



NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2013 and 2012





**NORTH MARIN
WATER DISTRICT**

Board of Directors as of June 30, 2013

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

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

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

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

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

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

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Introductory Section



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September 30, 2013

Board of Directors
North Marin Water District

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

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

District Structure and Leadership

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

District Services

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

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

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

Economic Condition, Outlook and Major Initiatives

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

The Russian River water delivery system from Sonoma County Water Agency (Agency) typically provides 80% of Novato's water supply, but continues to have limited capacity in summer months. Novato Rainfall in FY 2013 totaled 19.38", approximately 9" less than the historical average annual rainfall. Yet ample water was available in Lakes Mendocino and Sonoma for fish, agriculture and urban use on the Russian River system and no restrictions on the Russian River deliveries were necessary. North Marin's Stafford Lake water treatment plant produced 755 million gallons of water to augment Russian River supplies with local water supply during the fiscal year. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island combined to provide 22 million gallons of highly-treated recycled wastewater to irrigate turf within the District's service territory.

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

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

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

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

District Water Supply

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

Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (acre-feet) (1,450 MG) of water. Water from Stafford Lake is fed into the 6 million gallons per day (mgd) treatment plant located just below the dam. In fiscal year 2012 and 2013, 1,798 AF (586 MG) and 2,318 AF (755 MG), respectively, of water was produced by the Stafford Lake Water Treatment Plant.

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

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

In fiscal year 2012 and 2013, the District received 7,448 AF (2,427 MG) and 7,441 AF (2,424MG), respectively, of Russian River water. The District has an agreement in place with the Agency to provide sufficient supply to meet the District's current and future water supply needs. There continues to be competing interests for Russian River water, principally to protect steelhead and salmon listed as threatened species under the Endangered Species Act. The Biological Opinion for water supply in the Russian River watershed has been issued by the National Marine Fisheries Service laying out the requirements to preserve, protect and restore the fisheries and maintain the existing Russian River water supplies. The District continues to actively support the necessary development of the Russian River water supply and protection of the Russian River fisheries.

Internal Control Structure

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

Budgetary Control

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

Investment Policy

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

Water Rates and District Revenues

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

Audit and Financial Reporting

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

Awards and Acknowledgements

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

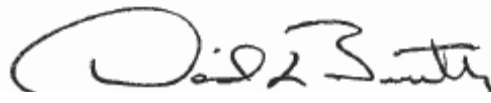
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2013.

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

Respectfully submitted,

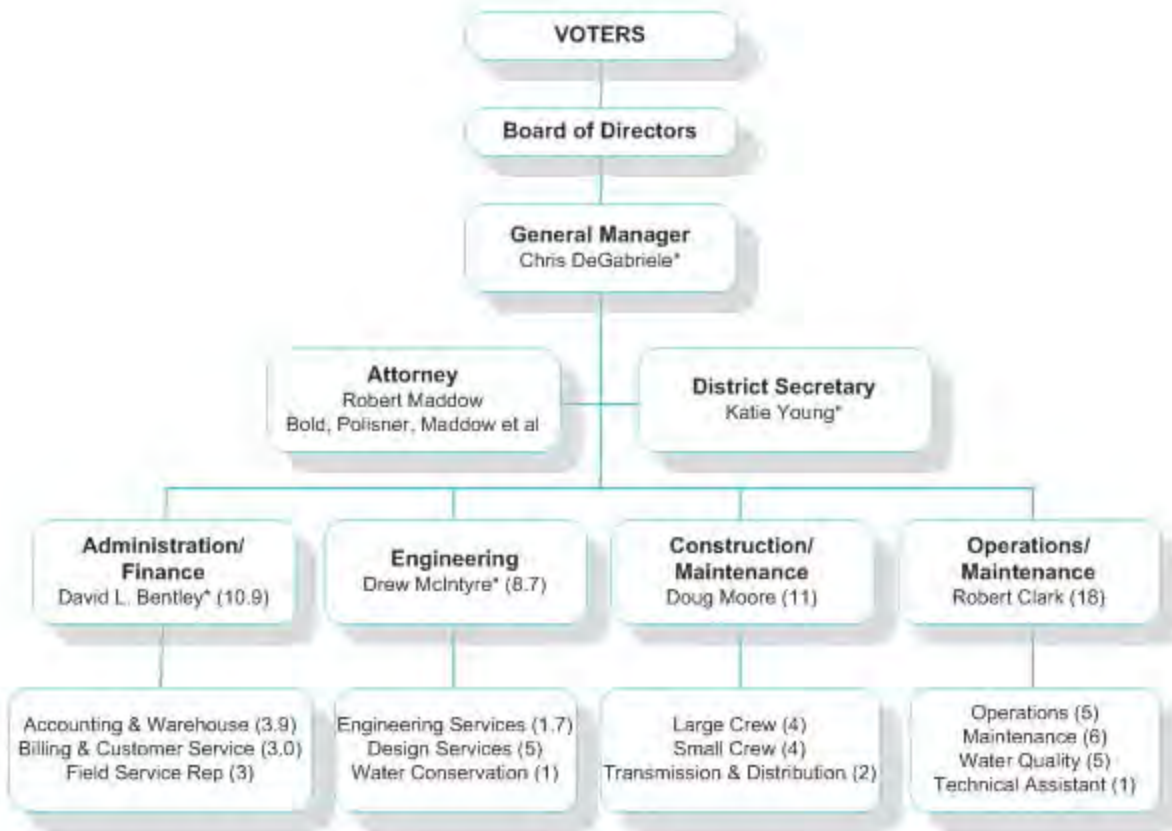


Chris DeGabriele
General Manager



David L. Bentley
Auditor-Controller

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



* Also Serves as District Officer





Government Finance Officers Association

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

Presented to

**North Marin Water District
California**

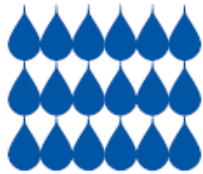
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Financial Section



Charles Z. Fedak, CPA, MBA
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Independent Auditor's Report

Board of Directors
North Marin Water District
Novato, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10 through 14 and the required supplementary information on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 66 and 67.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

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

Cypress, California

September 30, 2013

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

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

Financial Highlights

- In fiscal year 2013, the District's net position increased 6.6% or \$5,035,888 to \$81,097,278. In fiscal year 2012, the District's net position increased 3.8% or \$2,767,934 to \$76,061,390.
- In 2013, the District's operating revenues increased 18.3% or \$2,820,905 to \$18,256,638 due primarily to implemented rate increases and an 8% increase in water consumption from the prior year. In 2012, the District's operating revenues increased 11.9% or \$1,638,721 to \$15,435,733 due primarily to an implemented rate increase.
- In 2013, the District's operating expenses before depreciation increased 4.2% or \$529,983 due primarily to a \$192,805 increase in source of supply expense and a \$239,760 increase in water treatment expense. In 2012, the District's operating expenses before depreciation increased 6.2% or \$732,250 due primarily to a \$1,294,156 increase in source of supply expense.

Required Financial Statements

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

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

Financial Analysis of the District

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

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

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

Notes to the Basic Financial Statements

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

Statement of Net Position

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

In 2013, the District's operating expenses before depreciation increased 4.2% or \$529,983 due primarily to a \$192,805 increase in source of supply expense and a \$239,760 in water treatment expense. In 2012, the District's operating expenses before depreciation increased 6.2% or \$732,250 due primarily to a \$1,294,156 increase in source of supply expense.

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

Total District Revenues

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

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

Total District Expenses

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

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

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

Capital Asset Administration

Changes in capital asset amounts for 2013 were as follows:

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

Changes in capital asset amounts for 2012 were as follows:

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

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

Debt Administration

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

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

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

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

(See Note 14 for further information)

Requests for Information

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

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Basic Financial Statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

Continued on next page

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

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

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

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

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

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

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the cost of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

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

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

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

C. Financial Reporting

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

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

D. Assets, Liabilities and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. Accounts Receivable

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

5. Property Taxes

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

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

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

D. Assets, Liabilities and Net Position, continued

6. Restricted Assets

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

7. Prepaid Expenses

Certain payments to vendors reflect 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 to 50 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 accrues a liability for such accumulated and unpaid vacation time.

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

10. Water and Sewer Sales

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

11. Capital Contributions

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

12. Capital and Operating Grants

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

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

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

D. Assets, Liabilities and Net Position, continued

13. Budgetary Policies

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

14. Net Position

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

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

(2) Cash and Investments

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

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

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

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

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

(2) Cash and Investments

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

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

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

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

Custodial Credit Risk

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

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

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

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

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25-60 months</u>
Local Agency Investment Fund	\$ 6,493,745	6,493,745	-	-
Certificates-of-deposit	992,000	-	992,000	-
Corporate medium-term notes	2,002,255	-	-	2,002,255
Olema general obligation bond	12,189	-	12,189	-
Total	<u>\$ 9,500,189</u>	<u>6,493,745</u>	<u>1,004,189</u>	<u>2,002,255</u>

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

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

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

(2) Cash and Investments, continued

Credit Risk

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

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

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

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

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

(3) Note Receivable – Property Tax from State

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

(4) Note Receivable – Black Point Golf Links

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

The balance at June 30, consists of the following:

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

(5) Notes Receivable – Employee Computer Loans

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

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

(6) Pension Related Debt – CalPERS Side-Fund

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

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

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

(7) Notes Receivable – Employee Housing Assistance Loans

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

The balance at June 30, consists of the following:

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

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

(8) Internal Balances

Due To/From Other Funds and Transfers

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

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

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

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

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

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

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

(9) Deferred Charges

The balance at June 30, consists of the following:

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

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

(10) Capital Assets

Construction-In-Progress

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

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

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

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

(10) Capital Assets, continued

Changes in capital assets for the year were as follows:

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

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

(10) Capital Assets, continued

Changes in capital assets for 2012 were as follows:

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

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

(11) Accrued Claims Payable

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

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

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

(12) Compensated Absences

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

Changes to compensated absences for 2013, were as follows:

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

Changes to compensated absences for 2012, were as follows:

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

(13) Other Post-Employment Benefits Payable

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

Other Post-Employment Benefits – Eligibility

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

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

(13) Other Post-Employment Benefits Payable, continued

Other Post-Employment Benefits – Eligibility, continued

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

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

Other Post-Employment Benefits – Benefits Offered

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

Funding Policy

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

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

Annual Cost

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

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

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

(13) Other Post Employment Benefits Payable, continued

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

Three-Year History of Net OPEB Obligation

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

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

Actuarial Methods and Assumptions

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

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

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

See Page 45 for the Schedule of Funding Status.

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

(14) Long-term Debt

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

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

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

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

Bonds Payable

1973 General Obligation Bonds – Issue PR-3

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

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

(14) Long-Term Debt, continued

Bonds Payable, continued

1975 General Obligation Bonds – Issue OL-2

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

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

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

1980 Revenue Bonds – Issue PRE-1

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

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

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

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

(14) Long-Term Debt, continued

Bonds Payable, continued

1981 Revenue Bonds – Issue PR-6

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

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

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

Loans Payable

1977 U.S. EDA Loan – Novato Water segment

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

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

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

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

(14) Long-Term Debt, continued

Loans Payable

1977 U.S. EDA Loan – West Marin segment

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

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

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

2005 DWR Loan – Novato Water segment

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

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

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

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

(14) Long-Term Debt, continued

Loans Payable, continued

2005 SWRCB Loan – Novato Recycled Water segment

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

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

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

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

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

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

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

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

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

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

(15) Net Position

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

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

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

(15) Net Position, continued

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

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

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

(16) Deferred Compensation Savings Plan

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

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

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

(17) Defined Benefit Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

California Public Employees Pension Reform Act of 2013

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

Key components of the legislation are as follows:

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

Second-Tier – Beginning January 1, 2013

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

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

(17) Defined Benefit Pension Plan, continued

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

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

See Page 45 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

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

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

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

(18) Risk Management

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

(19) Commitments and Contingencies

Wohler/Collector No. 6 Agreement

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

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

(19) Commitments and Contingencies, continued

Novato Sanitary District

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

Solar Power Services, Facilities and Site Agreement

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

Construction Contracts

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

Grant Awards

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

Litigation

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

(20) Subsequent Event

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

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

(21) Governmental Accounting Standards Board Statements

Implementation of New Accounting Pronouncements

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

Governmental Accounting Standards Board Statement No. 60

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

Governmental Accounting Standards Board Statement No. 61

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

Governmental Accounting Standards Board Statement No. 62

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

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

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 65

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

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

(21) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

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

Governmental Accounting Standards Board Statement No. 66

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

Governmental Accounting Standards Board Statement No. 68

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

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

Governmental Accounting Standards Board Statement No. 69

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

Governmental Accounting Standards Board Statement No. 70

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

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Required Supplementary Information

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

1. Defined Benefit Pension Plan

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

Funding History

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

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

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

2. Other Post-Employment Benefits Payable

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

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

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Supplemental Information

Combining Schedules

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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Statistical Information Section

**North Marin Water District
Statistical Section**

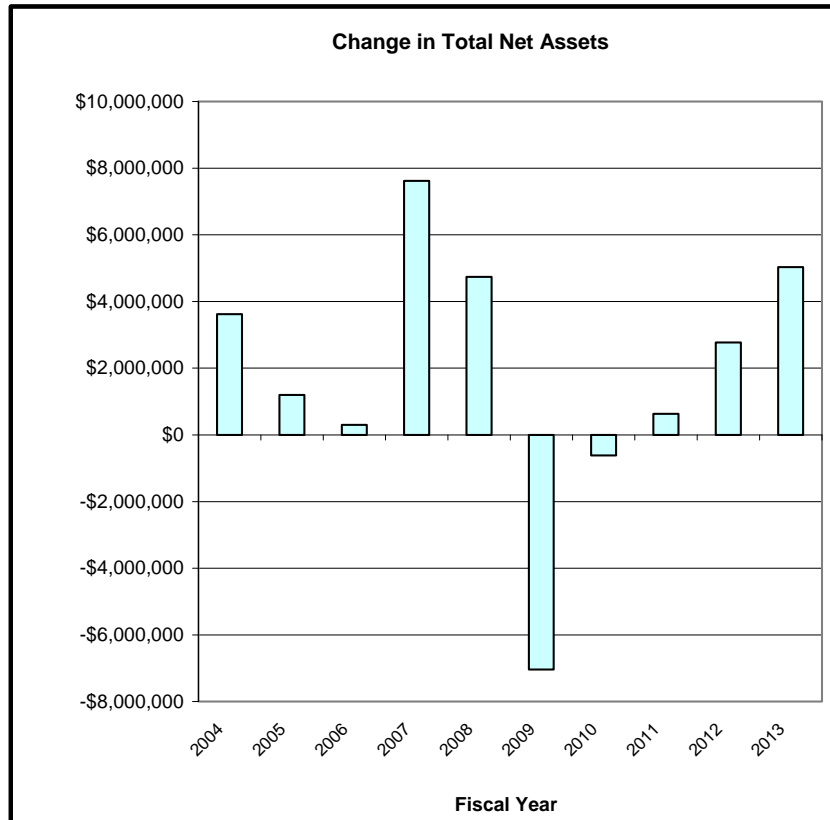
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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

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

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



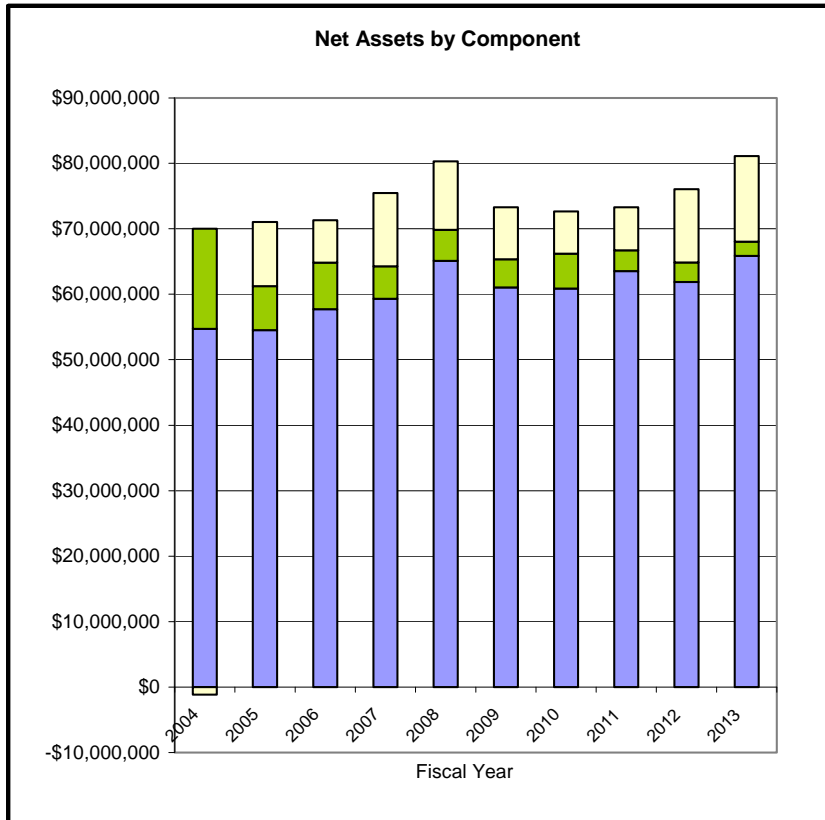
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 1

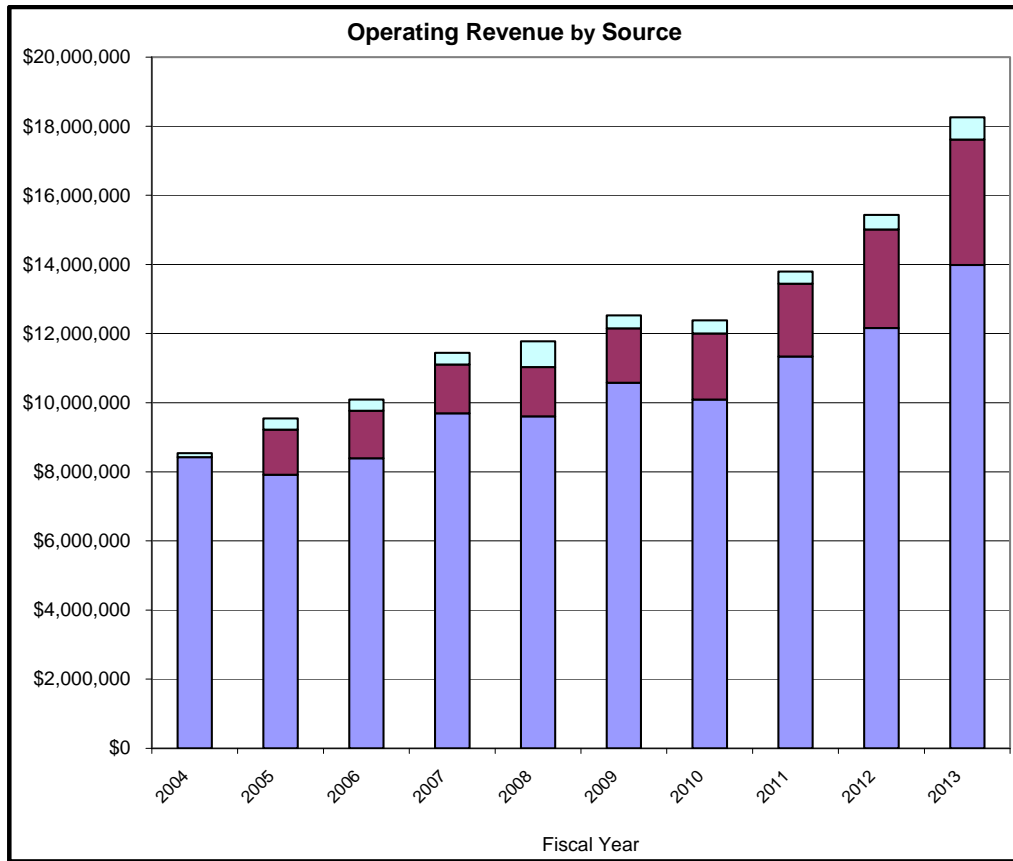
Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
\$11,848,037	\$11,779,157	\$12,526,294	\$12,381,493	\$13,797,012	\$15,435,733	\$18,256,638
(12,555,989)	(12,538,993)	(13,257,125)	(13,083,372)	(11,878,612)	(12,610,862)	(13,140,845)
(1,490,077)	(1,761,673)	(10,091,139) ⁽¹⁾	(2,659,883)	(2,660,418)	(2,726,598)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



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

Schedule 2

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

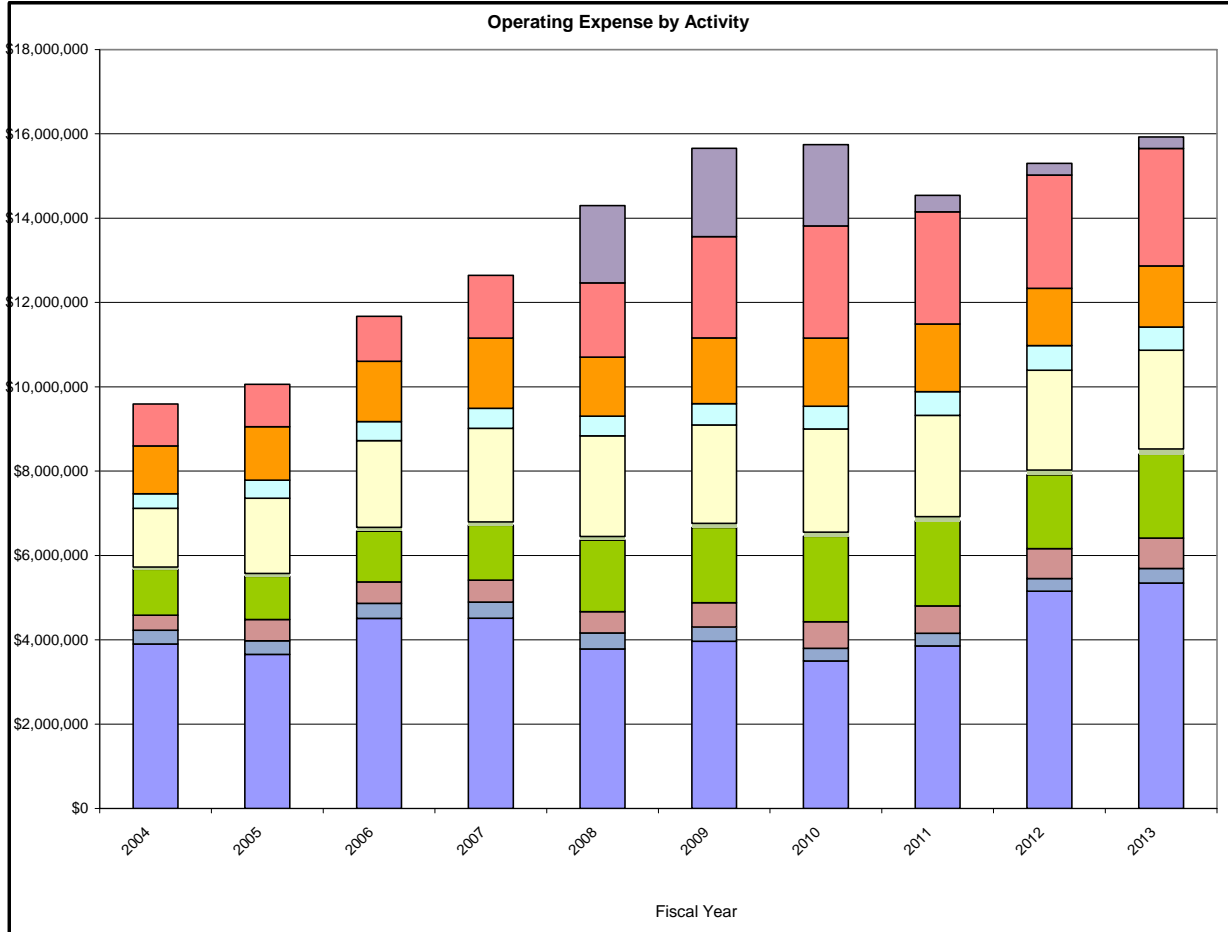


Source: North Marin Water District Audited Financial Statements

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

Schedule 3

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



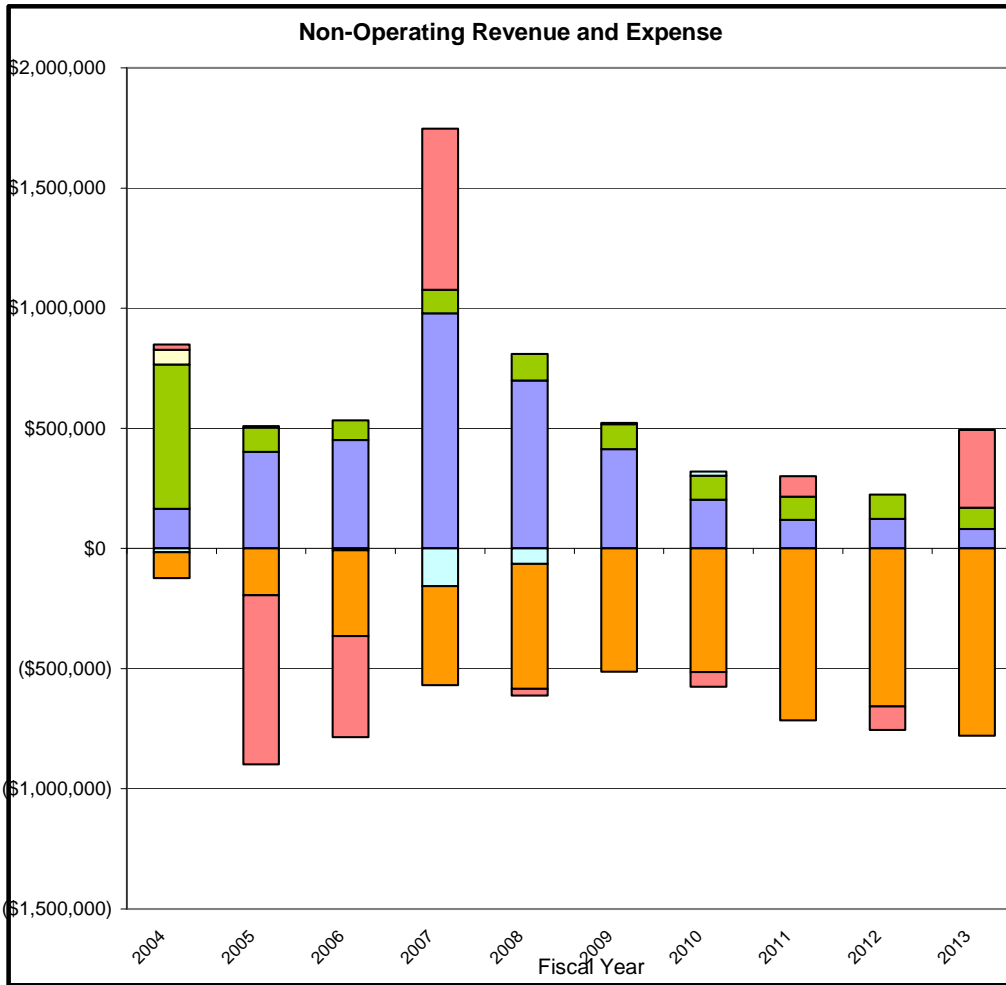
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 4

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



Notes:

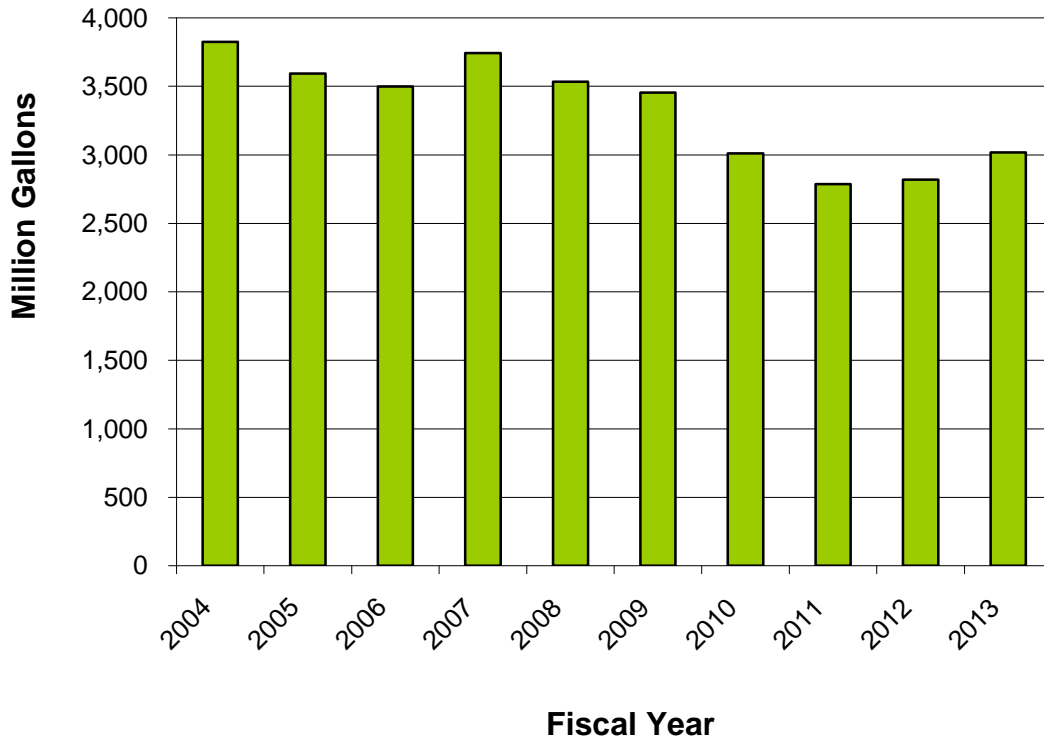
(1) Includes interest income and realized and unrealized gains and losses on investments.

Source: North Marin Water District Audited Financial Statements

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

Schedule 5

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



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

Source: Novato Water District Billing System

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

Schedule 6

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

Source: North Marin Water District - Finance Department

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

Schedule 7

Bimonthly Service Charge

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

Water Use Rate (per 1,000 Gallons)

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

Notes:

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

Source: North Marin Water approved rates

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

Schedule 8

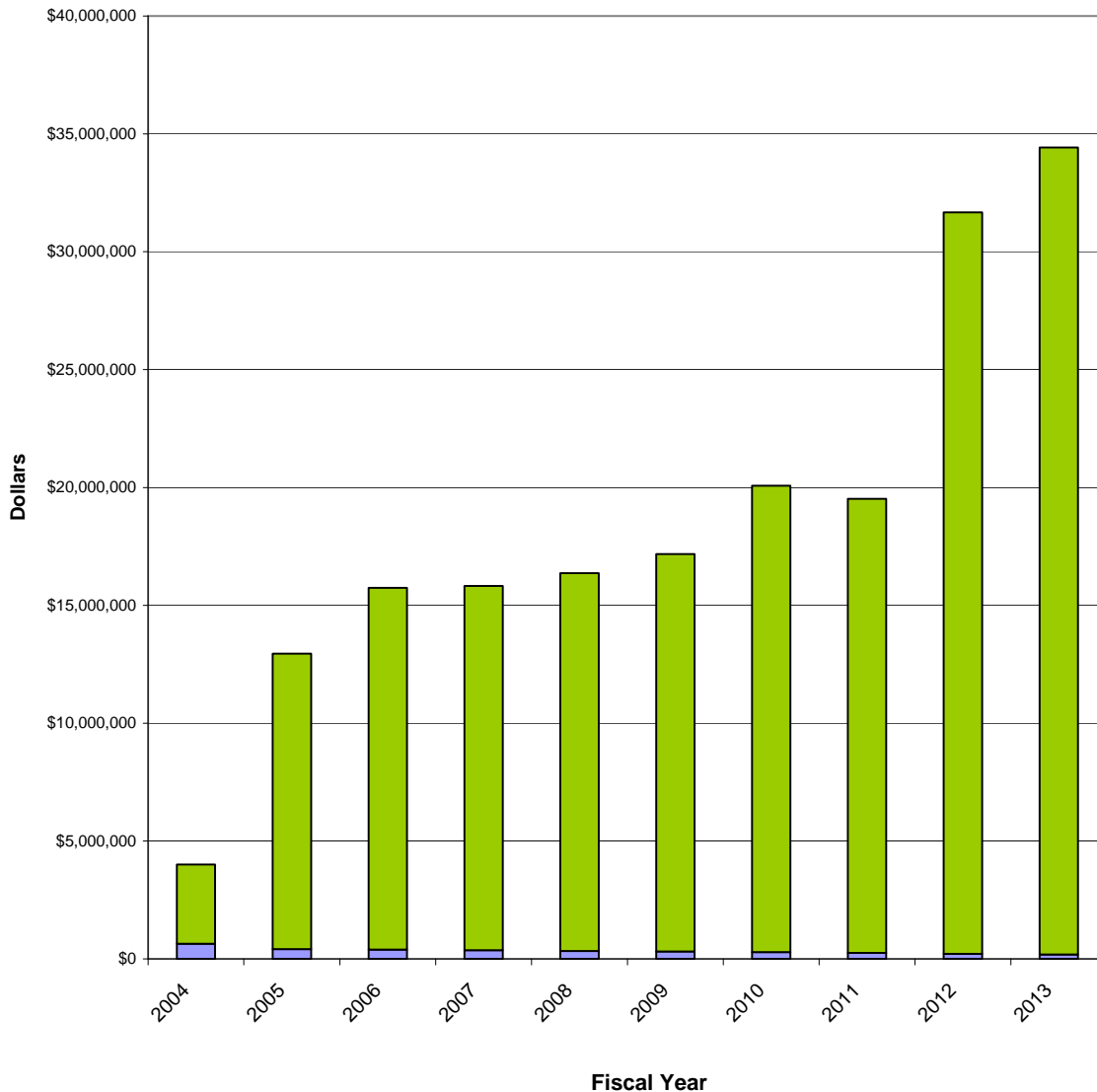
	FY 2012/13	% of Total	FY 2002/03	% of Total
1	City of Novato	2.2%	Coast Guard Spanish Housing	2.0%
2	Novato Unified School District	1.8%	Novato Unified School District	1.7%
3	StoneTree Golf Course	1.6%	City of Novato	1.5%
4	Fireman's Fund	0.9%	StoneTree Golf Course	1.2%
5	Coast Guard Spanish Housing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

Source : NMWD Billing System

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

Schedule 9

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



Source: North Marin Water District Audited Financial Statements

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

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

Schedule 10

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

Notes:

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

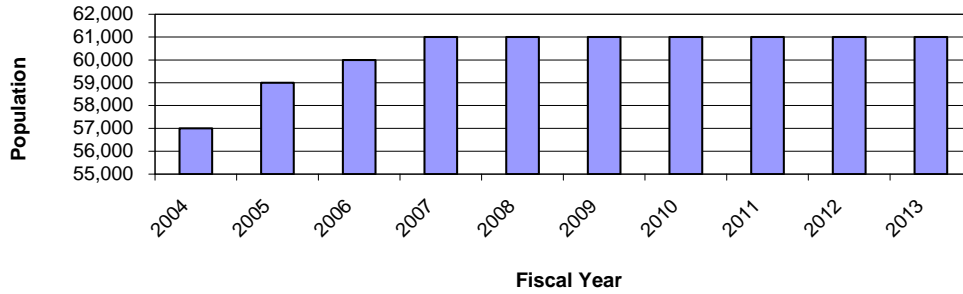
Source: North Marin Water District Audited Financial Statements

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

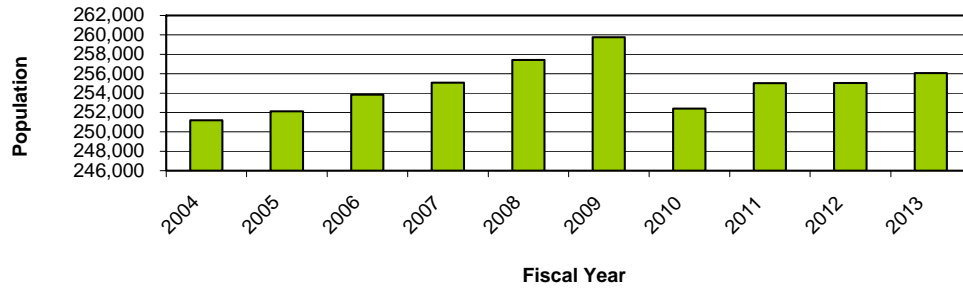
Schedule 11

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

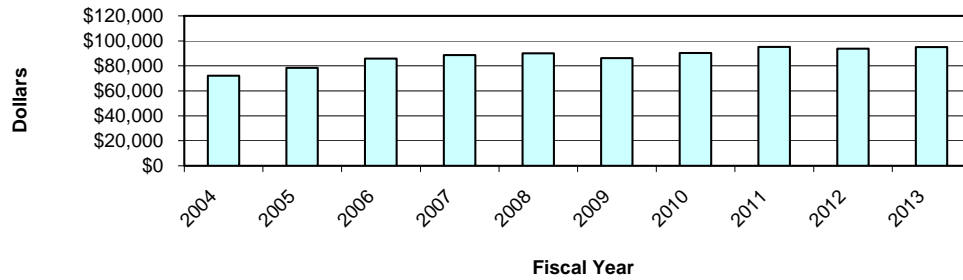
Population - Novato



Population - Marin County



Personal Income per Capita - Marin County



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

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

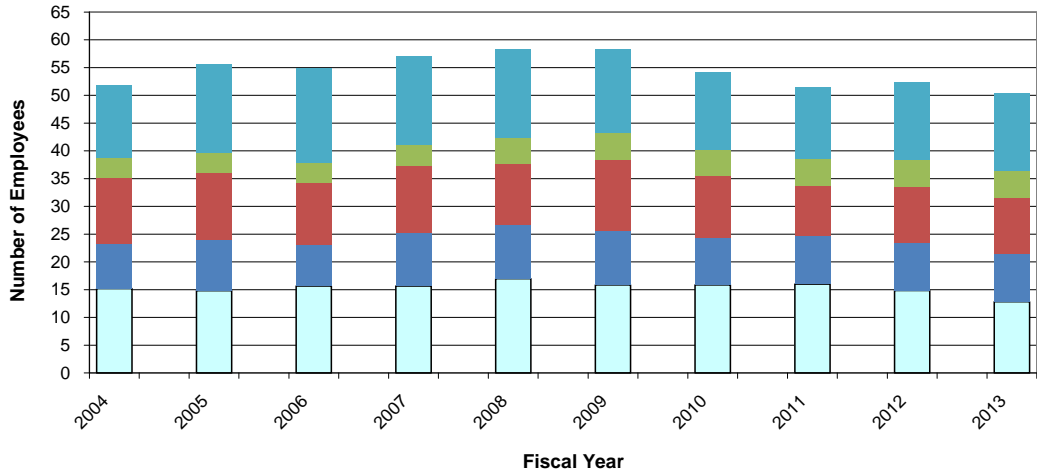
FY 2012/2013			FY 2003/2004		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 Novato Unified School District	800	3.04%	Fireman's Fund	1400	5.81%
2 Fireman's Fund	736	2.80%	Novato Unified School District	860	3.57%
3 BioMarin Pharamaceutical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

Source: City of Novato

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

Schedule 13

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



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

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

Schedule 14

Other Operating and Capacity Indicators

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

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance



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

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Marin Water District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

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