt	11,085	12,494
Long-term liabilities – due within one year:		
Compensated absences (note 10)	124,488	108,305
Bonds payable (note 12)	33,384	32,223
Loans payable (note 12)	542,607	529,514
Total current liabilities	2,355,902	2,244,516
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 10)	373,464	324,916
Other post employment benefits payable (note 11)	390,636	291,329
Bonds payable (note 12)	217,203	250,586
Loans payable (note 12)	18,718,159	19,261,441
Total non-current liabilities	19,699,462	20,128,272
<b>Total liabilities</b>	22,055,364	22,372,788
<b>Net assets: (note 13)</b>		
Investment in capital assets, net of related debt	63,542,479	60,880,162
Restricted for capital projects and debt service	3,171,305	5,321,639
Unrestricted	6,579,672	6,462,761
Total net assets	73,293,456	72,664,562
<b>Total liabilities and net assets</b>	\$ 95,348,820	95,037,350

See accompanying notes to the basic financial statements

**North Marin Water District**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Water consumption sales	\$ 11,334,728	10,086,100
Bi-monthly meter service charge	2,109,255	1,913,170
Sewer service charges	149,820	148,427
Water conservation forfeitures	4,095	24,295
Other charges and services	199,114	209,501
Total operating revenues	<u>13,797,012</u>	<u>12,381,493</u>
Operating expenses:		
Source of supply	3,856,027	3,497,565
Pumping	299,462	298,583
Water facilities operations	648,743	633,259
Water treatment	2,012,125	2,027,052
Transmission and distribution	2,400,638	2,450,765
Sewage collection and treatment	103,054	95,116
Customer service	564,940	535,401
General and administrative	1,886,541	1,984,300
Improvement projects	160,980	1,447,016
Water conservation projects	388,168	482,298
Total operating expenses	<u>12,320,678</u>	<u>13,451,355</u>
Operating gain(loss) before overhead absorption	1,476,334	(1,069,862)
Overhead absorption	442,066	367,983
Operating gain(loss) before depreciation and amortization	1,918,400	(701,879)
Depreciation	<u>(2,660,418)</u>	<u>(2,659,883)</u>
<b>Operating loss</b>	<u>(742,018)</u>	<u>(3,361,762)</u>
Non-operating revenues(expenses):		
Property tax revenue	96,768	100,220
Investment earnings	118,410	202,459
Rental revenue	68,062	51,884
Interest expense – long-term debt	(490,601)	(513,763)
Wohler/Collector No. 6 project (note 17)	(224,890)	(189,269)
Other non-operating revenues, net	17,688	93,251
Total non-operating revenues, net	<u>(414,563)</u>	<u>(255,218)</u>
<b>Net loss before capital contributions</b>	<u>(1,156,581)</u>	<u>(3,616,980)</u>
Capital contributions:		
Developers and others	1,110,371	912,939
Connection fees	387,610	1,796,028
Capital grants	287,494	289,399
<b>Capital contributions</b>	<u>1,785,475</u>	<u>2,998,366</u>
<b>Change in net assets</b>	<u>628,894</u>	<u>(618,614)</u>
Net assets, beginning of year	<u>72,664,562</u>	<u>73,283,176</u>
Net assets, end of year	<u>\$ 73,293,456</u>	<u>72,664,562</u>

See accompanying notes to the basic financial statements

**North Marin Water District  
Statements of Cash Flows  
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 13,220,550	13,061,885
Cash paid to employees for salaries and wages	(4,237,429)	(4,418,559)
Cash paid to vendors and suppliers for materials and services	(7,402,708)	(9,736,375)
Net cash provided(used) by operating activities	<u>1,580,413</u>	<u>(1,093,049)</u>
Cash flows from non-capital financing activities:		
Property tax revenue	95,831	93,460
Rental revenue	68,062	51,884
Sonoma County Water Agency agreement	(224,890)	(189,269)
Principal received on notes receivable	179,851	178,538
Principal issued on notes receivable	-	(245,000)
Net cash provided(used) by non-capital financing activities	<u>118,854</u>	<u>(110,387)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,267,926)	(1,179,454)
Proceeds from capital contributions and connection fees	1,343,077	2,600,925
Principal issued on long-term debt	335,811	-
Principal paid on long-term debt	(898,222)	(875,407)
Interest paid on long-term debt	(492,010)	(518,087)
Net cash provided(used) by capital and related financing activities	<u>(3,979,270)</u>	<u>27,977</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,000,000	1,500,000
Purchases of investments	(2,000,000)	(2,500,000)
Investment earnings	144,743	211,467
Net cash provided(used) by investing activities	<u>1,144,743</u>	<u>(788,533)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,135,260)</b>	<b>(1,963,992)</b>
Cash and cash equivalents, beginning of year	3,497,823	5,461,815
Cash and cash equivalents, end of year	<u>\$ 2,362,563</u>	<u>3,497,823</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 915,270	904,943
Restricted assets – cash and cash equivalents	<u>1,447,293</u>	<u>2,592,880</u>
Total cash and cash equivalents	<u>\$ 2,362,563</u>	<u>3,497,823</u>

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating loss	\$ (742,018)	(3,361,762)
Adjustments to reconcile operating loss to net cash provided(used) by operating activities:		
Deprecation	2,660,418	2,659,883
Other non-operating revenue	39,027	103,006
Other non-operating expenses	(21,339)	(9,755)
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water and sewer sales and services	(206,460)	438,537
Accounts receivable – governmental agencies	(416,690)	72,281
Accounts receivable – other	7,661	66,568
Materials and supplies inventory	(530)	36,276
Prepaid expenses and other deposits	13,948	(10,571)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	101,684	(989,031)
Accrued wages and related payables	13,822	(30,140)
Customer advances and deposits	(33,148)	(204,422)
Compensated absences	64,731	26,141
Post employment retirement benefits	99,307	109,940
Total adjustments	<u>2,322,431</u>	<u>2,268,713</u>
Net cash provided(used) in operating activities	\$ <u>1,580,413</u>	<u>(1,093,049)</u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of investments	\$ (11,319)	(3,446)
Contributed capital	<u>(492,398)</u>	<u>(427,633)</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, 2011 and 2010**

**(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. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). 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 is an enterprise fund which was formed by the District in 2007 which accounts for the operation of the District's recycled water treatment plant in a separate fund.

**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 values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. 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, 2011 and 2010**

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

**C. Financial Reporting**

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

**D. Assets, Liabilities and Net Assets**

**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 assets 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, 2011 and 2010**

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

**D. Assets, Liabilities and Net Assets, 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 30<sup>th</sup> 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 assets and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net assets.

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

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

**D. Assets, Liabilities and Net Assets, 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 Assets**

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

- **Net Investment in Capital Assets** – This component of net assets 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 Assets** – This component of net assets consists of constraints placed on net assets 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 Assets** – This component of net assets consists of net assets that do 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>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 915,270	904,943
Restricted – cash and cash equivalents	1,447,293	2,592,880
Restricted – investments	<u>2,015,882</u>	<u>3,054,563</u>
Total cash and investments	<u>\$ 4,378,445</u>	<u>6,552,386</u>

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

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 350	350
Deposits with financial institutions	106,291	681,994
Deposits with County of Marin Treasury	231,742	128,506
Investments	<u>4,040,062</u>	<u>5,741,536</u>
Total cash and investments	<u>\$ 4,378,445</u>	<u>6,552,386</u>

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(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 restrictions.

\*\* 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, 2011 and 2010**

**(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, 2011, 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	\$ 2,024,180	2,024,180	-	-
Certificates-of-deposit	2,000,000	2,000,000	-	-
Olema general obligation bond	15,882	-	-	15,882
<b>Total</b>	<b>\$ 4,040,062</b>	<b>4,024,180</b>	<b>-</b>	<b>15,882</b>

Investments at June 30, 2010, 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	\$ 2,686,973	2,686,973	-	-
GE Co. note @ 4.250%	1,006,370	1,006,370	-	-
Wells Fargo note @ 6.450%	1,028,550	1,028,550	-	-
Certificates-of-deposit	1,000,000	1,000,000	-	-
Olema general obligation bond	19,643	-	-	19,643
<b>Total</b>	<b>\$ 5,741,536</b>	<b>5,721,893</b>	<b>-</b>	<b>19,643</b>

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(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, 2011, 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 A-</u>
Local Agency Investment Fund	\$ 2,024,180	N/A	2,024,180	-
Certificates-of-deposit	2,000,000	N/A	2,000,000	-
Olema general obligation bond	15,882	A+	-	15,882
Total	\$ 4,040,062		4,024,180	15,882

Credit ratings at June 30, 2010, 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 A-</u>
Local Agency Investment Fund	\$ 2,686,973	N/A	2,686,973	-
GE Co. note @ 4.250%	1,006,370	A-	-	1,006,370
Wells Fargo note @ 6.450%	1,028,550	A-	-	1,028,550
Certificates-of-deposit	1,000,000	A-	1,000,000	-
Olema general obligation bond	19,643	A+	-	19,643
Total	\$ 5,741,536		3,686,973	2,054,563

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The following is a list that represents 5% or more of total District investments invested in one issuer.

<u>Issuer</u>	<u>Investment type &gt;5%</u>	<u>Reported Amount</u>	
		<u>2011</u>	<u>2010</u>
GE Co. note @ 4.250%	Medium-term corporate note	\$ -	1,006,370
Wells Fargo note @ 6.450%	Medium-term corporate note	-	1,028,550

**(3) Note Receivable – Property Tax from State**

Under the provisions of the State of California Proposition 1A and as part of the 2011 fiscal year State of California budget package passed by the California State Legislature on July 28, 2010, 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 \$937 for a total of \$7,697. The borrowing by the State of California was recognized as a note receivable in the accompanying financial statements.

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(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 30<sup>th</sup>, the amount receivable under the contract is as follows:

The balance at June 30, consists of the following:

	<b>2011</b>	<b>2010</b>
Note receivable – Black Point Golf Links – current portion	\$ 187,320	182,888
Note receivable – Black Point Golf Links	2,525,844	2,713,164
Note receivable – Black Point Golf Links	\$ 2,713,164	2,896,052

**(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, 2011 and 2010 the District had various outstanding loans totaling \$7,195 and \$4,158, respectively.

**(6) 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 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:

<b>Origination</b>	<b>2011</b>	<b>2010</b>
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	245,000	245,000
Total	\$ 1,441,785	1,441,785

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(7) Internal Balances**

***Due To/From Other Funds***

Internal balances consist of the following as of June 30, 2011 as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advance	Novato Water	West Marin	\$ 356,968
Advance	Novato Water	Novato Recycled	1,175,098
		Total	<u>\$ 1,532,066</u>

Internal balances consist of the following as of June 30, 2010 as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advance	Novato Water	West Marin	\$ 420,300
Advance	Novato Water	Novato Recycled	44,597
		Total	<u>\$ 464,897</u>

The Novato Water segment continues to advance the West Marin and Novato Recycled segments funds for operations. Repayment terms continue to be worked out with repayment of the principal balance advanced. Interest accrues on the balance at the monthly return rate of the District's investment portfolio plus \$50 per month. (See the Supplementary Schedules on Pages 42 and 43 for further information)

**(8) 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:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
The balance at June 30, consists of the following projects:			
Developer construction – Novato Water	\$ 1,045,246	1,065,958	881,226
Developer construction – Novato Recycled	-	-	-
Developer construction – West Marin Water	8,272	-	36,730
Developer construction – Oceana Marin Sewer	-	-	-
2nd Feed to Amaroli tank	417,299	-	-
Crest tank no. 2 construction	-	143,530	969,875
Marin-Sonoma Narrows aqueduct project	-	-	500,397
Bell Marin Keys looping project	-	-	101,392
Recycled water expansion project	-	-	1,015,782
Other construction – Novato Water	144,703	153,472	808,215
Other construction – Novato Recycled	91,930	12,814	172,130
Other construction – West Marin Water	-	27,581	135,370
Other construction – Oceana Marin Sewer	-	-	26,360
Total construction-in-process per year	<u>\$ 1,707,450</u>	<u>1,403,355</u>	<u>4,647,477</u>



**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(8) Capital Assets, continued**

Changes in capital assets for the year were as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-process	<u>1,403,355</u>	<u>4,158,992</u>	<u>(914,870)</u>	<u>4,647,477</u>
Total non-depreciable assets	<u>2,876,446</u>	<u>4,158,992</u>	<u>(914,870)</u>	<u>6,120,568</u>
Depreciable assets:				
Distribution system	56,696,191	1,349,594	-	58,045,785
Treatment plant	22,162,002	-	-	22,162,002
Storage facilities	17,045,704	28,696	-	17,074,400
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	-	-	1,778,388
Other plant and equipment	<u>2,970,363</u>	<u>137,912</u>	<u>(90,783)</u>	<u>3,017,492</u>
Total depreciable assets	<u>112,023,243</u>	<u>1,516,202</u>	<u>(90,783)</u>	<u>113,448,662</u>
Accumulated depreciation:				
Distribution system	(18,787,146)	(1,146,685)	-	(19,933,831)
Treatment plant	(3,583,566)	(684,919)	-	(4,268,485)
Storage facilities	(3,891,642)	(341,458)	-	(4,233,100)
Transmission system	(2,976,648)	(104,098)	-	(3,080,746)
Source facilities	(1,371,052)	(89,704)	-	(1,460,756)
Sewer facilities	(367,037)	(28,566)	-	(395,603)
Structures and improvements	(992,634)	(34,226)	-	(1,026,860)
Other plant and equipment	<u>(1,976,038)</u>	<u>(230,762)</u>	<u>90,783</u>	<u>(2,116,017)</u>
Total accumulated depreciation	<u>(33,945,763)</u>	<u>(2,660,418)</u>	<u>90,783</u>	<u>(36,515,398)</u>
Total depreciable assets, net	<u>78,077,480</u>	<u>(1,144,216)</u>	<u>-</u>	<u>76,933,264</u>
Total capital assets, net	<u>\$ 80,953,926</u>	<u>3,014,776</u>	<u>(914,870)</u>	<u>83,053,832</u>

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(8) Capital Assets, continued**

Changes in capital assets for the year were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-process	<u>1,707,450</u>	<u>1,076,613</u>	<u>(1,380,708)</u>	<u>1,403,355</u>
Total non-depreciable assets	<u>3,180,541</u>	<u>1,076,613</u>	<u>(1,380,708)</u>	<u>2,876,446</u>
Depreciable assets:				
Distribution system	54,977,446	1,718,745	-	56,696,191
Treatment plant	22,162,002	-	-	22,162,002
Storage facilities	17,045,704	-	-	17,045,704
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	-	-	1,778,388
Other plant and equipment	<u>3,122,865</u>	<u>192,437</u>	<u>(344,939)</u>	<u>2,970,363</u>
Total depreciable assets	<u>110,457,000</u>	<u>1,911,182</u>	<u>(344,939)</u>	<u>112,023,243</u>
Accumulated depreciation:				
Distribution system	(17,670,134)	(1,117,012)	-	(18,787,146)
Treatment plant	(2,898,647)	(684,919)	-	(3,583,566)
Storage facilities	(3,550,663)	(340,979)	-	(3,891,642)
Transmission system	(2,866,946)	(109,702)	-	(2,976,648)
Source facilities	(1,283,152)	(87,900)	-	(1,371,052)
Sewer facilities	(338,471)	(28,566)	-	(367,037)
Structures and improvements	(960,044)	(32,590)	-	(992,634)
Other plant and equipment	<u>(2,062,762)</u>	<u>(258,215)</u>	<u>344,939</u>	<u>(1,976,038)</u>
Total accumulated depreciation	<u>(31,630,819)</u>	<u>(2,659,883)</u>	<u>344,939</u>	<u>(33,945,763)</u>
Total depreciable assets, net	<u>78,826,181</u>	<u>(748,701)</u>	<u>-</u>	<u>78,077,480</u>
Total capital assets, net	<u>\$ 82,006,722</u>	<u>327,912</u>	<u>(1,380,708)</u>	<u>80,953,926</u>

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(9) Accrued Claims Payable**

The District commenced self-insuring its workers' compensation obligation on July 1, 2004, and established risk financing internal service funds where assets are set aside for claim settlements associated with the risk of loss up to certain limits for workers' compensation claims. The District has engaged an outside claims administrator for claims adjustments. The District carried a workers' compensation excess insurance policy for claims that exceed \$750,000.

In fiscal year 2009, 2010 and 2011, the District purchased insurance to cover its workers' compensation obligation for these claims. The remaining accrued claims payable balance will be adjusted as prior year claims are resolved and closed.

Settled claims have not exceeded any of 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:

	<b>2011</b>	<b>2010</b>
Accrued claims payable, beginning of year	\$ 14,400	14,400
Claims recognized	-	-
Claims settled	-	-
Claims adjustments	-	-
Accrued claims payable, end of year	\$ 14,400	14,400

**(10) Compensated Absences**

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

Changes to compensated absences for 2011, were as follows:

<b>Balance 2010</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance 2011</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
\$ 433,221	842,623	(777,892)	497,952	124,488	373,464

Changes to compensated absences for 2010, were as follows:

<b>Balance 2009</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance 2010</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
\$ 407,080	822,569	(796,428)	433,221	108,305	324,916

**(11) 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 other 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, 2011 and 2010**

**(11) Other Post Employment Benefits Payable, continued**

***Other Post Employment Benefits – Eligibility, continued***

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Active plan members	52	56	60
Retirees and beneficiaries receiving benefits	33	32	30
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>85</u>	<u>88</u>	<u>90</u>

***Other Post Employment Benefits – Benefits Offered***

The District offers 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.

***Funding Policy***

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 5.6% 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, 2011 and 2010, the District's ARC cost was \$246,391 and \$248,045, respectively. The District's net other post employment benefits payable obligation amounted to \$390,636 and \$291,329 for the years ended June 30, 2011 and 2010, respectively. The District contributed \$147,084 and \$138,105 in age adjusted contributions for current retiree OPEB premiums for the years ended June 30, 2011 and 2010, respectively.

The balance at June 30, consists of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 250,776	250,776	272,806
Interest on net OPEB obligation	14,566	9,069	-
Adjustment to annual required contribution	<u>(18,951)</u>	<u>(11,800)</u>	<u>615</u>
Total annual OPEB expense	246,391	248,045	273,421
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(147,084)</u>	<u>(138,105)</u>	<u>(182,220)</u>
Total change in net OPEB payable obligation	99,307	109,940	91,201
OPEB payable – beginning of year	<u>291,329</u>	<u>181,389</u>	<u>90,188</u>
OPEB payable – end of year	<u>\$ 390,636</u>	<u>291,329</u>	<u>181,389</u>

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
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**(11) 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 2011 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>					
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable	
2011	\$ 246,391	147,084	59.70%	\$ 390,636	
2010	248,045	138,105	55.68%	291,329	
2009	273,421	182,220	66.64%	181,389	

See the Schedule of Funding Status of the District's Other Post Employment Benefits Obligation in the Required Supplementary Information Section on Page 41.

**(12) Long-term Debt**

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

	Balance 2010	Additions	Principal Payments	Balance 2011	Current Portion
Long-term debt:					
Bonds payable:					
1973 General obligation bonds – PR-3	\$ 40,000	-	(13,000)	27,000	13,000
1975 General obligation bonds – OL-2	17,809	-	(3,222)	14,587	3,384
1980 Revenue bonds – PRE-1	110,000	-	(9,000)	101,000	9,000
1981 Revenue bonds – PR-6	115,000	-	(7,000)	108,000	8,000
Total bonds payable	282,809	-	(32,222)	250,587	33,384
Loans payable:					
1977 U.S. EDA loan – Novato Water	119,008	-	(12,464)	106,544	13,097
1977 U.S. EDA loan – West Marin	17,014	-	(1,851)	15,163	1,946
2005 DWR loan – Novato Water	15,875,535	-	(669,023)	15,206,512	340,519
2005 DWR loan – Novato Recycled	3,779,398	-	(182,662)	3,596,736	187,045
2011 DWR loan – Novato Recycled	-	335,811	-	335,811	-
Total loans payable	19,790,955	335,811	(866,000)	19,260,766	542,607
Total long-term debt	\$ 20,073,764	335,811	(898,222)	19,511,353	575,991

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

	Balance 2009	Additions	Principal Payments	Balance 2010	Current Portion
Long-term debt:					
Bonds payable:					
1973 General obligation bonds – PR-3	\$ 52,000	-	(12,000)	40,000	13,000
1975 General obligation bonds – OL-2	20,878	-	(3,069)	17,809	3,223
1980 Revenue bonds – PRE-1	118,000	-	(8,000)	110,000	9,000
1981 Revenue bonds – PR-6	122,000	-	(7,000)	115,000	7,000
Total bonds payable	312,878	-	(30,069)	282,809	32,223
Loans payable:					
1977 U.S. EDA loan – Novato Water	130,888	-	(11,880)	119,008	12,467
1977 U.S. EDA loan – West Marin	18,777	-	(1,763)	17,014	1,880
2005 DWR loan – Novato Water	16,528,850	-	(653,315)	15,875,535	332,525
2005 DWR loan – Novato Recycled	3,957,778	-	(178,380)	3,779,398	182,662
Total loans payable	20,636,293	-	(845,338)	19,790,955	529,514
Total long-term debt	\$ 20,949,171	-	(875,407)	20,073,764	561,737

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(12) Long-Term Debt, continued**

**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 are scheduled to mature in 2013. Principal and interest are payable annually on January 1<sup>st</sup> 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>
2012	\$ 13,000	1,350	14,350
2013	14,000	700	14,700
Total	27,000	2,050	29,050
Less current portion	(13,000)		
Total non-current	\$ 14,000		

**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 1<sup>st</sup> 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>
2012	\$ 3,384	729	4,113
2013	3,553	560	4,113
2014	3,731	382	4,113
2015	3,919	194	4,113
Total	\$ 14,587	1,865	16,452
Less current portion	(3,384)		
Total non-current	\$ 11,203		



**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

(12) Long-Term Debt, continued

*Bonds Payable, continued*

**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 1<sup>st</sup> and interest is payable semi-annually on October 1<sup>st</sup> and April 1<sup>st</sup> 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>
2012	\$ 9,000	5,050	14,050
2013	10,000	4,600	14,600
2014	10,000	4,100	14,100
2015	11,000	3,600	14,600
2016	11,000	3,050	14,050
2017-2020	50,000	6,350	56,350
Total	\$ 101,000	26,750	127,750
Less current portion	(9,000)		
Total non-current	\$ 92,000		

**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 1<sup>st</sup> and interest is payable semi-annually on July 1<sup>st</sup> and January 1<sup>st</sup> 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>
2012	\$ 8,000	5,200	13,200
2013	8,000	4,800	12,800
2014	8,000	4,400	12,400
2015	9,000	3,975	12,975
2016	9,000	3,525	12,525
2017-2021	54,000	10,000	64,000
2022	12,000	300	12,300
Total	\$ 108,000	32,200	140,200
Less current portion	(8,000)		
Total non-current	\$ 100,000		

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(12) Long-Term Debt, continued**

**Loan 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 1<sup>st</sup> 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>
2012	\$ 13,097	5,327	18,424
2013	13,752	4,672	18,424
2014	14,440	3,984	18,424
2015	15,162	3,262	18,424
2016	15,920	2,504	18,424
2017-2018	34,173	2,580	36,753
Total	\$ 106,544	22,329	128,873
Less current portion	(13,097)		
Total non-current	\$ 93,447		

**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 1<sup>st</sup> 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>
2012	\$ 1,946	757	2,703
2013	2,042	661	2,703
2014	2,145	558	2,703
2015	2,252	451	2,703
2016	2,364	339	2,703
2017-2018	4,414	317	4,731
Total	\$ 15,163	3,083	18,246
Less current portion	(1,946)		
Total non-current	\$ 13,217		



**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(12) Long-Term Debt, continued**

***Loan Payable, continued***

***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 1<sup>st</sup> and July 1<sup>st</sup>.

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>
2012	\$ 340,519	367,458	707,977
2013	693,295	351,179	1,044,474
2014	709,964	334,510	1,044,474
2015	727,034	317,441	1,044,475
2016	744,514	299,960	1,044,474
2017-2021	3,999,831	1,222,541	5,222,372
2022-2026	4,504,352	718,020	5,222,372
2027-2030	3,487,003	168,658	3,655,661
Total	\$ 15,206,512	<u>3,779,767</u>	<u>18,986,279</u>
Less current portion	<u>(340,519)</u>		
Total non-current	\$ <u>14,865,993</u>		

***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 19<sup>th</sup> 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>
2012	\$ 187,045	86,322	273,367
2013	191,534	81,833	273,367
2014	196,131	77,236	273,367
2015	200,839	72,528	273,367
2016	205,658	67,709	273,367
2017-2021	1,104,741	262,094	1,366,835
2022-2026	1,243,828	123,007	1,366,835
2027	266,960	6,407	273,367
Total	\$ 3,596,736	<u>777,136</u>	<u>4,373,872</u>
Less current portion	<u>(187,045)</u>		
Total non-current	\$ <u>3,409,691</u>		

***2011 DWR Loan – Novato Recycled Water segment***

In 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 \$3,825,000 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, 2011, eligible costs for reimbursement were \$335,811.

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
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**(13) Net Assets**

Calculation of net assets per fund as of June 30, 2011, 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	\$ 4,629,976	1,187,912	275,511	27,169	6,120,568
Depreciable capital assets, net	67,939,084	4,361,579	3,960,806	671,795	76,933,264
Current:					
Bonds payable	-	-	(33,384)	-	(33,384)
Loans payable	(353,616)	(187,045)	(1,946)	-	(542,607)
Non-current:					
Bonds payable	-	-	(217,203)	-	(217,203)
Loans payable	(14,959,440)	(3,745,502)	(13,217)	-	(18,718,159)
Total net investment in capital assets	<u>57,256,004</u>	<u>1,616,944</u>	<u>3,970,567</u>	<u>698,964</u>	<u>63,542,479</u>
Restricted net assets:					
Connection fee reserve	407,278	-	252,898	77,292	737,468
Wohler pipeline reserve	458,166	-	-	-	458,166
Collector No. 6 reserve	1,882,017	-	-	-	1,882,017
Olema bond reserve	15,882	-	-	-	15,882
Cash reserve for debt service	-	33,217	50,313	-	83,530
Accrued interest for debt service	-	-	(5,758)	-	(5,758)
Total restricted net assets	<u>2,763,343</u>	<u>33,217</u>	<u>297,453</u>	<u>77,292</u>	<u>3,171,305</u>
Unrestricted net assets:					
Non-spendable net assets:					
Current:					
Materials and supplies inventory	552,753	-	-	-	552,753
Prepaid expenses and deposits	26,703	-	-	1,466	28,169
Non-current:					
Note receivable – Black Point Golf Links	-	2,525,844	-	-	2,525,844
Notes receivable – employee housing loans	1,441,785	-	-	-	1,441,785
Total non-spendable net assets	<u>2,021,241</u>	<u>2,525,844</u>	<u>-</u>	<u>1,466</u>	<u>4,548,551</u>
Spendable net assets are designated as follows:					
Operating reserve	2,662,066	(318,136)	(552,644)	239,835	2,031,121
Total spendable net assets	<u>2,662,066</u>	<u>(318,136)</u>	<u>(552,644)</u>	<u>239,835</u>	<u>2,031,121</u>
Total unrestricted net assets	4,683,307	2,207,708	(552,644)	241,301	6,579,672
Total net assets	<u>\$ 64,702,654</u>	<u>3,857,869</u>	<u>3,715,376</u>	<u>1,017,557</u>	<u>73,293,456</u>

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(13) Net Assets, continued**

Calculation of net assets per fund as of June 30, 2010, were as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 2,731,832	12,814	130,992	808	2,876,446
Depreciable capital assets, net	68,760,743	4,524,746	4,079,112	712,879	78,077,480
Current:					
Bonds payable	-	-	(32,223)	-	(32,223)
Loans payable	(344,999)	(182,661)	(1,854)	-	(529,514)
Non-current:					
Bonds payable	-	-	(250,586)	-	(250,586)
Loans payable	(15,649,544)	(3,596,737)	(15,160)	-	(19,261,441)
Total net investment in capital assets	<u>55,498,032</u>	<u>758,162</u>	<u>3,910,281</u>	<u>713,687</u>	<u>60,880,162</u>
Restricted net assets:					
Connection fee reserve	2,400,152	-	241,693	76,455	2,718,300
Wohler pipeline reserve	514,632	-	-	-	514,632
Collector No. 6 reserve	2,023,511	-	-	-	2,023,511
Olema bond reserve	19,643	-	-	-	19,643
Cash reserve for debt service	-	-	52,097	-	52,097
Accrued interest for debt service	-	-	(6,544)	-	(6,544)
Total restricted net assets	<u>4,957,938</u>	<u>-</u>	<u>287,246</u>	<u>76,455</u>	<u>5,321,639</u>
Unrestricted net assets:					
Non-spendable net assets:					
Current:					
Materials and supplies inventory	552,223	-	-	-	552,223
Prepaid expenses and deposits	40,577	-	106	1,434	42,117
Non-current:					
Note receivable – Black Point Golf Links	-	2,713,164	-	-	2,713,164
Notes receivable – employee housing loans	1,441,785	-	-	-	1,441,785
Total non-spendable net assets	<u>2,034,585</u>	<u>2,713,164</u>	<u>106</u>	<u>1,434</u>	<u>4,749,289</u>
Spendable net assets are designated as follows:					
Operating reserve	1,896,556	232,058	(617,187)	202,045	1,713,472
Total spendable net assets	<u>1,896,556</u>	<u>232,058</u>	<u>(617,187)</u>	<u>202,045</u>	<u>1,713,472</u>
Total unrestricted net assets	<u>3,931,141</u>	<u>2,945,222</u>	<u>(617,081)</u>	<u>203,479</u>	<u>6,462,761</u>
Total net assets	<u>\$ 64,387,111</u>	<u>3,703,384</u>	<u>3,580,446</u>	<u>993,621</u>	<u>72,664,562</u>

**(14) 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, 2011 and 2010 was \$3,041,455 and \$2,834,033, 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 assets.

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(15) 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***

The contribution rate for plan members in the CalPERS 2.5% at 55 Risk Pool Retirement Plan is 8% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal year 2011, 2010 and 2009 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2011, 2010 and 2009, 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>
2008-2009	\$ 904,789	100%	-	14.367%
2009-2010	1,035,867	100%	-	14.432%
2010-2011	913,677	100%	-	18.154%

**(16) 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 an \$10.0 million excess general liability policy with a \$1.0 million self-insured retention limit, a \$51,593,000 property and equipment policy, a \$3.0 million public official's policy and a \$500,000 employee fidelity bond.

**(17) 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 Agency'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, 2011, the District's reserve balances for these obligations were \$458,167 (Wohler Pipeline) and \$1,882,017 (Collector #6).

***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.

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2011 and 2010**

**(17) Commitments and Contingencies, continued**

***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 \$609,492 of open construction contracts as of June 30, 2011. These include:

<b>Project Name</b>	<b>Total Approved Contract</b>	<b>Balance to Complete</b>
Recycled water expansion project	1,092,809	560,731
Marin-Sonoma Narrows aqueduct project	246,640	34,711
West Marin treatment plant solids handling	38,740	14,050
Total	\$ 1,378,189	609,492

***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.

**(18) Subsequent Event**

Events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure as of August 31, 2011, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**





**North Marin Water District**  
**Schedule of Funding Status – Other Post-Employment Benefits Obligation**  
**For the Years Ended June 30, 2011 and 2010**

**Funded Status and Funding Progress**

*Required Supplemental Information – Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	3,470,834	3,470,834	0.00%	\$ 4,418,559	78.55%
7/1/2006	\$ -	2,637,574	2,637,574	0.00%	\$ 4,262,790	61.87%

The most recent valuation (dated July 1, 2009) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$3,470,834. There are no Plan Assets because the District funds on a pay-as-you-go basis and maintains net assets equal to the remaining net other post employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2009 was \$4,418,559. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 78.55%.

**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, 2009
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	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	5.00% – Projected at July 1, 2009
Projected salary increase	3.00%
Inflation - discount rate	5.00%
Individual salary growth	District annual COLA

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## **Supplemental Information**



# Combining Schedules

**North Marin Water District  
Combining Schedule of Net Assets  
For the Year Ended June 30, 2011**

Assets	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 954,669	-	(276,550)	237,151	915,270
Restricted – cash and cash equivalents	1,008,421	33,217	326,863	78,792	1,447,293
Accrued interest receivable	11,665	-	-	-	11,665
Accounts receivable – water and sewer sales	2,242,296	113,108	89,567	2,983	2,447,954
Accounts receivable – governmental agencies	95,253	556,534	-	-	651,787
Accounts receivable – other	43,315	-	6,426	4,633	54,374
Note receivable – property tax from state	-	-	3,726	3,971	7,697
Note receivable – Black Point Golf Links	-	187,320	-	-	187,320
Notes receivable – employee computer loans	7,195	-	-	-	7,195
Materials and supplies inventory	552,753	-	-	-	552,753
Prepaid expenses and deposits	26,703	-	-	1,466	28,169
<b>Total current assets</b>	<b>4,942,270</b>	<b>890,179</b>	<b>150,032</b>	<b>328,996</b>	<b>6,311,477</b>
<b>Non-current assets:</b>					
Investments	-	-	-	-	-
Restricted – investments	2,015,882	-	-	-	2,015,882
Internal balances	1,532,066	(1,175,098)	(356,968)	-	-
Note receivable – Black Point Golf Links	-	2,525,844	-	-	2,525,844
Notes receivable – employee housing loans	1,441,785	-	-	-	1,441,785
Capital assets, not being depreciated	4,629,976	1,187,912	275,511	27,169	6,120,568
Depreciable capital assets, net	67,939,084	4,361,579	3,960,806	671,795	76,933,264
<b>Total non-current assets</b>	<b>77,558,793</b>	<b>6,900,237</b>	<b>3,879,349</b>	<b>698,964</b>	<b>89,037,343</b>
<b>Total assets</b>	<b>\$ 82,501,063</b>	<b>7,790,416</b>	<b>4,029,381</b>	<b>1,027,960</b>	<b>95,348,820</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$ 995,258	-	-	2,980	998,238
Accrued wages and related payables	320,820	-	18,845	5,923	345,588
Accrued claims payable	14,400	-	-	-	14,400
Customer advances and deposits	260,960	-	23,652	1,500	286,112
Accrued interest payable – long-term debt	5,327	-	5,758	-	11,085
Long-term liabilities – due within one year:	-	-	-	-	-
Compensated absences	124,488	-	-	-	124,488
Bonds payable	-	-	33,384	-	33,384
Loans payable	353,616	187,045	1,946	-	542,607
<b>Total current liabilities</b>	<b>2,074,869</b>	<b>187,045</b>	<b>83,585</b>	<b>10,403</b>	<b>2,355,902</b>
<b>Non-current liabilities:</b>					
Long-term liabilities – due in more than one year:	-	-	-	-	-
Compensated absences	373,464	-	-	-	373,464
Other post employment benefits payable	390,636	-	-	-	390,636
Bonds payable	-	-	217,203	-	217,203
Loans payable	14,959,440	3,745,502	13,217	-	18,718,159
<b>Total non-current liabilities</b>	<b>15,723,540</b>	<b>3,745,502</b>	<b>230,420</b>	<b>-</b>	<b>19,699,462</b>
<b>Total liabilities</b>	<b>17,798,409</b>	<b>3,932,547</b>	<b>314,005</b>	<b>10,403</b>	<b>22,055,364</b>
<b>Net assets:</b>					
Net investment in capital assets	57,256,004	1,616,944	3,970,567	698,964	63,542,479
Restricted for capital projects and debt service	2,763,343	33,217	297,453	77,292	3,171,305
Unrestricted	4,683,307	2,207,708	(552,644)	241,301	6,579,672
<b>Total net assets</b>	<b>64,702,654</b>	<b>3,857,869</b>	<b>3,715,376</b>	<b>1,017,557</b>	<b>73,293,456</b>
<b>Total liabilities and net assets</b>	<b>\$ 82,501,063</b>	<b>7,790,416</b>	<b>4,029,381</b>	<b>1,027,960</b>	<b>95,348,820</b>

See accompanying notes to the basic financial statements



**North Marin Water District**  
**Combining Schedule of Net Assets**  
**For the Year Ended June 30, 2010**

<u>Assets</u>	<u>Novato Water</u>	<u>Novato Recycled</u>	<u>West Marin Water</u>	<u>Oceana Marin Sewer</u>	<u>Total</u>
<b>Current assets:</b>					
Cash and cash equivalents	\$ 978,758	-	(262,304)	188,489	904,943
Restricted – cash and cash equivalents	2,199,289	-	314,401	79,190	2,592,880
Accrued interest receivable	49,317	-	-	-	49,317
Accounts receivable – water and sewer sales	2,046,383	101,767	79,818	13,526	2,241,494
Accounts receivable – governmental agencies	235,097	-	-	-	235,097
Accounts receivable – other	56,631	-	1,169	4,235	62,035
Note receivable – property tax from state	-	-	3,272	3,488	6,760
Note receivable – Black Point Golf Links	-	182,888	-	-	182,888
Notes receivable – employee computer loans	4,158	-	-	-	4,158
Materials and supplies inventory	552,223	-	-	-	552,223
Prepaid expenses and deposits	40,577	-	106	1,434	42,117
<b>Total current assets</b>	<u>6,162,433</u>	<u>284,655</u>	<u>136,462</u>	<u>290,362</u>	<u>6,873,912</u>
<b>Non-current assets:</b>					
Investments	-	-	-	-	-
Restricted – investments	3,054,563	-	-	-	3,054,563
Internal balances	464,897	(44,597)	(420,300)	-	-
Note receivable – Black Point Golf Links	-	2,713,164	-	-	2,713,164
Notes receivable – employee housing loans	1,441,785	-	-	-	1,441,785
Capital assets, not being depreciated	2,731,832	12,814	130,992	808	2,876,446
Depreciable capital assets, net	68,760,743	4,524,746	4,079,112	712,879	78,077,480
<b>Total non-current assets</b>	<u>76,453,820</u>	<u>7,206,127</u>	<u>3,789,804</u>	<u>713,687</u>	<u>88,163,438</u>
<b>Total assets</b>	<u>\$ 82,616,253</u>	<u>7,490,782</u>	<u>3,926,266</u>	<u>1,004,049</u>	<u>95,037,350</u>
<b><u>Liabilities and Net Assets</u></b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$ 886,784	8,000	-	1,770	896,554
Accrued wages and related payables	307,001	-	18,842	5,923	331,766
Accrued claims payable	14,400	-	-	-	14,400
Customer advances and deposits	295,914	-	20,611	2,735	319,260
Accrued interest payable – long-term debt	5,950	-	6,544	-	12,494
Long-term liabilities – due within one year:	-	-	-	-	-
Compensated absences	108,305	-	-	-	108,305
Bonds payable	-	-	32,223	-	32,223
Loans payable	344,999	182,661	1,854	-	529,514
<b>Total current liabilities</b>	<u>1,963,353</u>	<u>190,661</u>	<u>80,074</u>	<u>10,428</u>	<u>2,244,516</u>
<b>Non-current liabilities:</b>					
Long-term liabilities – due in more than one year:	-	-	-	-	-
Compensated absences	324,916	-	-	-	324,916
Other post employment benefits payable	291,329	-	-	-	291,329
Bonds payable	-	-	250,586	-	250,586
Loans payable	15,649,544	3,596,737	15,160	-	19,261,441
<b>Total non-current liabilities</b>	<u>16,265,789</u>	<u>3,596,737</u>	<u>265,746</u>	<u>-</u>	<u>20,128,272</u>
<b>Total liabilities</b>	<u>18,229,142</u>	<u>3,787,398</u>	<u>345,820</u>	<u>10,428</u>	<u>22,372,788</u>
<b>Net assets:</b>					
Net investment in capital assets	55,498,032	758,162	3,910,281	713,687	60,880,162
Restricted for capital projects and debt service	4,957,938	-	287,246	76,455	5,321,639
Unrestricted	3,931,141	2,945,222	(617,081)	203,479	6,462,761
<b>Total net assets</b>	<u>64,387,111</u>	<u>3,703,384</u>	<u>3,580,446</u>	<u>993,621</u>	<u>72,664,562</u>
<b>Total liabilities and net assets</b>	<u>\$ 82,616,253</u>	<u>7,490,782</u>	<u>3,926,266</u>	<u>1,004,049</u>	<u>95,037,350</u>

See accompanying notes to the basic financial statements

**North Marin Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2011**

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 10,649,051	196,183	489,494	-	11,334,728
Bi-monthly meter service charge	2,012,351	2,690	94,214	-	2,109,255
Sewer service charges	-	-	-	149,820	149,820
Water conservation forfeitures	4,095	-	-	-	4,095
Other charges and services	195,355	290	3,469	-	199,114
<b>Total operating revenues</b>	<b>12,860,852</b>	<b>199,163</b>	<b>587,177</b>	<b>149,820</b>	<b>13,797,012</b>
Operating expenses:					
Source of supply	3,837,120	-	18,907	-	3,856,027
Pumping	268,370	-	31,092	-	299,462
Water facilities operations	575,595	27,183	45,965	-	648,743
Water treatment	1,814,045	85,549	112,531	-	2,012,125
Transmission and distribution	2,327,910	2,455	70,273	-	2,400,638
Sewage collection and treatment	-	-	-	103,054	103,054
Customer service	540,053	-	22,109	2,778	564,940
General and administrative	1,779,125	18,177	66,880	22,359	1,886,541
Improvement projects	152,779	-	8,201	-	160,980
Water conservation projects	382,901	-	5,267	-	388,168
<b>Total operating expenses</b>	<b>11,677,898</b>	<b>133,364</b>	<b>381,225</b>	<b>128,191</b>	<b>12,320,678</b>
Operating income(loss) before overhead absorption	1,182,954	65,799	205,952	21,629	1,476,334
Overhead absorption	442,066	-	-	-	442,066
Operating income(loss) before depreciation	1,625,020	65,799	205,952	21,629	1,918,400
Depreciation	(2,309,166)	(163,166)	(147,002)	(41,084)	(2,660,418)
<b>Operating loss</b>	<b>(684,146)</b>	<b>(97,367)</b>	<b>58,950</b>	<b>(19,455)</b>	<b>(742,018)</b>
Non-operating revenues(expenses):					
Property tax revenue	-	-	55,776	40,992	96,768
Investment earnings	47,104	68,751	-	2,555	118,410
Rental revenue	63,934	-	3,628	500	68,062
Interest expense - long-term debt	(380,788)	(90,811)	(19,002)	-	(490,601)
Wohler/Collector No. 6 project	(224,890)	-	-	-	(224,890)
Other non-operating revenues, net	35,646	-	(17,302)	(656)	17,688
<b>Total non-operating revenues, net</b>	<b>(458,994)</b>	<b>(22,060)</b>	<b>23,100</b>	<b>43,391</b>	<b>(414,563)</b>
<b>Net loss before capital contributions</b>	<b>(1,143,140)</b>	<b>(119,427)</b>	<b>82,050</b>	<b>23,936</b>	<b>(1,156,581)</b>
Capital contributions:					
Developers and others	1,073,641	-	36,730	-	1,110,371
Connection fees	371,460	-	16,150	-	387,610
Capital grants	13,582	273,912	-	-	287,494
<b>Capital contributions</b>	<b>1,458,683</b>	<b>273,912</b>	<b>52,880</b>	<b>-</b>	<b>1,785,475</b>
<b>Change in net assets</b>	<b>315,543</b>	<b>154,485</b>	<b>134,930</b>	<b>23,936</b>	<b>628,894</b>
Net assets, beginning of year	64,387,111	3,703,384	3,580,446	993,621	72,664,562
Net assets, end of year	\$ 64,702,654	3,857,869	3,715,376	1,017,557	73,293,456

See accompanying notes to the basic financial statements

**North Marin Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2010**

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
<b>Operating revenues:</b>					
Water consumption sales	\$ 9,434,203	192,291	459,606	-	10,086,100
Bi-monthly meter service charge	1,817,629	2,775	92,766	-	1,913,170
Sewer service charges	-	-	-	148,427	148,427
Water conservation forfeitures	23,980	-	315	-	24,295
Other charges and services	205,445	995	3,052	9	209,501
<b>Total operating revenues</b>	<b>11,481,257</b>	<b>196,061</b>	<b>555,739</b>	<b>148,436</b>	<b>12,381,493</b>
<b>Operating expenses:</b>					
Source of supply	3,486,201	-	11,364	-	3,497,565
Pumping	238,035	32	60,516	-	298,583
Water facilities operations	559,928	30,369	42,962	-	633,259
Water treatment	1,838,534	97,779	90,739	-	2,027,052
Transmission and distribution	2,352,260	17,453	81,052	-	2,450,765
Sewage collection and treatment	-	-	-	95,116	95,116
Customer service	511,217	-	20,232	3,952	535,401
General and administrative	1,878,960	17,878	63,234	24,228	1,984,300
Improvement projects	1,251,884	75,197	80,516	39,419	1,447,016
Water conservation projects	478,618	-	3,680	-	482,298
<b>Total operating expenses</b>	<b>12,595,637</b>	<b>238,708</b>	<b>454,295</b>	<b>162,715</b>	<b>13,451,355</b>
Operating income(loss) before overhead absorption	(1,114,380)	(42,647)	101,444	(14,279)	(1,069,862)
Overhead absorption	367,983	-	-	-	367,983
<b>Operating income(loss) before depreciation</b>	<b>(746,397)</b>	<b>(42,647)</b>	<b>101,444</b>	<b>(14,279)</b>	<b>(701,879)</b>
Depreciation	(2,312,338)	(160,548)	(145,913)	(41,084)	(2,659,883)
<b>Operating loss</b>	<b>(3,058,735)</b>	<b>(203,195)</b>	<b>(44,469)</b>	<b>(55,363)</b>	<b>(3,361,762)</b>
<b>Non-operating revenues(expenses):</b>					
Property tax revenue	-	-	57,566	42,654	100,220
Investment earnings	126,289	72,886	365	2,919	202,459
Rental revenue	47,931	-	3,453	500	51,884
Interest expense – long-term debt	(397,109)	(93,913)	(22,741)	-	(513,763)
Wohler/Collector No. 6 project	(189,269)	-	-	-	(189,269)
Other non-operating revenues, net	87,298	6,912	(508)	(451)	93,251
<b>Total non-operating revenues, net</b>	<b>(324,860)</b>	<b>(14,115)</b>	<b>38,135</b>	<b>45,622</b>	<b>(255,218)</b>
<b>Net loss before capital contributions</b>	<b>(3,383,595)</b>	<b>(217,310)</b>	<b>(6,334)</b>	<b>(9,741)</b>	<b>(3,616,980)</b>
<b>Capital contributions:</b>					
Developers and others	814,928	-	98,011	-	912,939
Connection fees	1,622,019	133,659	31,350	9,000	1,796,028
Capital grants	100,837	188,562	-	-	289,399
<b>Capital contributions</b>	<b>2,537,784</b>	<b>322,221</b>	<b>129,361</b>	<b>9,000</b>	<b>2,998,366</b>
<b>Change in net assets</b>	<b>(845,811)</b>	<b>104,911</b>	<b>123,027</b>	<b>(741)</b>	<b>(618,614)</b>
Net assets, beginning of year	65,232,922	3,598,473	3,457,419	994,362	73,283,176
Net assets, end of year	\$ 64,387,111	3,703,384	3,580,446	993,621	72,664,562

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.

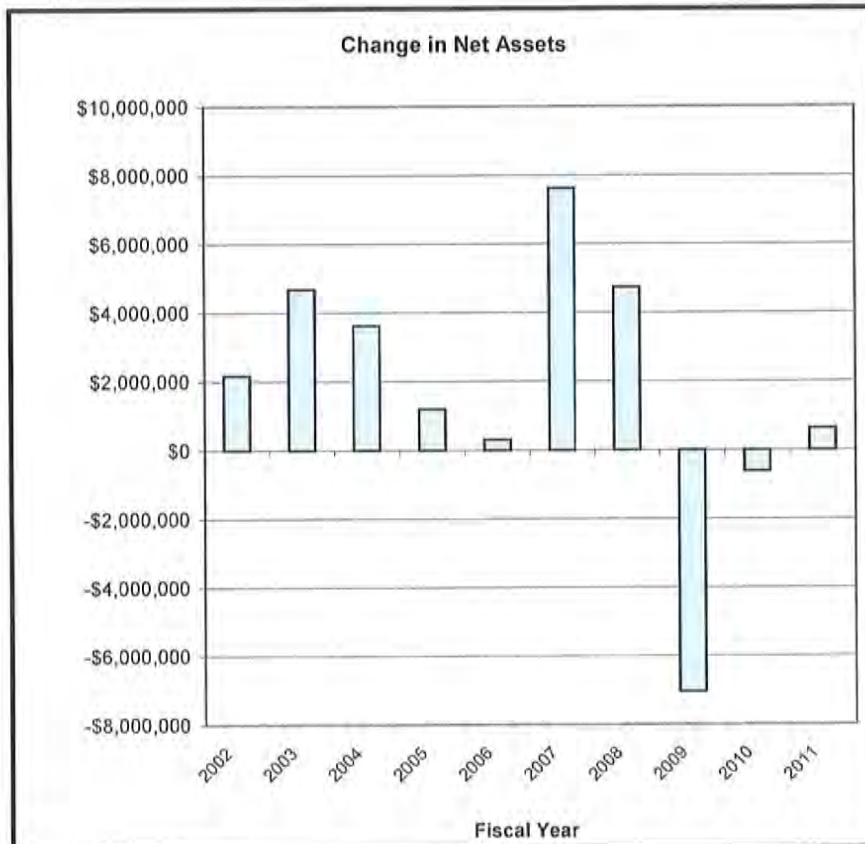
### Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	47-51
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	52-55
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.	56-57
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	58-59
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	60-61



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

	Fiscal Year			
	2002	2003	2004	2005
Change in net assets:				
Operating revenues (see schedule 2)	\$7,378,362	\$7,729,657	\$8,545,299	\$9,545,264
Operating expenses (see schedule 3)	(8,882,856)	(7,695,931)	(8,599,620)	(9,055,754)
Depreciation and amortization	(819,943)	(825,144)	(996,414)	(1,004,844)
<b>Operating income(loss)</b>	<b>(\$2,324,437)</b>	<b>(\$791,418)</b>	<b>(\$1,050,735)</b>	<b>(\$515,334)</b>
Net non-op revenue(expense) (see schedule 4)	1,384,051	1,021,668	724,241	(389,534)
<b>Net income(loss) before capital contributions</b>	<b>(\$940,386)</b>	<b>\$230,250</b>	<b>(\$326,494)</b>	<b>(\$904,868)</b>
Capital contributions	3,110,881	4,454,904	3,951,431	2,099,524
<b>Change in net assets</b>	<b>\$2,170,495</b>	<b>\$4,685,154</b>	<b>\$3,624,937</b>	<b>\$1,194,656</b>
Net assets by component:				
Invested in capital assets, net of related debt	\$35,532,397	\$49,666,111	\$54,732,557	\$54,510,568
Restricted	9,808,702	6,147,924	15,275,334	6,721,908
Unrestricted	5,517,210	9,410,355	(1,158,564)	9,785,723
<b>Total net assets</b>	<b>\$50,858,309</b>	<b>\$65,224,390</b>	<b>\$68,849,327</b>	<b>\$71,018,199</b>

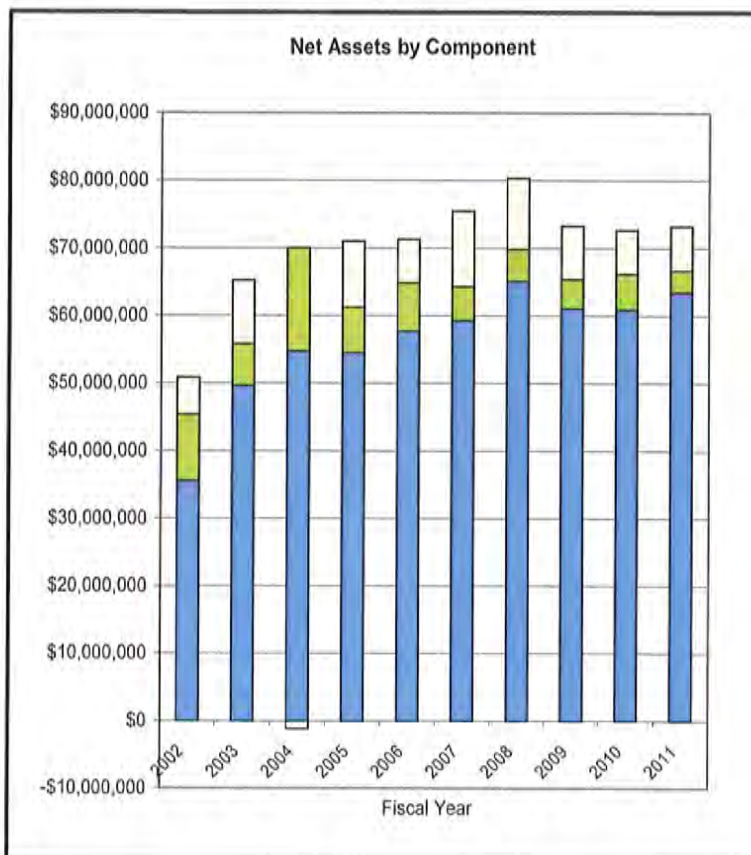


Source: North Marin Water District Audited Financial Statements

Schedule 1

Fiscal Year

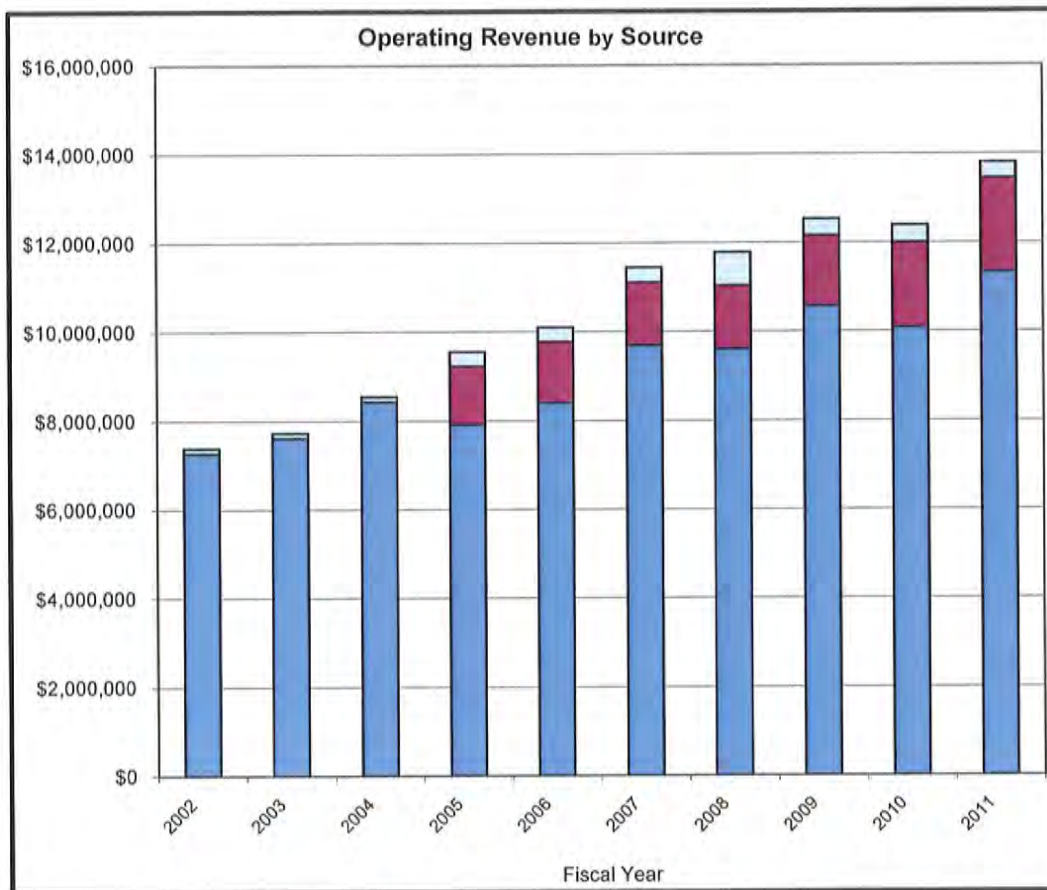
2006	2007	2008	2009	2010	#	2011
\$10,089,848	\$11,848,037	\$11,779,157	\$12,526,294	\$12,381,493		\$13,797,012
(10,605,417)	(12,555,989)	(12,538,993)	(13,257,125)	(13,083,372)		(11,878,612)
(1,069,150)	(1,490,077)	(1,761,673)	(10,091,139)	(2,659,883)		(2,660,418)
(\$1,584,719)	(\$2,198,029)	(\$2,521,509)	(\$10,821,970)	(\$3,361,762)		(\$742,018)
(251,982)	1,178,739	197,211	8,954	(255,218)		(414,563)
(\$1,836,701)	(\$1,019,290)	(\$2,324,298)	(\$10,813,016)	(\$3,616,980)		(\$1,156,581)
2,133,298	8,639,031	7,061,891	3,776,402	2,998,366		1,785,475
\$296,597	\$7,619,741	\$4,737,593	(\$7,036,614)	(\$618,614)		\$628,894
\$57,718,713	\$59,290,284	\$65,099,863	\$61,057,551	\$60,880,162		\$63,492,479
7,130,109	4,994,444	4,743,194	4,304,331	5,321,639		3,171,305
6,465,974	11,179,233	10,476,733	7,921,294	6,462,761		6,579,672
\$71,314,796	\$75,463,961	\$80,319,790	\$73,283,176	\$72,664,562		\$73,243,456



**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
2002	7,265,822	N/A	112,540	7,378,362
2003	7,608,878	N/A	120,779	7,729,657
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



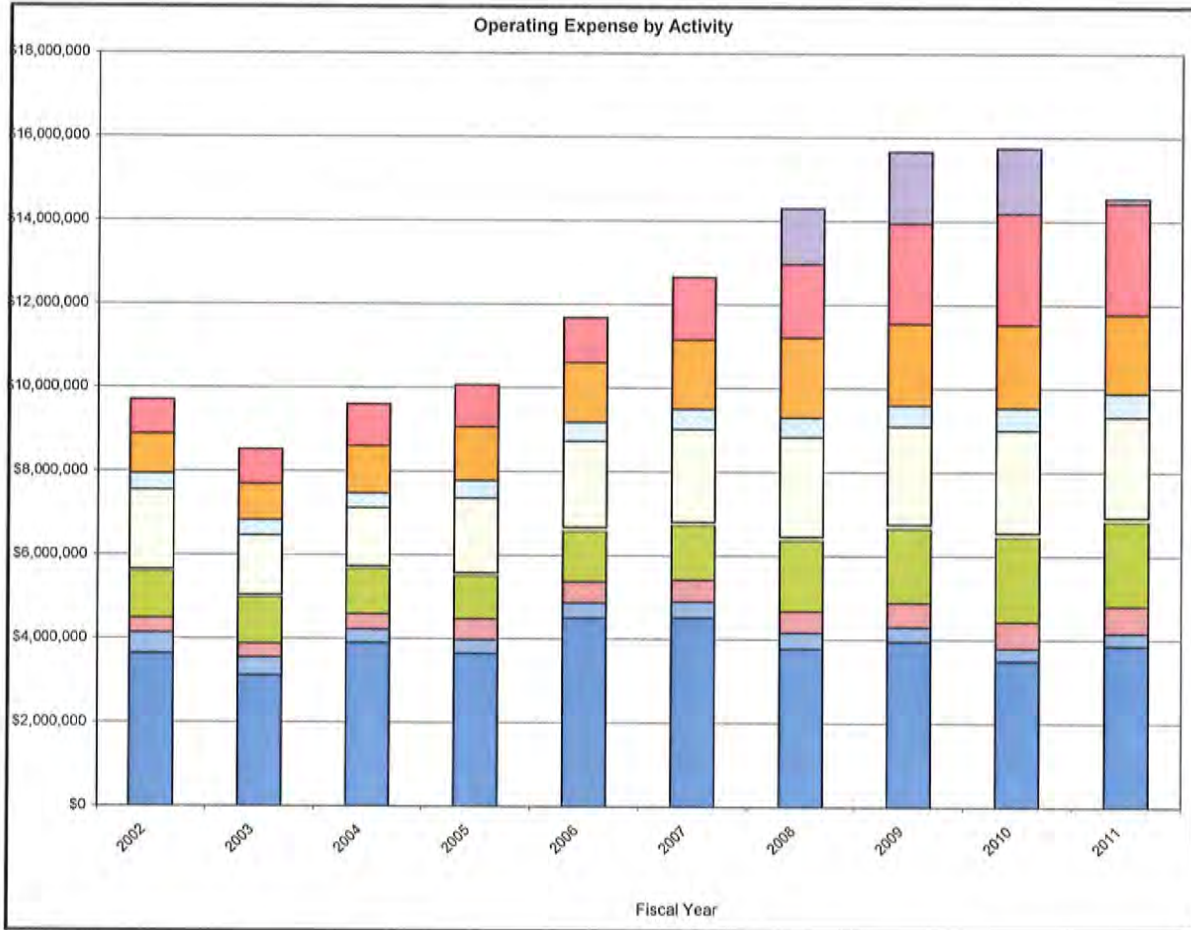
Source: North Marin Water District Audited Financial Statements



## 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 (2)	Deprec and Amortization	Total Op Expense
2002	3,639,656	499,738	349,987	1,115,955	48,651	1,892,822	388,268	947,779	-	819,943	9,702,799
2003	3,122,041	422,584	336,696	1,100,737	54,303	1,423,429	365,446	870,695	-	825,144	8,521,075
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	1,900,169	1,335,540	1,761,673	14,300,666
2009	3,960,788	339,236	578,868	1,781,516	98,715	2,335,067	505,218	1,943,522	1,714,195	2,400,106	15,657,231
2010	3,497,565	298,583	633,259	2,027,052	95,116	2,450,765	535,401	1,984,300	1,561,331	2,659,883	15,743,255
2011	3,856,027	299,462	648,743	2,012,125	103,054	2,400,638	564,940	1,886,541	107,082	2,660,418	14,539,030



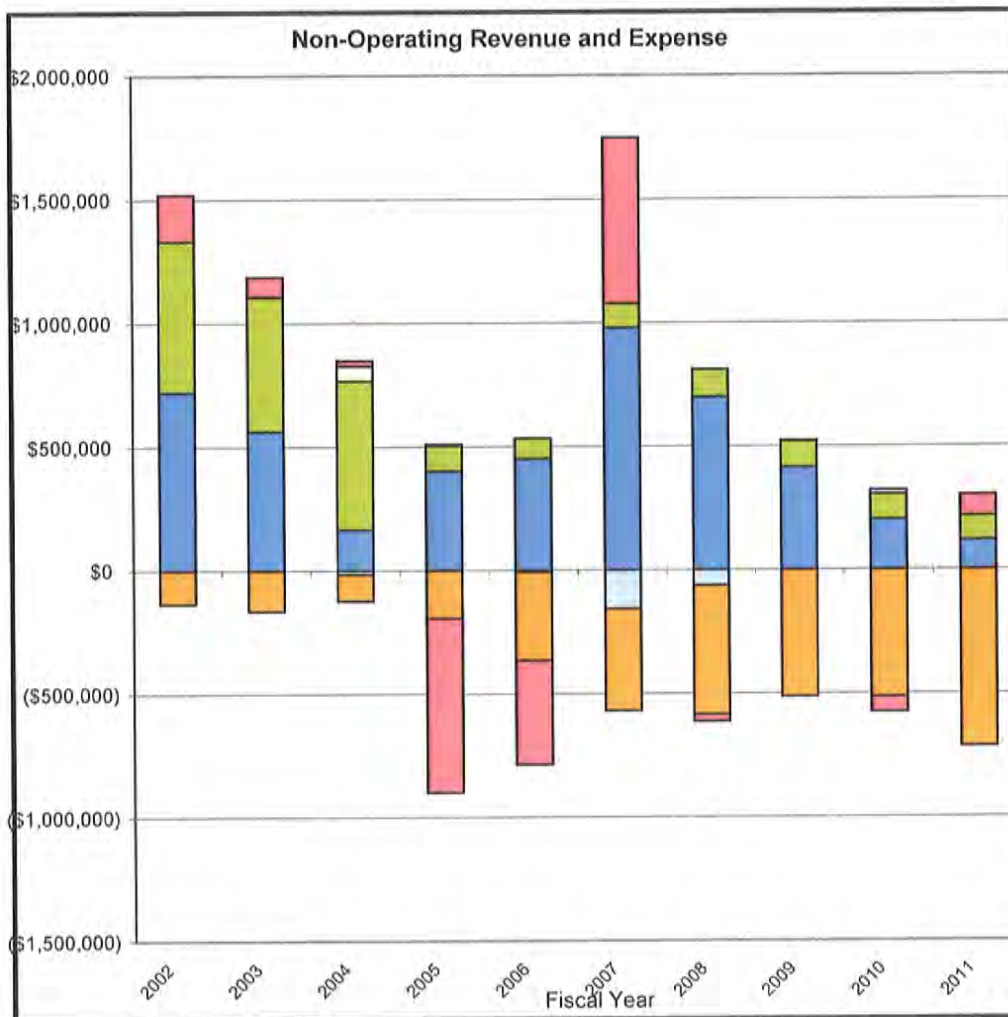
Source: North Marin Water District Audited Financial Statements

- (1) FY09 Excludes \$7,691,033 depreciation due to change in asset lives.
- (2) Reduced by overhead absorption

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

**Schedule 4**

Fiscal Year	Investment Income <sup>(1)</sup>	Property Taxes	Grant Revenue	Gain/(Loss) on Asset Sales	Interest Expense	Other Inc & Exp, net	Net Non-Op Rev/(Exp)
2001	\$1,670,885	\$602,894	\$0	(\$4,739)	(\$161,389)	\$428,077	\$2,535,728
2002	720,404	611,366	-	-	(135,667)	187,948	1,384,051
2003	562,005	542,631	-	3,635	(164,798)	78,195	1,021,668
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)



**Notes:**

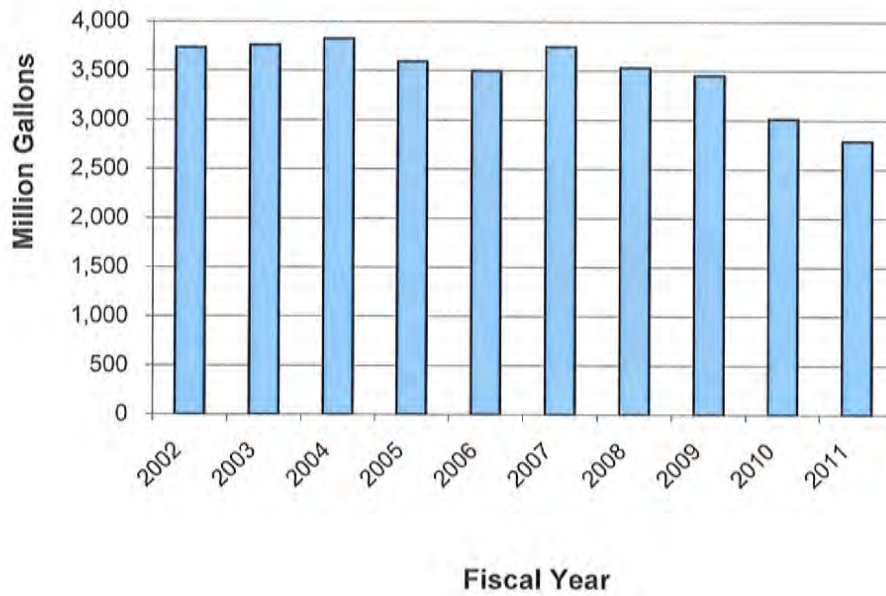
(1) Includes interest income and realized and unrealized gains and losses on investments.

Source: North Marin Water District Audited Financial Statements

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

**Schedule 5**

<u>Fiscal Year</u>	<u>Water Consumption (Million Gallons)</u>
2002	3,736
2003	3,761
2004	3,824
2005	3,593
2006	3,498
2007	3,743
2008	3,533
2009	3,454
2010	3,011
2011	2,786



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

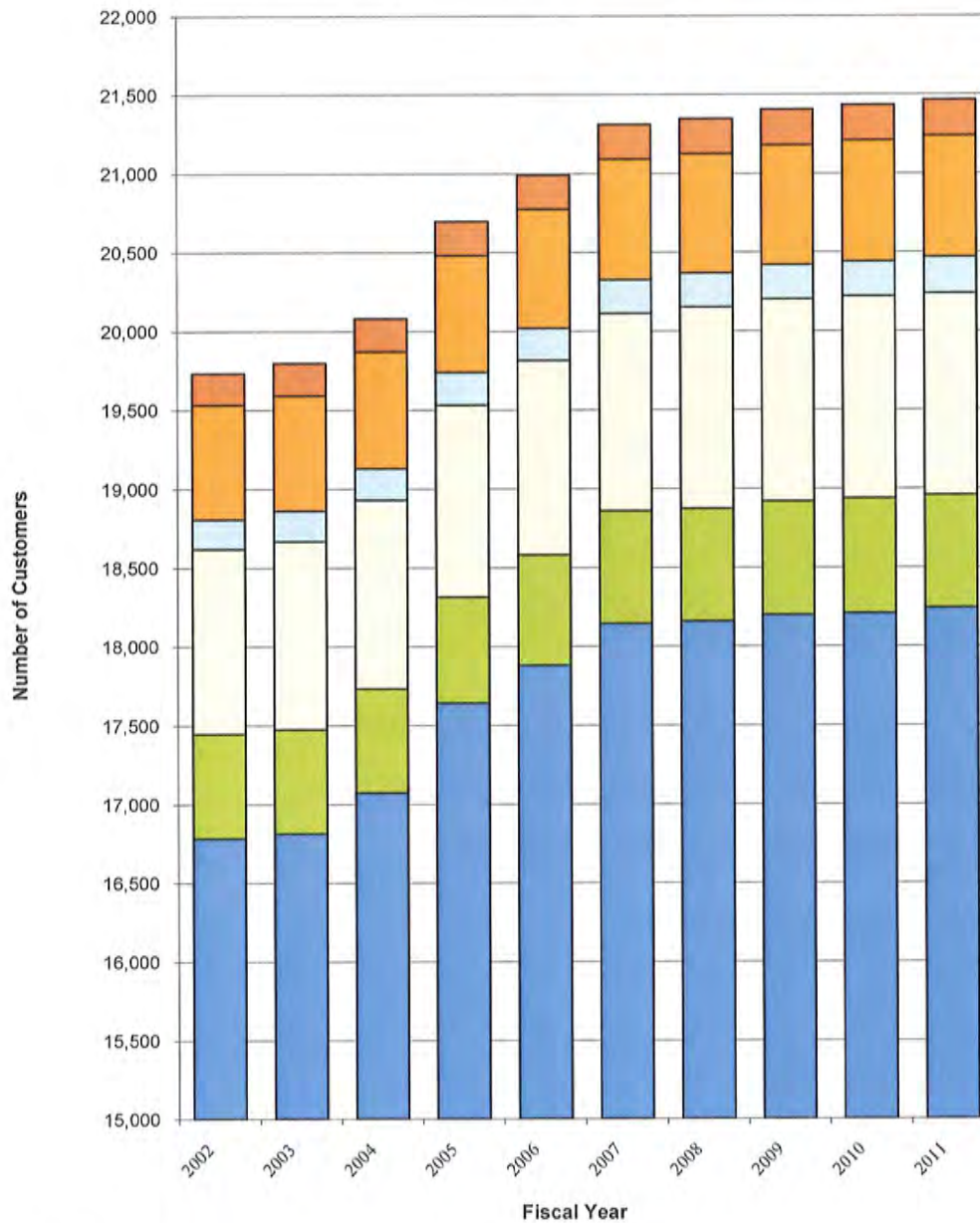
**Source:** Novato Water District Billing System



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

Schedule 6

Fiscal Year	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Government	West Marin Water	Oceana Marin Sewer	Total
2002	16,783	663	1,172	189	726	199	19,732
2003	16,815	659	1,193	194	731	205	19,797
2004	17,072	660	1,198	200	740	209	20,079
2005	17,641	672	1,219	207	741	215	20,695
2006	17,879	702	1,232	205	755	216	20,989
2007	18,146	712	1,253	214	765	220	21,310
2008	18,157	717	1,278	214	758	223	21,347
2009	18,200	720	1,280	219	760	225	21,404
2010	18,208	730	1,280	220	769	225	21,432
2011	18,242	715	1,280	230	770	227	21,464



Source: North Marin Water District - Finance Department



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

**Schedule 7**

**Minimum Bimonthly Service Charge**

Meter Size	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11
5/8" & 3/4"	\$9.00	\$9.00	\$9.00	\$10.00	\$10.00	\$10.00	\$10.00	\$13.20	\$14.40	\$20.00
1"	\$18.00	\$18.00	\$18.00	\$20.00	\$20.00	\$20.00	\$20.00	\$26.40	\$28.80	\$40.00
1 1/2"	\$22.00	\$22.00	\$22.00	\$24.00	\$24.00	\$24.00	\$24.00	\$32.40	\$35.30	\$49.00
2"	\$34.00	\$34.00	\$34.00	\$38.00	\$38.00	\$38.00	\$38.00	\$50.40	\$54.95	\$76.00
3"	\$68.00	\$68.00	\$68.00	\$75.00	\$75.00	\$75.00	\$75.00	\$99.60	\$108.55	\$151.00
4"	\$112.00	\$112.00	\$112.00	\$120.00	\$120.00	\$120.00	\$120.00	\$159.60	\$173.95	\$242.00
6"	\$226.00	\$226.00	\$226.00	\$251.00	\$251.00	\$251.00	\$251.00	\$334.80	\$364.95	\$507.00
8"	\$338.00	\$338.00	\$338.00	\$375.00	\$375.00	\$375.00	\$375.00	\$499.20	\$544.15	\$756.00

**Water Use Rate (per 1,000 Gallons)**

User Type	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11
<b>Residential</b>										
Zone A Base Rate <sup>(1)</sup>	\$1.48	\$1.58	\$1.64	\$2.01	\$2.21	\$2.27	\$2.27	\$3.02	\$3.29	\$3.49
Tier 1: 616-1845 gpd	N/A	N/A	N/A	N/A	N/A	\$3.61	\$3.61	\$4.81	\$5.24	\$5.55
Tier 2: >1845 gpd	N/A	N/A	\$5.66	\$6.02	\$6.22	\$6.28	\$6.28	\$8.36	\$9.11	\$9.68
<b>Non-Residential</b>										
Zone A Base Rate <sup>(1)</sup>	\$1.48	\$1.58	\$1.64	\$2.01	\$2.21	\$2.41	\$2.61	\$3.48	\$3.62	\$3.84

**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 District Board of Directors approved rate ordinances and resolutions.

**North Marin Water District  
Ten Largest Water Customers by Revenue  
Current Fiscal Year and Ten Years Ago<sup>(1)</sup>**

**Schedule 8**

	<u>FY 2010/11</u>	<u>% of Total</u>	<u>FY 2000/01</u>	<u>% of Total</u>
1	City of Novato	2.1%	Stone Tree Golf Course	2.6%
2	Novato Unified School District	1.9%	City of Novato	1.5%
3	Stone Tree Golf Course	1.5%	Novato Unified School District	1.4%
4	Coast Guard Spanish Housing	0.8%	Fireman's Fund	1.1%
5	Biomarin Pharmaceutical	0.8%	Marin Valley Mobile Country Club	0.5%
6	Fireman's Fund	0.7%	Point Reyes National Seashore	0.4%
7	Meadow Park HOA	0.7%	Los Robles Mobile Home Park	0.4%
8	Bay Vista Apartments	0.6%	Indian Valley Golf Course	0.4%
9	Indian Valley Golf Course	0.6%	Vintage Oak Shopping Ctr	0.4%
10	Marion Park Apartments	0.5%	Olema Ranch Campground	0.3%
		10.3%		8.9%
	Total Water Service Revenue	\$13,330,000		\$6,290,000

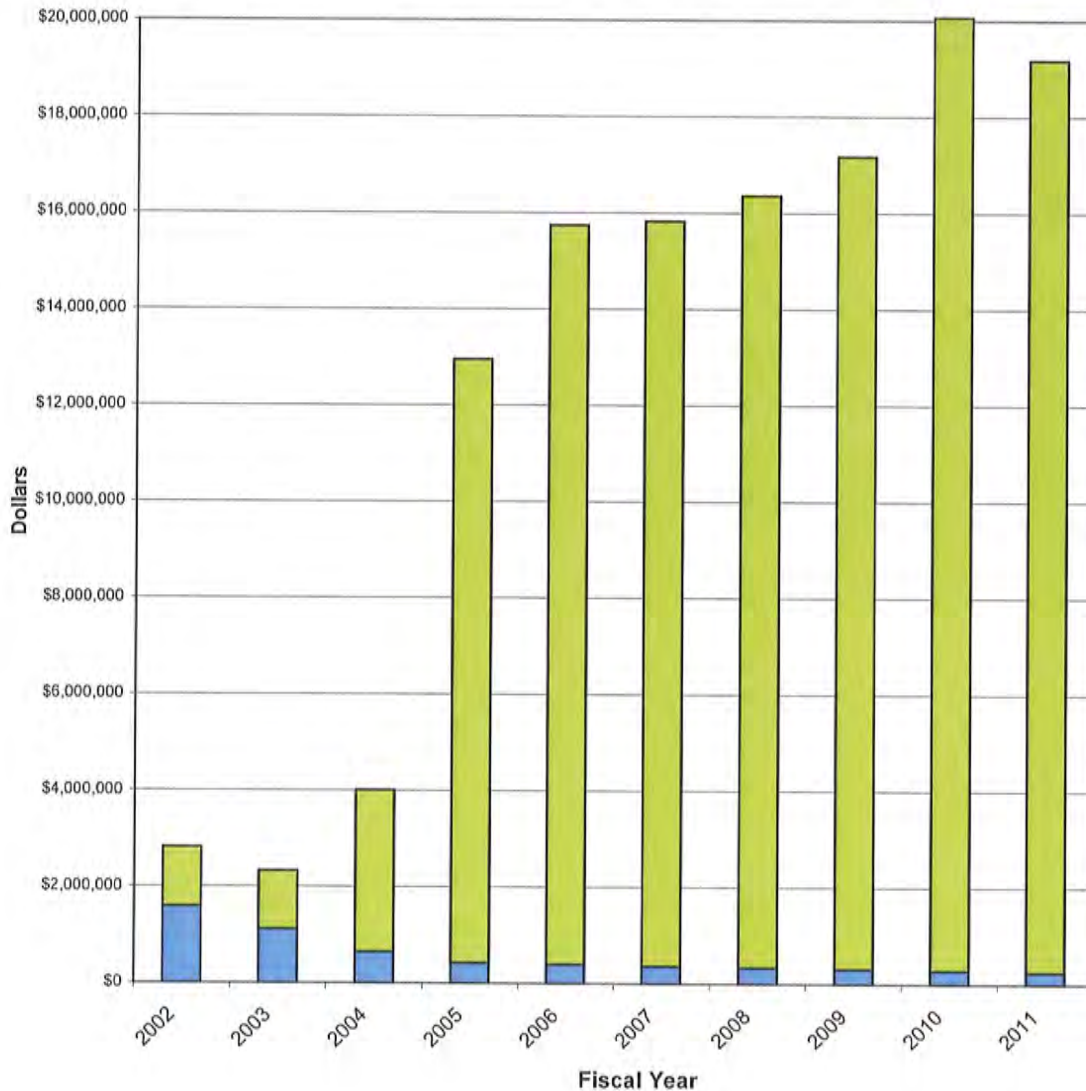
Source : NMWD Billing System

Source: NMWD CORE billing system (t:\ac\excel\wfr use\top revenue 2001\_2011.xlsx)\top 10

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

Schedule 9

Fiscal Year	Bonds Payable	Drought & SRF Loan Payable	Total		
			Debt	Per Capita	As a Share of Personal Income
2002	\$1,589,642	\$1,231,069	\$2,820,711	\$50.37	0.08%
2003	1,117,461	1,211,225	2,328,686	41.58	0.06%
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	18,924,944	19,175,531	314.35	0.33%



Source: North Marin Water District Audited Financial Statements

N/A - Data not available

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

**Schedule 10**

Fiscal Year	Operating Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal <sup>(3)</sup>	Interest		
2002	13,081,621	(8,953,867)	4,127,754	455,312	135,667	590,979	6.98
2003	14,447,286	(8,769,666)	5,677,620	492,059	164,435	656,494	8.65
2004	14,882,477	(10,138,573)	4,743,904	776,157	197,568	973,745	4.87
2005	12,915,014	(10,520,105)	2,394,909	399,142	295,881	695,023	3.45
2006	13,493,285	(11,769,614)	1,723,671	210,070	465,060	675,130	2.55
2007	22,670,973	(13,149,592)	9,521,381	226,423	413,111	639,534	14.89
2008	19,760,967	(12,627,537)	7,133,430	171,909	519,485	691,394	10.32
2009	16,962,380	(13,193,094)	3,769,286	319,248	513,314	832,562	4.53
2010	15,548,029	(13,093,125)	2,454,904	1,064,677	511,849	1,576,526	1.56
2011	15,832,659	(11,878,612)	3,954,047	1,123,113	490,601	1,613,714	2.45

**Notes:**

- (1) Operating Revenues includes Connection Fee Revenue, Contributions in Aid, Interest Revenue, Rent & Lease Revenue, other non-operating revenue
- (2) Operating expenses exclude depreciation expense.
- (3) Includes only normal principal payments (does not include payments as a result of refinancing of debt)

Source: North Marin Water District Audited Financial Statements

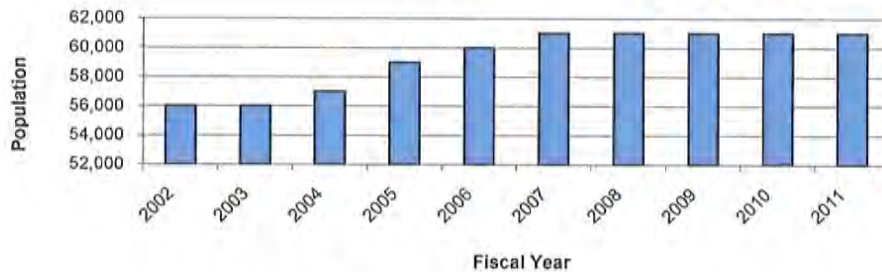
L:\debt\srvc\debt coverage ratio 11 ten year history.xls

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

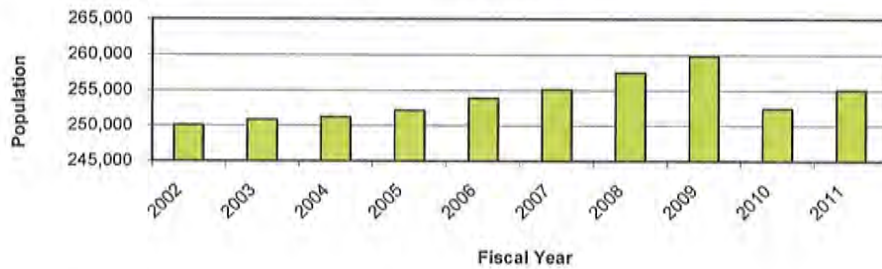
Schedule 11

Year	Novato <sup>(1)</sup>		County of Marin		
	Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2002	56,000	3.9%	250,090	16,158,935	64,612
2003	56,000	4.9%	250,804	16,340,714	65,153
2004	57,000	4.5%	251,202	18,114,794	72,112
2005	59,000	4.0%	252,116	19,763,926	78,392
2006	60,000	4.6%	253,818	21,800,000	85,888
2007	61,000	4.4%	255,080	22,600,000	88,600
2008	61,000	5.5%	257,406	23,200,000	90,130
2009	61,000	9.4%	259,772	22,400,000	86,229
2010	61,000	9.8%	252,409	22,800,000	90,330
2011	61,000	9.5%	255,015	24,300,000	95,289

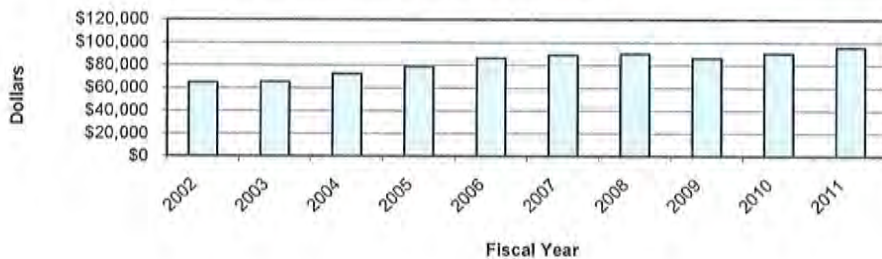
Population - Novato



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

**Notes:**

(1) District estimates (t:\ac\excel\annual report\population est.xls)

N/A - Information not available

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

**Schedule 12**

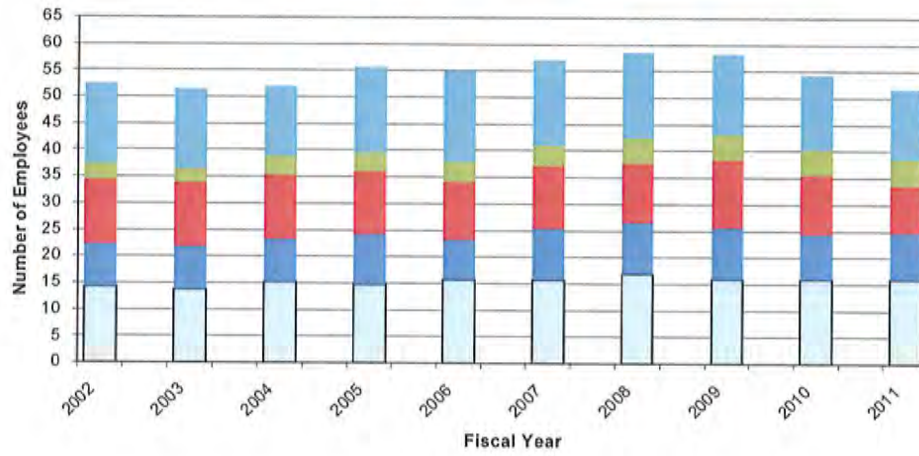
<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>
Fireman's Fund	953	1	4.09%
Novato Unified School District	841	2	3.61%
BioMarin Pharamaceuticals	607	3	2.61%
Novato Community Hospital	335	4	1.44%
Target Store	284	5	1.22%
Safeway Stores	277	6	1.19%
Buck Institute	265	7	1.14%
Costco Wholesale	259	8	1.11%
Brayton Purcell	230	9	0.99%
Bank of Marin	222	10	0.95%
	<hr/> 4,273		<hr/> 18.35%

Source: City of Novato

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

Schedule 13

Department	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administrative Services	14	14	15	15	16	16	17	16	16	16
Engineering Services	8	8	8	9	8	10	10	10	9	9
Construction/Maintenance	12	12	12	12	11	12	11	13	11	9
Water Quality	3	3	4	4	4	4	5	5	5	5
Operations / Maintenance	15	15	13	16	17	16	16	15	14	13
	<b>52</b>	<b>52</b>	<b>52</b>	<b>56</b>	<b>55</b>	<b>57</b>	<b>58</b>	<b>58</b>	<b>54</b>	<b>52</b>



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**

<b>Other Operating and Capacity Indicators</b>				
<b>Fiscal Year</b>	<b>District Area (Square Miles)</b>	<b>Miles of Pipeline</b>	<b>Number of Fire Hydrants</b>	<b>System Storage Capacity (MG)</b>
2002	100	304	2,408	30
2003	100	307	2,459	34
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

Source: North Marin Water District - Engineering Department

# **Report on Internal Controls and Compliance**





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

# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

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FAX (714) 527-9154  
EMAIL czfco@czfcpa.com

## **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 the basic financial statements of the North Marin Water District (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated August 31, 2011. 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.

### ***Internal Control Over Financial Reporting***

In planning and performing our audits, 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 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.

A deficiency in internal control over financial reporting 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

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 *Government Auditing Standards*.

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 these specified parties.

**Charles Z. Fedak and Company, CPA's – An Accountancy Corporation**  
Cypress, California  
August 31, 2011



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**MEMORANDUM**

To: Board of Directors  
From: Chris DeGabriele, General Manager *CD*  
Subject: Local Coastal Program Amendment  
T:\GM\West Marin\2011\BOD memo re LCP comment response.doc

October 14, 2011

**RECOMMENDED ACTION:** Information only  
**FINANCIAL IMPACT:** None at this time

At the August 2, 2011 Board of Directors meeting, the Board authorized the General Manager to send a comment letter to the County of Marin regarding the Marin Local Coastal Program Amendment. The District comments were focused on the requirement that new development within a village limit boundary be connected to a public sewer system if the sewer system is within 400 lineal feet of the parcel and that the current local coastal policy prohibited desalination facilities which would restrict a potential solution to the Point Reyes (Lagunitas Creek) salinity intrusion problem.

At the September 19, 2011 Planning Commission hearing, the Planning Commission directed staff to revise their policies in the proposed Local Coastal Plan Amendment to address the District's concerns. Those changes are shown on the attached excerpt from the Planning Commission decision table.



**Chris DeGabriele**

---

**From:** Marin County Subscriptions [camarin@govdelivery.com]  
**Sent:** Friday, October 07, 2011 9:40 AM  
**To:** Chris DeGabriele  
**Subject:** Marin County Local Coastal Program Update

**Marin County Local Coastal Program Update**

The DRAFT Minutes and Decision Table for the September 19, 2011 Planning Commission hearing are now available online. The public hearing was held to discuss the proposed Built Environment and Socioeconomic land use policies as well as their implementation measures in the proposed Development Code amendments, as presented in the June 2011 Public Review Draft of the Local Coastal Program. The Minutes and Decision Table reflect direction provided by the Planning Commission to staff at the hearing.

Click here to download the minutes and attached decision table:

<http://www.co.marin.ca.us/depts/CD/main/lcp/110919%20PC%20draft%20minutes%20+%20Decision%20Table.pdf>

For more information on the Local Coastal Program visit [www.MarinLCP.org](http://www.MarinLCP.org), email [MarinLCP@marincounty.org](mailto:MarinLCP@marincounty.org), or contact Kristin Drumm at (415) 499-6290.

Don't forget to follow "Marin LCP" on [Facebook](#) and [Twitter](#).

County of Marin Community Development Agency, 3501 Civic Center Drive, Rm 308, San Rafael, CA 94903.

You can update or cancel your subscription at any time by clicking [here](#). All you will need are your e-mail address and your password (if you have selected one).

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P.S. If you have any questions or problems please contact [support@govdelivery.com](mailto:support@govdelivery.com) for assistance.



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**PUBLIC FACILITIES AND SERVICES**

**PC Actions:**

- Revision to Policy C-PFS-2 proposed by staff in response to CCC comments. No objections from Planning Commission on 9/19/11.

**C-PFS-2 Expansion of Public Services.** Limit new or expanded roads, flood control projects, utility services, and other public works facilities to the minimum necessary to adequately serve development as identified by LCP land use policies, including existing development. Take into account the existing and probably future availability of other public services such that the expansion does not accommodate growth which cannot be handled by other public works facilities. All such public works projects shall be subject to the LCP. .

- The PC approved staff's recommendation to revise Policy C-PFS-5 to include a reference to the applicable sewer service provider. In addition, the PC further revised the policy to acknowledge other cases where sewer connection may be infeasible:

**C-PFS-5 Community Sewer Systems.** Require new development within a village limit boundary to connect to a public sewer system if the sewer system is within 400 linear feet of the parcel on which development is proposed, unless the County Health Officer or applicable sewer service provider finds that such connection is legally ~~or physically impossible~~ prohibited, physically impossible, or otherwise infeasible. .

- Revision to Policy C-PFS-8 proposed by staff in response to CCC comments. No objections from Planning Commission on 9/19/11.

**C-PFS-8 Sewage Disposal Systems Requirements for New Lots.** Require all sewage disposal systems on newly created lots to comply in all respects, without variance, with applicable County and State septic system regulations.

**Items Continued:**

- The PC requested that staff revise Policy C-PFS-18 regarding desalination to clarify that it would allow the treatment of existing water supplies subject to salt water intrusion. Accordingly, the following revisions are proposed for further consideration at the PC hearing on 11/7/11.

**C-PFS-18 Desalination Facilities.** Due to the Coastal Zone's unique natural resources and recreational opportunities of nationwide significance, prohibit the development of desalination facilities. This policy applies to the desalination of ocean water and is not intended to prohibit the treatment of existing surface or ground water supplies for purposes of maintaining water quality.

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1

**MEMORANDUM**

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: Solar Power Project Alternative  
t:\aclword\pwrpa\pwrpa.docx



October 14, 2011

**RECOMMENDED ACTION: Information Only**

**FINANCIAL IMPACT: Potential Savings of \$50,000 Annually**

Six years ago the Sonoma County Water Agency joined the Power and Water Resources Pooling Authority (PWRPA), a California Joint Powers Authority comprised of 9 Irrigation Districts that organized in 2004 to purchase power on a wholesale basis. PWRPA is entitled to the hydroelectric power produced at Shasta, Trinity and Folsom dams, and they also purchase power on the open market. Through Irrigation District Law they are authorized to sell retail power throughout CA.

The PWRPA Board is moving to expand their load to increase their economy of scale. Accordingly, SCWA has advised NMWD that PWRPA is willing to extend the power purchase opportunity to Agency Contractors. SCWA has made a tentative proposal to sell PWRPA power to NMWD at a rate of about 11¢ - 12.5¢/kWh with a small annual escalator. The actual rate will depend upon how much hydro power is produced in a given year (whether it is a wet or dry year). The proposed PWRPA rates are significantly below the 17¢/kWh in the Power Purchase Agreement (PPA) negotiated with Solar Power Partners for the proposed Stafford Treatment Plant Solar project, projected to save \$20,000 annually over the 20-year life of the project.

Now that additional California Solar Initiative (CSI) rebate funds have been authorized by the State Legislature, the proposed Solar Project has returned to financial viability. Last week PG&E rendered a \$10,000 non-refundable CSI application fee invoice to NMWD due November 5 to retain CSI eligibility. Thus we have a short timeframe to make a decision on whether to move forward with the solar project, or pursue the apparently lower cost PWRPA power. PWRPA power could be utilized at the treatment plant and also at the larger pump stations, such as Lynwood & San Marin, which would expand the power cost savings.

Staff contacted Solar Power Partners to ascertain if they can reduce the 17¢ start rate for the PPA. They report that while solar panel prices continue to drop, a bill signed by Governor Brown this month now requires the contractor to pay prevailing wages on energy efficiency projects constructed on public property, which would offset any savings on panel purchases.

Staff is in contact with PWRPA, and will meet with SCWA staff later this month to review the details of their proposed power purchase agreement, in preparation for making a recommendation to the Board at the November 1 meeting.

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## DISBURSEMENTS - DATED OCTOBER 5, 2011

Date Prepared: 10/4/11

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	Agnew, Mark	Novato "Toilet Rebate" Program	\$75.00
2	ARC	Toner for Xerox (Eng)	314.67
3	AT&T	Telephone Charges: Leased Lines (\$412), Local (\$8) & Minimum (\$684)	1,104.30
4	Baker, Jack	September Director's Fee (\$200) & North Bay Watershed Assoc Meeting-9/9 (\$100)	300.00
5	Bastogne	Refund Pymt-Account Closed	156.19
6	Bold & Polisner	August Legal Services: Aqueduct Reloc-Segment B1(\$252), Aqueduct Reloc-Non-Reimb (\$259), Aqueduct Reloc-Loan Procurement Costs (\$1,670), NCRA vs MMWD (\$74), RW Expansion North (\$333), RW Expansion South (\$203), Aqueduct Relocation Litigation (\$1,206) & Caltrans CEQA Compliance (\$2,946)	6,943.80
7	Bondanza, Joe	Novato "Cash for Grass" Program	125.00
8	Business Card	Publication: Security & Emergency Planning for Water & Wastewater (\$108), Internet Pymt Fee (\$113), Lab Supplies (\$15), Chamber Breakfast (Bentley) (\$25), Wasp & Hornet Killer (\$127), Couplers (\$75), Food for Patio BBQ (\$16), Reg Fee: AWWA CA-NV Conf (Goodpaster) (\$490), Planter (\$239), Display Ad: Recycled Water North Seq 2 (\$598) & Lodging-AWWA CA-NV Conf (\$89)	1,895.84
9	Calpico	Grounding Clamps (15) (\$136) & Cadweld Shots (20) (\$49)	185.32
10	Caruso, Glenn	Novato "Cash for Grass" Program	500.00
11	Cruz, Christian	Novato "Washer Rebate" Program	50.00

Seq	Payable To	For	Amount
12	Davis, Roxanne	Novato "Washer Rebate" Program	50.00
13	Elgin, Duane	Refund Overpayment on Closed Account	49.58
14	Environmental Resource Asso	Annual Performance Evaluation Samples (Lab)	387.89
15	Erickson, Doug	Novato "Cash for Grass" Program	400.00
16	Fisher Scientific	Bottles (10) (Lab)	61.13
17	Fraites, Rick	September Director's Fee	200.00
18	Franchise Tax Board	Wage Assignment Order	512.57
19	Fremouw Environmental Svc	Hazardous Waste Disposal	150.00
20	Gaidano, Scott	Novato "Washer Rebate" Program	50.00
21	GFS Chemicals	Turb Standards (STP)	418.38
22	Golden Gate Petroleum	Gasoline (\$4.00/gal) & Diesel (\$4.08/gal)	4,417.71
23	Grainger	Respirator Half Masks (3) (\$50) & Filters (4) (Cilia)	61.29
24		Cafeteria Plan - Child Care Reimbursement	208.33
25	Hamilton Field Community	Sponsorship of the Hamilton Hometown Festival	250.00
26	Hardy Diagnostics	Brilliant Green Bile Broth (\$88) & Medium (\$55) (Lab)	143.69
27	High-Purity Standards	Nitrogen (\$41) & Phosphorus (\$40) (Lab)	81.11
28	Jim-n-i Rentals	Traffic Plate Rentals (\$2,189) & Shoring Jacks for Trench Safety (6) (\$415)	2,604.56
29	Kaiser Permanente	Pre-employment Physical (Temp-Connolly)	65.00
30	Kane, Karen	Refund Overpayment on Closed Account	30.78
31	Karkal, Esther	Novato "Cash for Grass" Program	400.00
32		Cafeteria Plan - Uninsured Medical Reimbursement	41.00
33	Lee, Wing	Novato "Toilet Rebate" Program	75.00



Seq	Payable To	For	Amount
34		Cafeteria Plan - Child Care Reimbursement	416.66
35	McLellan, WK	Misc Paving (497.50 S.F.)	3,506.62
36	McMaster-Carr Supply	Cooling Fan for SCADA Temperature Sensor	29.81
37	Miller, Mark	Novato "Toilet Rebate" Program	75.00
38		Wage Assignment Order	284.00
39	Morse, Gordon	Novato "Toilet Rebate" Program	75.00
40	Moss Rubber & Equipment	Vac Hose Couplers (4)	75.09
41	Novato Sanitary District	Semi-Annual Sewer Service Charge (2011-12)	1,612.38
42	Nute Engineering	Engineering Services: Hamilton Area Recycled Water Project (Bal Remaining On Contract \$99,900)	35,883.50
43	Office Depot	Copy Paper (120 reams)	453.36
44	On Line Resource	Refund Overpayment on Closed Accounts	306.96
45	Pace Supply	Clamps (2) (\$714) (10"X 8") & Couplings (22) (\$311)	1,025.90
46	PERS Health Benefits	October Health Ins Premium (Employees \$46,817, Retirees \$10,460 & Employee Contrib \$6,607)	63,884.11
47	Petterle, Stephen	September Director's Fee	200.00
48	Phillips Transportation	Hazardous Waste Disposal (Lab & STP)	131.00
49	Point Reyes Light	Display Ad: Salinity Intrusion Into Pt Reyes Well Supply	32.00
50	Pumping Solutions	Diaphragms & Control Valve for Air Powered Pump on Crew Trucks	322.18
51	Rivertown Feed Store	Charcoal for Patio BBQ (40 lbs)	29.14
52	RMC Water & Environment	Engineering Services: Recycled Water Project Title 22 Report (Balance Remaining on Contract \$24,555)	3,352.50

Seq	Payable To	For	Amount
53	Roberts & Brune	Double Detection Fire Check Assembly (2) (\$4,839) & Cutterheads (2) (\$401)	5,240.55
54		Cafeteria Plan - Uninsured Medical Reimbursement (\$688) & Child Care Reimbursement (\$145)	833.19
55	Rodoni, Dennis	September Director's Fee	200.00
56	Sacramento Flow Control	1" Backflow Device	119.22
57	Schoonover, John	September Director's Fee Less Deferred	150.00
58	Sheets, Holly	Refund Overpayment on Closed Account	41.19
59	Shirrell Consulting Services	October Dental Ins Adm Fee	293.80
60	Sierra Chemical Co.	Chlorine (2 tons)	1,013.33
61		Vision Reimbursement	132.00
62	Staples Advantage	Ledger Book, Rubber bands (24 pk) & Calendar	9.95
63	Stony Point Rock Quarry	Rock (14 tons)	373.60
64	Team Ghilotti	Refund Security Deposit on Hyd Meter	600.00
65	Thomas, Delores	Novato "Washer Rebate" Program	50.00
66	Union Bank of California	Quarterly Admin Fee - Treasury Securities (6/1/11-8/31/11)	625.00
67	United Parcel Service	Delivery Services: Sent Notice of Determination & Resolution (RW South Project) & Infrared Thermometer Sent for Certification & Calibration	12.36
68	USA BlueBook	Nitrate Standard (Lab), Chlorine Test Kits (15) & Hydrochloric Acid (\$65) (STP)	131.97
69	Van Bebber Bros	Rolled Steel to Join Pipes	424.48
70	Van Deusen, Vicki	Novato "Washer Rebate" Program	50.00
71	Vaughn, William	Novato "Toilet Rebate" Program	75.00

Seq	Payable To	For	Amount
72	Verizon California	Telephone Charges: Minimum (\$38) & Leased Lines (\$825)	863.46
73	Winzer Corporation	Grinding Wheels & Discs (\$168) for Shop	242.76
		<b>TOTAL DISBURSEMENTS</b>	<b><u>242.76</u></b> <b><u>\$145,485.21</u></b>

The foregoing payroll and accounts payable vouchers totaling \$145,485.21 are hereby approved and authorized for payment.

*Walter Landrum* 10/4/11  
 Auditor-Controller Date

*Chris Duffabail* 10/4/2011  
 General Manager Date

*Backup  
for 10/5  
desk*

# NORTH MARIN WATER DISTRICT CHECK REQUEST

(to be used only when payee cannot provide an invoice or statement)

BAKER, JACK	DATE <i>9/12/11</i>
425 CORTE NORTE	
NOVATO, CA 94949	TOTAL <i>100.00</i>

**PURPOSE:** DIRECTOR'S FEE

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**CHARGE TO:**

**DISPOSITION OF CHECK**

MAIL TO PAYEE

HOLD FOR


OTHER

---

REQUESTED BY \_\_\_\_\_

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APPROVED TO PAY BY \_\_\_\_\_

Prepared By <i>[Signature]</i>	Accounting Review	POST DATE <i>9/11</i>	Vendor No BAKE01	
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Invoice Number	Invoice Date	Invoice Amount
<i>CKRC091211</i>	<i>9/12/11</i>	<i>100.00</i>

NMWD Comment

*North Bay Watershed Assoc  
meeting - 9/19 (\$100)*

Job Number	GL Account	Amount
	56001.01.11	<i>100.00</i>
<b>TOTAL</b>		<i>100.00</i>

## DISBURSEMENTS - DATED OCTOBER 12, 2011

Date Prepared: 10/11/11

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	\$121,336.38
EFT*	US Bank	Federal & FICA Taxes PPE 9/30	44,201.44
1	Aberegg, Michael	Drafting Services: Engineering Procedure for Design Drawings (Balance Remaining on Contract \$15,274)	1,650.00
2	Able Tire & Brake	Tires (6) ('07 Chevy 2500-\$786 & '03 Dodge Dakota-\$335)	1,121.58
3	Advanced Reproduction Center	Plans & Specs - Recycled Water North Segment 2 Project (5 sets)	434.00
4	AirGas NCN	Hydrogen Sulfide (STP)	146.48
5	Alpha Analytical Labs	Lab Testing (Novato & Pt Reyes)	1,835.00
6	American Trainco	Reg Fee: Plumbing & Pipefitting for Commercial Buildings Seminar (Cilia & Kurfirst)	990.00
7	Automation Direct	Parts to Convert 2 Tesco Tank Signal Converters to Radio Telemetry to Relay Signal to SCADA	1,504.50
8	Badger Meter	4" Compound Meter (Hamilton Elementary)	2,591.22
9	Bay Alarm	Quarterly Fire Alarm Monitoring Fee (STP)	292.14
10	Bayshore International	Replacement Fuel Tank Straps (2) ('02 Int'l 5 yd Dump Truck)	358.64
11	BlackPoint Tree Service	Tree Trimming @ Entrance to STP	1,050.00
12	Building Supply Center	Jig Saw Blades (2)	9.70
13	Buzzella, Joseph	To Replace Cancelled Check - Bank Account Closed	506.74
14	State of California	State Tax & SDI PPE 9/30	8,950.91

Seq	Payable To	For	Amount
15	Cole-Parmer Instrument	Fluid Container for STP Lab	208.43
16	Cook Paging	October Pager Rental (2)	14.70
17	HSBC Business Solutions	Food for Patio Picnic (\$202), Detergent & Picture Frames (2) (\$32)	285.91
18	Cummings Trucking	Rock (48 yds)	1,713.45
19	Digital Prints & Imaging	Drawings Converted to Auto Cad (Water Conservation - Large Landscapes)	73.78
20		Cafeteria Plan - Uninsured Medical	77.00
21	Eddings, Greg	Novato "Washer Rebate" Program	50.00
22	Ferguson Enterprises	Blind Flanges (2)	249.71
23	Golden Gate Petroleum	Gasoline (\$3.73/gal) & Diesel (\$3.97/gal)	4,672.62
24	Grainger	RTU Wire Markers (4)	138.67
25	Groeniger	Hyd Bury (4) (\$765) & Butterfly Valve (\$1,074)	1,839.41
26	Hardy Diagnostics	Agar (Lab)	31.60
27	Interstate Battery	Batteries (2) ('00 Bobcat Loader-\$111 & Security Camera-\$20)	131.17
28	Jays Kustom Exhaust & Muffler	6'4" Pipe for Vacuum Trailer Suction Pipe	100.00
29	Jim-n-i Rentals	Traffic Plate Rental (3) (\$442) (Maint of Mains, Misc Service Line Maint & So Novato/Rowland Main Break) & 1 1/4" Lifting Rings (2) (\$324)	766.68
30	Journey Ford/Lincoln	Radiator Hose (\$68) ('08 F350) & Mirror Assembly (\$122) ('10 F150)	190.00
31	Kane-Conrad, Candace	Novato "Cash for Grass" Program	500.00
32	Kehoe, Chris	Exp Reimb: Safety Boots	200.00
33	Kemira Water Solutions	Ferric Chloride (10.05 tons) (STP)	7,432.78
34		Cafeteria Plan - Uninsured Medical Reimbursement	42.65
35	Maltby Electric	Telemetry Cable Splice Kits (6)	1,017.36

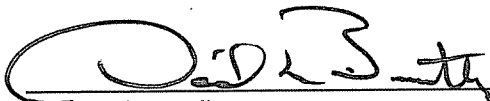
Seq	Payable To	For	Amount
36	Marin Landscape Materials	Cement (86 sacks) & Concrete (1.5 cu yds)	716.15
37	Marin, County of	Annual Septic Permit (25 Giacomini Rd)	425.00
38	Maselli & Sons	4" Ells (2)	100.33
39	McLellan, WK	Misc Paving: Novato Area (424 S.F.)	3,989.89
40	Miller Pacific Engineering	Geotechnical Services: Recycled Water Expansion to North Service Area Project (Balance Remaining on Contract \$15,721)	860.00
41	North Marin Auto Parts	Clamps for Exhaust Pipes, Vehicle Cleaner, Car Wash Brushes (2) (\$54), Exhaust Pipe Cap, Air Hose Fittings, Filter, Tire Changer (\$6,483) (Budget \$6,000), Brush Handle, Tail Lights (4) (\$53), Light Socket, Bracket for Trailer, Washers, Screws, Locknuts, Tail Lights (2), U-Bolt, Exhaust Pipes (2) (\$315), Battery for Small Compressor (\$41), Door Handle Assembly (\$33), Double-Sided Moldings Tape, Brake Lights, Back-up Light, Sanding Discs (30) (\$25), Air Hose Coupler, Part Brushes (2), Fuses (2), Battery Cable, Fuse Block, Hex Nut, Emergency Strobe Light (\$121) (Shop), Oil Filters (5) (\$61), Motor Oil (18 qts) (\$98), Toggle Switch, Air Filter (\$24), Hydraulic Filter, Wiper Blades & Gas Cap	7,411.48
42	North Marin Water District	NMWD Assoc Dues - Aug & Sept 2011	1,830.00
43	Novato, City of	Encroachment Permit & Inspections (So Novato Blvd/Rowland Main Break)	1,250.00
44	Nute Engineering	Engineering Services: O.M. Sewer Rehabilitation Project (\$2,516) (Balance Remaining on Contract \$10,991) & Hamilton Area Recycled Water Project (\$53,078) (Balance Remaining on Contract \$46,821)	55,594.50
45	O'Reilly Auto Parts	Solar Charger for SCADA Temperature Sensor	32.54
46	Pace Supply	Box Lids (64) (\$1,321), Corp Stops (10) (\$254) & Couplings (18) (\$275)	1,850.82
47	PERS Retirement System	Pension Contribution PPE 9/30	42,057.76




Seq	Payable To	For	Amount
48	Pini Hardware	Shop Vac Filters, Locks (5) (STP), Rodent Bait, Ice Chest (38 qts) (STP) (\$40), Pipe Fittings for Pond D.O. Sensor, BBQ Utensils, Charcoal Lighter, Hardware Supplies, Tubing (50'), Plumbing Supplies, Hardware Supplies (\$45) (STP), Knee Pad, Silicone Sealer, Rake (\$22), Dishwasher Detergent, Kitchen Towels, Pipe Cutter, Utility Knife, Sponge, Drip Irrigation Parts, Alum Flashing (50') (\$26), Reciprocating Blades & Lock	295.55
49	Point Reyes Light	Display Ad: Salinity Intrusion into Pt Reyes Well Supply	32.00
50	Pratt, Dana	Novato "Cash for Grass" Program	250.00
51	Pumping Solutions	Air Pump Control Valve	215.06
52	PVS Minibulk	Sodium Hypochlorite (1,819 gals)	2,791.81
53	Q-Star	Speaker Assembly for Security Camera (Tanks)	20.52
54	Roberts & Brune	Pipeline Cutter head (10)	2,007.25
55	Rubino, Joseph	Novato "Toilet Rebate" Program	75.00
56	Rutt, Margaret	Novato "Cash for Grass" Program	750.00
57	Sacramento Flow Control	"O" Ring Seal for Fire Service	24.12
58	Scheller, Paul	Novato "Toilet Rebate" Program	75.00
59	Sebastopol Bearing & Hydraulic	Exhaust Fan Bearing (\$37), Hydraulic Pump Motor (\$150) & Plastic Tubing (10')	212.23
60	Shirrell Consulting Services	September Dental Expense	6,193.00
61	Smith, Stuart	Novato "Washer Rebate" Program	50.00

Seq	Payable To	For	Amount
62	Verizon Wireless	September CIMIS Station Data Transfer Fee (2)	19.20
63		Cafeteria Plan - Child Care Reimbursement	714.27
		<b>TOTAL DISBURSEMENTS</b>	<b><u>714.27</u></b> <b><u>\$336,558.13</u></b>

The foregoing payroll and accounts payable vouchers totaling \$336,558.13 are hereby approved and authorized for payment.

 \_\_\_\_\_  
 Auditor-Controller Date 10/11/11

 \_\_\_\_\_  
 General Manager Date 10/31/2011



**MEMORANDUM**

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: Self-Insured Workers' Comp – Status Report  
t:\ac\word\personnel\wc\self ins status 1011.docx

October 14, 2011

**RECOMMENDED ACTION: None**

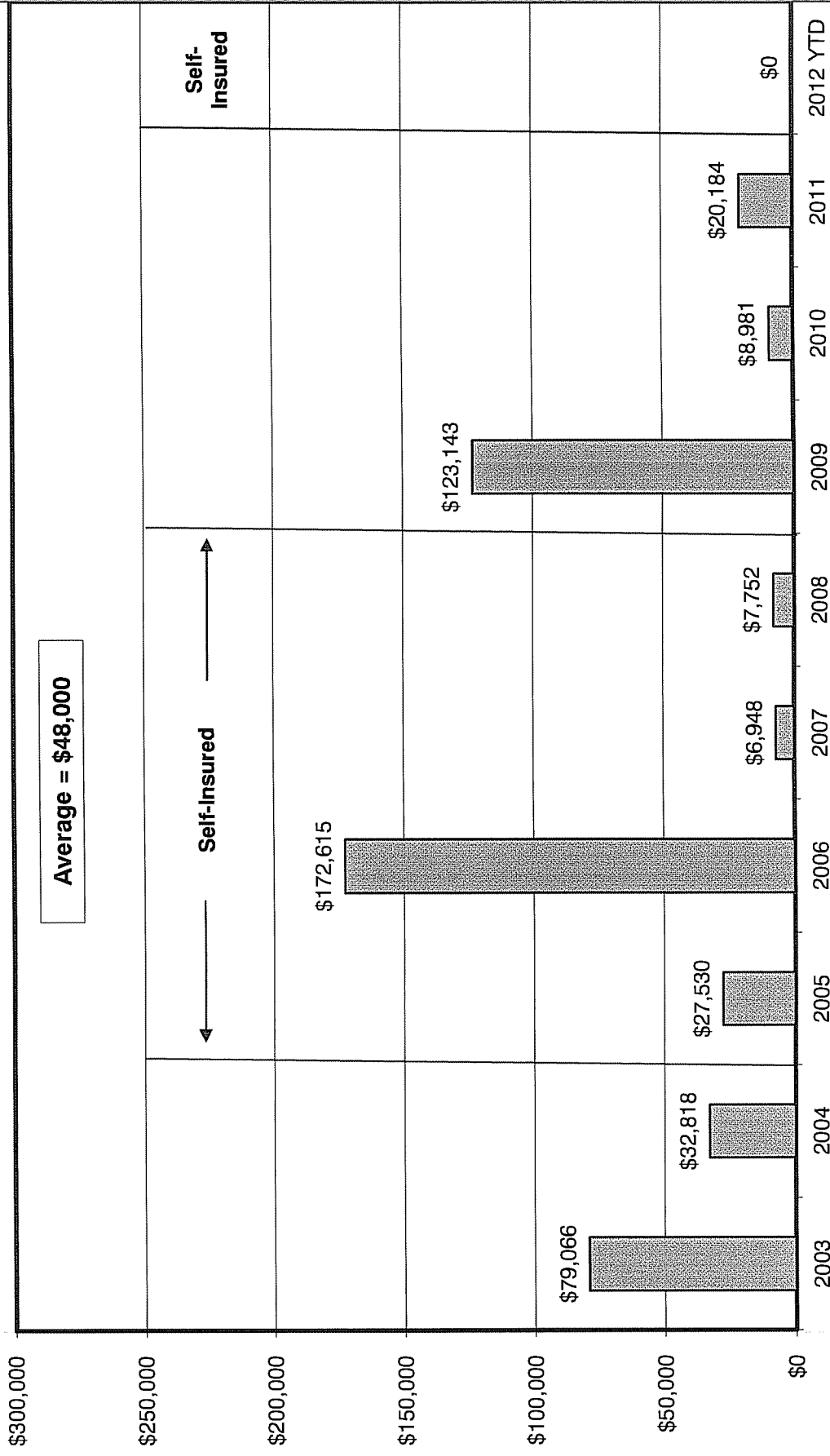
**FINANCIAL IMPACT: \$25,000 Savings through the 1<sup>st</sup> Quarter of FY12**

The low-cost proposal for FY12 first-dollar workers' compensation coverage increased 20% over the prior year, to \$159,000. In response, the District returned to self-insurance effective July 1, 2011. A third-party administrator was employed for \$1,000 per month, and an excess (stop-loss) policy to limit the District's liability in the event of a catastrophic claim was purchased for \$45,546, rendering a total fixed cost of self-insuring at just under \$58,000.

To our delight, thus far this fiscal year we have had no injuries. Attached are charts showing a 10-year history of claims cost (average \$48,000 per year) and 10-year history of claims frequency (average 11 claims per year).

### WC Claim Cost by Year Injury Incurred 10 Year History

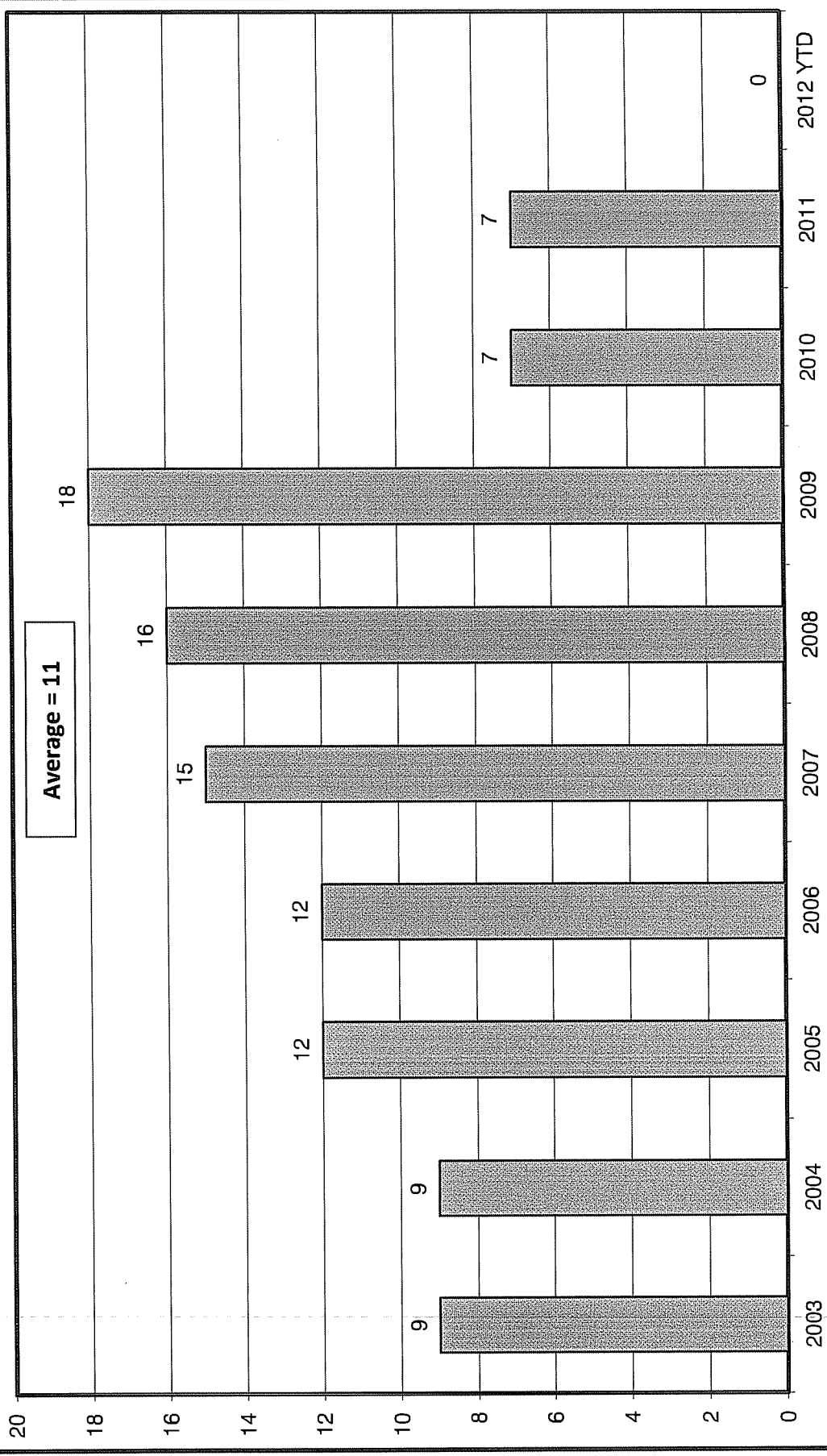
Average = \$48,000



Fiscal Year Ending June 30

### WC Claims Filed - Frequency 10 Year History

10/11/2011



Fiscal Year Ending June 30



## Russian River Biological Opinion Update – October 2011

The Sonoma County Water Agency is continually planning and implementing the Russian River Biological Opinion requirements. To better communicate the progress and timeline of this work, the Water Agency has provided the below outline of project updates. For more detailed information about these activities, please visit [www.sonomacountywater.org](http://www.sonomacountywater.org).

### **Dry Creek Demonstration Project**

- The Dry Creek Demonstration Project anticipates reaching the 90% design level in October. Discussions with landowners regarding access and construction are ongoing, and permitting requests to regulatory agencies will be made this fall.
- The public comment period for the Initial Study environmental document on the demonstration project was released in June. Only one comment was received (from CalTrans, regarding permits).

### **Dry Creek Habitat Enhancement Study & Bypass Pipeline Study**

- The Dry Creek bypass pipeline and Dry Creek Habitat Enhancement draft feasibility studies were released in April. Outreach was conducted to Water Contractors and Dry Creek valley residents. There were no suggested changes to the draft documents. Official comments from NMFS are currently being addressed.
- The Water Agency, National Marine Fisheries Service, Department of Fish & Game 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 later this year.
- Construction on the Crane Creek fish passage is nearly complete. The Willow Creek Fish Passage Enhancement Project is under construction. The project replaces several plugged/collapsed side-by-side culverts with a bridge, which was installed on September 29.
- Coho were found in and upstream of the Grape Creek restoration projects that were constructed in 2009 and 2010.
- 2011 fish monitoring activities are ongoing. Rotary screw traps placed in Dry Creek and in the Russian River in the spring and electrofishing surveys took place during the summer.

### **Wohler Pond Modification Project**

- The project – which decommissioned infiltration ponds near Wohler Bridge – was completed in September 2011. Historically, when flooding occurred in the area, the ponds would trap fish when the water receded. The purpose of the project was to remove any impediments so that future fish entrapment will not occur.

### **Mirabel Screen and Fish Ladder Replacement**



- The Water Agency received a \$255,000 California Department of Fish and Game Fishery Restoration Grant for design of the project. Consultant (HDR Engineering) is working on the 30% design, which should be received in November.

### **Russian River Estuary Management Project**

- The Estuary Management Project final Environmental Impact Report was certified on August 16. The Board of Directors also approved the project. On September 16, a lawsuit was filed by the Russian River Watershed Protection Committee challenging the EIR.
- 2011 fish monitoring activities took place throughout the summer, with the fyke net placed in the estuary, rotary screw traps installed at the mouths of three creeks that drain into the estuary and invertebrate monitoring and seining ongoing.
- Water quality monitoring is ongoing.
- To date, the estuary has remained open during the 2011 lagoon management period (May 15 – October 15).

### **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.
- EIR Schedule
  - Release Draft EIR in summer 2012
  - Release Final EIR in summer 2013
  - BO requires Board to certify Final EIR by September 24, 2013
  - EIR will be prepared by Water Agency staff, with assistance from consultants on some areas of impact analysis, including recreation, socioeconomics and possibly water quality.

### **Interim Flow Changes**

- On June 1, the State Water Resources Control Board issued an order in response to the Water Agency's petition to modify minimum instream flow requirements for this summer. Similar to the 2010 order, the 2011 order requires weekly fisheries reports, water quality monitoring and for the contractors to require their irrigation customers to "achieve a maximum applied water allowance of 60 percent ETo." The order ends on October 15, 2011.

### **Public Outreach**

- The Dry Creek Advisory Group met in May to review the habitat enhancement and pipeline feasibility draft studies.

- The Dry Creek Valley Association is posting on its website a “Frequently Asked Questions” column regarding habitat enhancement .
- Monthly advertisements are being placed in community papers updating residents on the biological opinion.

**MEMORANDUM**

To: Board of Directors

October 14, 2011

From: Nancy Williamson, Senior Accountant

Subj: State Controller's Local Government Compensation Report for 2010

t:\accountants\data\state controller's 2010 comp rpt cvr memo.doc

**RECOMMENDED ACTION: Information Only**

**FINANCIAL IMPACT: None**

In response to the City of Bell compensation scandal, last year the State Controller began requiring all Cities, Counties and Special Districts to file an annual Compensation Report. The District's 2010 compensation report will be filed on October 18, which is the deadline. The report will be published on the internet and is intended to enhance government transparency to taxpayers by collecting salary, compensation and benefit information for all elected, appointed and employed personnel.

The report does not include names or social security numbers, but does include minimum and maximum salary amounts for each job classification and total 2010 Medicare wages for each employee. Medicare wages include overtime and cafeteria plan contributions paid in cash to those employees who have alternative health insurance coverage. This can result in a higher compensation for this report than the maximum salary amount. Part-time employees and those who did not work the entire year can have an annual wage less than the minimum salary amount.

The Employer Paid Health/Dental/Vision amount is calculated based on the 2010 total cost of the District's self-insured dental and vision plans, prorated according to each employees' family status (single, couple, family), plus the annual District medical contribution of \$3,830/FTE for all employees participating in the District's health plan.

A summary of the data is provided in the table below:

Calendar Year:	2010	2009
Number of Employees (includes summer temps)	69	67
Employee Wages Subject to Medicare	\$4,362,213	\$4,384,938
Employer Pension & Health Benefits Contribution	\$568,019	\$571,814
Directors Compensation	\$14,750	\$15,750

**MEMORANDUM**

To: Board of Directors October 14, 2011  
From: Dianne Landeros, Accounting Supervisor  
Subject: Presentation of GFOA Certificate of Achievement for Excellence in Financial Reporting  
t:\finance\audit\audit11\bod gfoa award.doc

**RECOMMENDED ACTION:** Information Only

**FINANCIAL IMPACT:** None

As we reported to the Board at the August 16 meeting, the Government Finance Officers Association (GFOA) has awarded the District a Certificate of Achievement for Excellence in Financial Reporting for our comprehensive annual financial report (CAFR) for fiscal year ended June 30, 2010. This is the second consecutive year the District has received this award. The GFOA states that this Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The award plaque will be displayed in the District lobby.

The following staff members made significant contributions to this CAFR: Chris DeGabriele, David Bentley, Dianne Landeros, Nancy Holton, and Nancy Williamson.

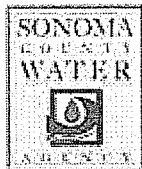
**Chris DeGabriele**

---

**From:** Brad Sherwood [Brad.Sherwood@scwa.ca.gov]

**Sent:** Friday, October 14, 2011 11:09 AM

**Subject:** Lake Mendocino Water Releases Increased to Secure Flood Control Capacity



## Sonoma County Water Agency PRESS RELEASE

**For Immediate Release**

**October 14, 2011**

**CONTACT:**

Brad Sherwood

707.547.1927 (Office)

707.322.8192 (Cell)

sherwood@scwa.ca.gov

# Lake Mendocino Water Releases Increased to Secure Flood Control Capacity

**(Santa Rosa, CA)** Water releases from Lake Mendocino will nearly double over the next four weeks starting Saturday, October 15 as the U.S. Army Corps of Engineers (Corps), Sonoma County Water Agency (Water Agency) and stakeholders including the Mendocino County Flood Control and Water Conservation Improvement District work to secure flood control storage capacity for the upcoming rainy season. Lake Mendocino is a multi-purpose reservoir serving regional flood control, water supply and recreational needs.

Lake Mendocino's current water storage level is approximately 81,000 acre-feet. The goal of the four week release schedule is to drop the storage level by 13,000 acre-feet to approximately 69,000 acre-feet. This goal will be met by implementing a sustained release of 400 cubic-feet-per-second for approximately four weeks while balancing the needs of Russian River fisheries and water supply facilities.

"The release method was carefully selected by regional water and fishery stakeholders. It is our priority to ensure Lake Mendocino serves its flood control function. This release schedule will do that and protect fisheries and water supply facilities in the Russian River watershed," said Sean White, general manager of the Mendocino County Russian River Flood Control and Water Conservation Improvement District.

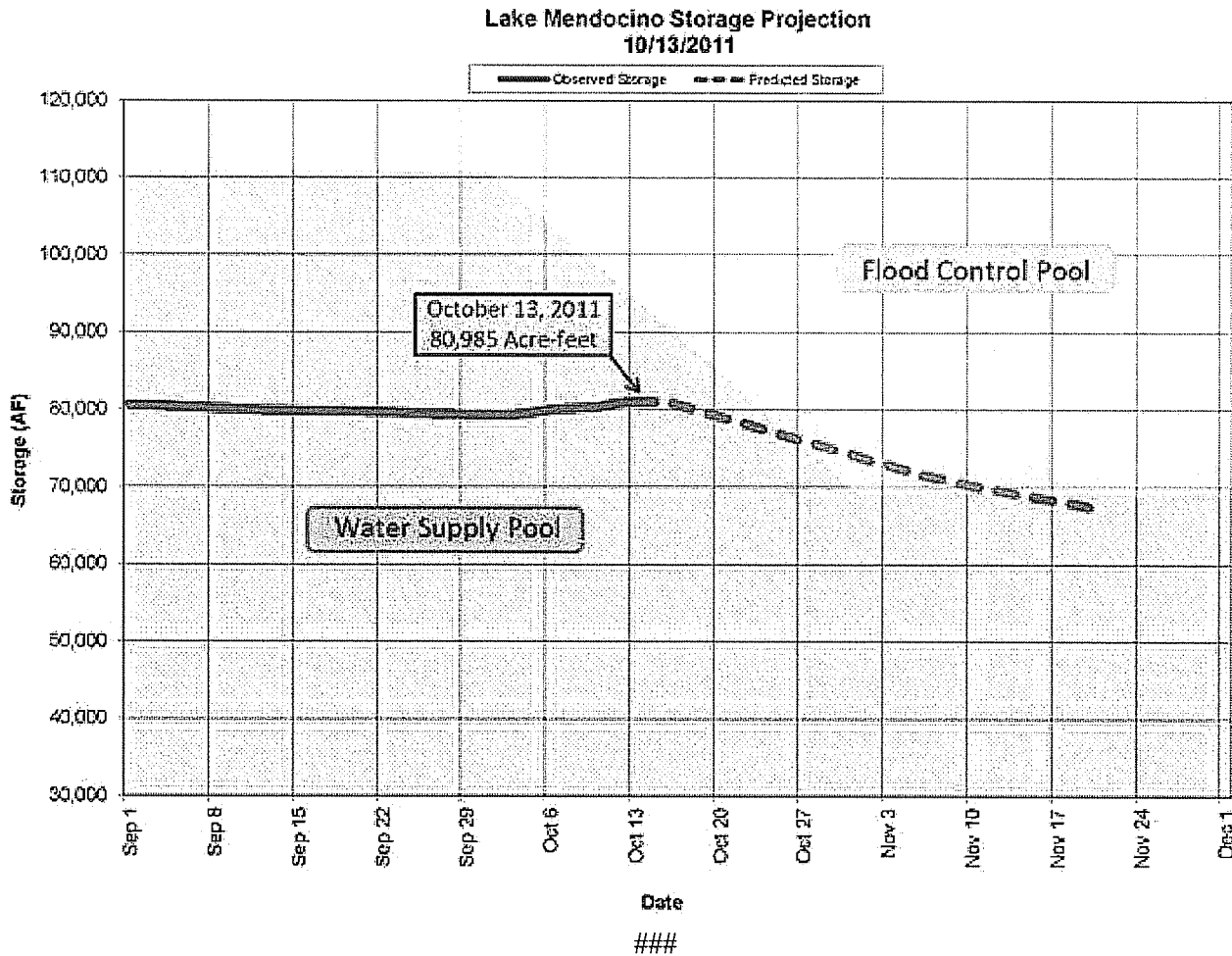
Lake Mendocino is an important flood control facility for residents and farmers in the Russian River watershed. It is important to ensure enough space is available in the reservoir for future flood control needs.

Water Agency Principal Environmental Specialist David Manning added, "The release schedule that was agreed upon by the stakeholders ensures that Russian River Chinook salmon will continue to spawn and thrive this fall. To date, we have counted more than 800 Chinook salmon in the Russian River and thousands more should follow."

A similar release schedule was implemented in 2010 when water storage levels remained near the flood control level into the fall season. Water storage in Lake Mendocino is managed like a two layered cake – the bottom layer is managed for water supply purposes and the top layer is managed for flood control purposes. Depending on the time of the year, the amount of water allowed to be stored in each layer

fluctuates. As of October 15, the flood control layer grows and the water supply layer decreases because of the upcoming rainy season. The water supply layer increases in the spring and summer when water demand increases. The Corps manages releases when water enters the flood control layer and the Water Agency manages releases when water is in the water supply layer.

Lake Mendocino, formed by the construction of the Coyote Valley Dam in 1958, is the largest reservoir in Mendocino County with an average of 500,000 visitors annually.



*The Sonoma County Water Agency is working to secure our future by investing in our water resources, community and environment. The Water Agency provides water supply, flood protection and sanitation services for portions of Sonoma and Marin counties.  
Visit us on the Web at [www.sonomacountywater.org](http://www.sonomacountywater.org).*

Thank you,  
 Brad Sherwood  
 Public Affairs  
 Sonoma County Water Agency  
 Phone: 707.547.1927  
 Fax: 707.528.2080  
 404 Aviation Blvd.  
 Santa Rosa, CA 95403

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## Winzler & Kelly merges with Australian firm

By **STEVE HART**  
THE PRESS DEMOCRAT

Published: Tuesday, October 11, 2011 at 11:26 a.m.

Sonoma County's largest civil engineering firm, Winzler & Kelly, is merging with an Australian company that is expanding its presence in the United States.

Winzler & Kelly will retain its Santa Rosa headquarters and its chief executive, Iver Skavdal, will manage GHD's West Coast operations, spokeswoman Saman Chaudry said.

"Santa Rosa is going to continue to be a really important center for us," she said.

Terms of the deal weren't disclosed.

Winzler & Kelly has 95 employees in Santa Rosa and 300 companywide. It has seven other offices in California, along with locations in Oregon, Guam and Saipan.

"Winzler & Kelly brings us a tremendous talent pool that augments our superb East Coast operations in the U.S.," said Ian Shepherd, GHD's chief executive. "By joining with an established West Coast operation, GHD has expanded our service offering across the U.S., thus achieving a significant step in our growth strategy in the Americas."

Winzler & Kelly serves a variety of engineering markets, including transportation, water, commercial development, environmental projects and government contracting.

"This merger benefits both of our firms," said Skavdal. "It allows us to offer increased innovation and efficiency to our clients and more professional development opportunities for our staff through a network of global resources, while also strengthening GHD's offering in the Americas."

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BoD  
misc

Light September 29, October 6,  
13, 20, 2011.

**ABANDONMENT OF  
FICTITIOUS BUSINESS  
NAME COUNTY OF MARIN  
ABANDONMENT NO.  
304312 DATE OF ABAN-**

**DONMENT:** August 20, 2011  
File Date: August 20, 2011. The  
undersigned hereby certifies  
that the below listed person(s)  
or other entity heretofore  
conducting business under the  
following fictitious business  
name, certificate of which was  
filed on the date indicated in the  
stated county under the listed  
number, have abandoned the  
use of said fictitious business  
name: Original File #123064,  
125645, 127550, original date filed  
1/27/2010, 12/15/2010, 8/15/2011  
in County of Marin: La Polie, La  
Polie, La Polie Skincare, filed by  
registrant(s), Lisa Perkins, 21 Pica-  
dilly Ct., San Rafael, CA 94903. I  
hereby certify that the foregoing  
is a correct copy of the original  
on file in my office. MICHAEL J.  
SMITH, Marin County Clerk, by  
O. Lobato, Deputy, Published in  
the Point Reyes Light September  
29, October 6, 13, 20, 2011.

**Fictitious Business  
Name Statement**

File No. 127766  
The following person(s) is (are)  
doing business as: Forever  
Young, 294 Miller Ave., Mill Val-  
ley, CA 94941. This business  
is conducted by an individual:  
Kathleen A. Crisp, 281 Morning  
Sun, Mill Valley, CA 94941. This  
statement was filed with the  
County Clerk of Marin County  
on September 15, 2011, signed,  
O. Lobato, Deputy, Published in

Saran K. James, 323 Laurel Ave.,  
San Anselmo, CA 94960. This  
statement was filed with the  
County Clerk of Marin County  
on September 19, 2011, signed, J.  
Mannion, Deputy, Published in  
the Point Reyes Light September  
29, October 6, 13, 20, 2011.

**Fictitious Business  
Name Statement**

File No. 127667  
The following person(s) is (are)  
doing business as: Maxwell  
the Cleaner, 1101 3rd St., San  
Rafael, CA 94901. This business  
is conducted by an individual:  
NJ United, Inc., 1101 3rd St.,  
San Rafael, CA 94901. This  
statement was filed with the  
County Clerk of Marin County  
on September 01, 2011, signed,  
J. Mannion, Deputy, Published in  
the Point Reyes Light September  
29, October 6, 13, 20, 2011.

**Fictitious Business  
Name Statement**

File No. 127866  
The following person(s) is (are)  
doing business as: Smog Center  
Test Only, 108 Bellum Blvd., San  
Rafael, CA 94901. This business  
is conducted by an individual:  
Peter S. Jizrawi, 108 Bellum  
Blvd., San Rafael, CA 94901.  
This statement was filed with the  
County Clerk of Marin County  
on September 28, 2011, signed,  
J. Mannion, Deputy, Published in  
the Point Reyes Light October 6,  
13, 20, 27, 2011.

**Fictitious Business  
Name Statement**

File No. 127797  
The following person(s) is  
(are) doing business as: Modo  
Modern, 466 Hickory Ln., San

lished in the Point Reyes Light  
October 6, 13, 20, 27, 2011.

**Fictitious Business  
Name Statement**

File No. 127884  
The following person(s) is (are)  
doing business as: Snowbird Mo-  
bile Notary, 907 Sunnybrae Ln.,  
Novato, CA 94947. This business  
is conducted by an individual:  
Denise Martynec, 907 Sun-  
nybrae Ln., Novato, CA 94947.  
This statement was filed with the  
County Clerk of Marin County  
on September 30, 2011, signed,  
J. Mannion, Deputy, Published in  
the Point Reyes Light October 6,  
13, 20, 27, 2011.

**Fictitious Business  
Name Statement**

File No. 127812  
The following person(s) is (are)  
doing business as: Morsel, 147  
Golden Hind Passage, Corte  
Madera, CA 94925. This business  
is conducted by an individual:  
Joey Anderson, 147 Golden Hind  
Passage, Corte Madera, CA  
94925. This statement was filed  
with the County Clerk of Marin

Repair, 1942A Sir Francis Drake  
Blvd., Fairfax, CA 94930. This  
business is conducted by an indi-  
vidual: Gian Carlo Ferraro, 1009  
Via Elisabetta Ct., Petaluma, CA  
94954. This statement was filed  
with the County Clerk of Marin  
County on September 20, 2011,  
signed, O. Lobato, Deputy, Pub-  
lished in the Point Reyes Light  
October 6, 13, 20, 27, 2011.

**Fictitious Business  
Name Statement**

File No. 127877  
The following person(s) is (are)  
doing business as: Barron Mort-  
gage Company, 700 Irwin St.,  
Ste. 101, San Rafael, CA 94901.  
This business is conducted  
by a corporation: Guarantee  
Mortgage Corp., 750 Lindero St.,  
Ste. 350, San Rafael, CA 94901.  
This statement was filed with the  
County Clerk of Marin County  
on September 20, 2011, signed,  
O. Lobato, Deputy, Published in  
the Point Reyes Light October 6,  
13, 20, 27, 2011.

**NOTICE**

Salinity intrusion into the Point Reyes well supply serving the  
West Marin communities of Point Reyes, Olema, Inverness  
Park, and Paradise Ranch Estates has occurred beginning on  
August 16, 2011 and has caused sodium levels to increase from  
background levels of 15-30 milligrams per Liter (mg/L). The  
table below lists most recent concentrations for sodium and  
chloride in the West Marin water supply:

Date	Sodium	Chloride	Units
10/4/2011	52	76	mg/l*
09/27/2011	51	49	mg/l*

\*milligrams per liter Chris DeG Gabriele, General Manager  
North Marin Water District1

Published in the Point Reyes Light, October 6, 2011



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## Gorin to run for Board of Supervisors

By *BRETT WILKISON*  
*THE PRESS DEMOCRAT*

Published: Friday, October 14, 2011 at 11:21 a.m.

Santa Rosa City Councilwoman Susan Gorin has decided to run for the Sonoma County Board of Supervisors, vying for the seat to be vacated by Valerie Brown.

Gorin, 59, announced her decision last night at a quarterly gathering of Sonoma County mayors and city council members in Petaluma.

"I've been hearing from a lot of people who've encouraged me to go forward," she said Friday morning.

Gorin has served five years on the city council, winning her re-election bid last year as the council's top vote-getter. Her current term expires in 2014.

Previously, she served as a trustee on the Santa Rosa School Board.

She becomes the fourth official candidate in the county race. Others are fellow Santa Rosa council member John Sawyer, Mark Bramfitt, an energy consultant and board member for the Valley of the Moon Water District and Sonoma Valley Citizens Advisory Commission, and Gina Cuclis, a communications consultant and past Sonoma planning commissioner who lives in Boyes Hot Springs.

Both Gorin and Sawyer are Santa Rosa residents running for a seat that traditionally has had its political center in the Sonoma Valley.

The 1st District includes all of the valley and extends to east Santa Rosa, including Oakmont, Bennett Valley and Rincon Valley. By next year, because of redistricting, it will include more of the northeastern corner of Fountaingrove.

Even with those changes, Gorin, who lives in the Fountaingrove area, will have move to run for the seat. She noted that she lives about four blocks from the district boundary and would be looking to relocate in the next several months.

She said county election officials have assured her that her current residence does not prevent her from campaigning or raising funds.

Political observers said the move would be an issue in the campaign, but Gorin brushed off that assessment.

"People are looking at my experience and my ability to represent the Sonoma Valley," she said. "I wouldn't be making this decision if I hadn't talked with people in the district."

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