



NORTH MARIN WATER DISTRICT
AGENDA - REGULAR MEETING
 October 3, 2017 – 7:00 p.m.
 District Headquarters
 999 Rush Creek Place
 Novato, California

Information about and copies of supporting materials on agenda items are available for public review at 999 Rush Creek Place, Novato, at the Reception Desk, or by calling the District Secretary at (415) 897-4133. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.

Est. Time 7:00 p.m.	Item	Subject
		CALL TO ORDER
	1.	APPROVE MINUTES FROM REGULAR MEETING , September 19, 2017
	2.	GENERAL MANAGER'S REPORT
	3.	OPEN TIME: (Please observe a three-minute time limit) This section of the agenda is provided so that the public may express comments on any issues not listed on the agenda that are of interest to the public and within the jurisdiction of the North Marin Water District. When comments are made about matters not on the agenda, Board members can ask questions for clarification, respond to statements or questions from members of the public, refer a matter to staff, or direct staff to place a matter of business on a future agenda. The public may also express comments on agenda items at the time of Board consideration.
	4.	STAFF/DIRECTORS REPORTS
		CONSENT CALENDAR The General Manager has reviewed the following items. To his knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.
	5.	Consent – Approve: Auditor-Controller's Statement of Investment Policy
	6.	Consent - Approve: Amend the 2017 General Consulting Services Agreement with ESA
		ACTION CALENDAR
	7.	Consider: Additional: Bill Adjustment - 265 Saddlewood Drive
	8.	Approve: Presentation and Acceptance of Outside Auditor's 2017 Report And Management Report
	9.	Approve: Solicitation of Successor to Auditor-Controller and Budget Augmentation
	10.	Approve: Recycled Water Central Project – East: Approve Construction Contingency Ceiling Increase
	11.	Consider: Adopting Statement of Benefits to North Marin Water District from Proposed Flood Control Parcel Tax for Novato
		INFORMATION ITEMS
	12.	Center Road Construction and Contracting Update
	13.	NBWRA Meeting – August 28, 2017

All times are approximate and for reference only.

The Board of Directors may consider an item at a different time than set forth herein.

(Continued)

Est. Time	Item	Subject
	14.	MISCELLANEOUS Disbursements Salinity Notices Notice of Public Scoping Session Marin LAFCO Public Hearing Notice <u>News Articles:</u> Novato pledges to switch to 100 clean energy by 2050 Marin IJ Editorial: Novato is right to take a look at hotel limits Novato residents get their hands dirty fixing up Hamilton SMART station
8:15 p.m.	15.	ADJOURNMENT

1

DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
September 19, 2017

CALL TO ORDER

President Petterle called the regular meeting of the Board of Directors of North Marin Water District to order at 7:00 p.m. at the District Headquarters and the agenda was accepted as presented. Present were Directors Rick Fraites, James Grossi, Michael Joly, and Stephen Petterle. Also present were General Manager Drew McIntyre, District Secretary Katie Young, Auditor-Controller David Bentley and Chief Engineer Rocky Vogler. Director Jack Baker was absent.

The Covello Group employee J.D. Bronson, District employees Pablo Ramudo (Water Quality Supervisor), Robert Clark (Maintenance/Operations Superintendent) and Tony Arendell (Construction/Maintenance Superintendent) were in the audience.

CLOSED SESSION

President Petterle adjourned the Board into closed session at 7:01 p.m. in accordance with Government Code Section 54957 for Public Employment, Titles: Auditor-Controller.

OPEN SESSION

Upon returning to regular session at 7:17 p.m., President Petterle stated that during the closed session the Board had discussed the issue and no reportable action had been taken.

MINUTES

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

AYES: Directors Fraites, Grossi, Joly, and Petterle

NOES: None

ABSENT: Director Baker

GENERAL MANAGER'S REPORT

Point Reyes Coast Guard Housing Project

Mr. McIntyre updated the Board of the first working group meeting he is participating in with the County to discuss the Point Reyes Coast Guard Housing conversion into affordable housing. He has expressed the District's interest in obtaining additional property for the treatment plant as well as protecting water quality for the District's on-site wells.

1 Rotary Presentation

2 Mr. McIntyre informed the Board that on Friday he will be giving a presentation to the Novato
3 Rotary Club on the Recycled Water Central Service Area Expansion project.

4 Potter Valley Project Workshop

5 Mr. McIntyre informed the Board that he will be attending another PVP workshop on Sept
6 26th held by FERC in Ukiah.

7 **OPEN TIME**

8 President Petterle asked if anyone in the audience wished to bring up an item not on the
9 agenda and there was no response.

10 **STAFF/DIRECTORS REPORTS**

11 President Petterle asked if staff or Directors wished to bring up an item not on the agenda
12 and the following item was discussed:

13 Tony Arendell informed the Board that the City of Novato and CalTrans are working together
14 under a Flood Control Permit to clear out the vegetation that is in Rush Creek behind the District to
15 help reduce future flooding.

16 **PUBLIC HEARING – CONSIDER PROPOSED REVISIONS TO WATER CONSERVATION**
17 **RESOLUTIONS AND REGULATIONS**

18 Mr. McIntyre advised the Board that a public hearing was scheduled to consider the
19 proposed revisions to Regulations 15 & 17 and Resolutions 14-18 and 15-03. He stated that the
20 reasons for these revisions are in order to align with the State's development of permanent
21 prohibitions on wasteful use of water.

22 The public hearing was open at 7:24 p.m. hearing no public comment, the hearing was
23 immediately closed.

24 On Motion Of Director Fraites, Seconded By Director Joly, the Board approved the Third
25 Revised Resolution #14-18 entitled: Resolution Of The Board Of Directors Of The North Marin
26 Water District Implementing The State Water Resources Control Board's Mandate On Urban Water
27 Suppliers To Activate Mandatory Restrictions On Water Use and, Second Revised Resolution #15-
28 04 entitled: Resolution Of The Board Of Directors Of The North Marin Water District Implementing
29 The State Water Resources Control Board's Mandate On Urban Water Suppliers To Activate
30 Mandatory Restrictions On Water Use, Revised Regulation 15 entitled: Water Conservation -

Novato Service Area and Revised Regulation 17 entitled: Water Conservation - West Marin Service Area To Comply With The Executive And State Board Orders In 2017 by the following vote:

AYES: Directors Fraites, Grossi, Joly, and Petterle

NOES: None

ABSENT: Director Baker

MONTHLY PROGRESS REPORT

Mr. McIntyre provided the Board with the Monthly Progress Report for August. Water production was up 4% compared to last year in the Novato service area and up 19% in the West Marin service area. He stated that in Oceana Marin, pond freeboard levels remain good. He advised the board that the Summary of Complaints and Service Orders tracked similar to last year.

Mr. Bentley provided the Board with the Monthly Report of Investments stating that the cash balance at the end of August is \$11.3M in and the weighted average portfolio rate was 1.01%.

CONSENT CALENDAR

On the motion of Director Fraites, seconded by Director Grossi the Board approved the following items on the consent calendar by the following vote:

AYES: Directors Fraites, Grossi, Joly, and Petterle

NOES: None

ABSENT: Director Baker

1305 GRANT AVE – FIRE SERVICE

The Board approved a Fire Service for 1305 Grant Ave. New water facilities required include 5 feet of 4-inch PVC main, 5 feet of steel main, and one 4-inch fire service.

RECRUITMENT FIRM AGREEMENT

The Board approved an agreement with Ralph Anderson and Associates to recruit a successor for the Auditor-Controller position, as David plans to retire in May 2018, for a fee not-to-exceed \$27,500.

SALARY SCHEDULE REVISION

The Board approved a Salary Schedule Revision to be effective October 1, 2017. The SF Bay Area Urban Consumers Price Index (CIP-U) increased 3% over the past 12 months. In accordance with the MOU with the Employee Association, employees will receive a cost of living adjustment equal to the percentage change in the CPI-U, less 0.3%, calculating to 2.7%.

1 **ACTION CALENDAR**

2 **AMEND THE 2017 GENERAL CONSULTING SERVICES AGREEMENT WITH GHD**

3 Mr. Vogler requested that the Board amend the 2017 General Consulting Services
4 Agreement with GHD in order to provide engineering services to complete CALOES/FEMA grant
5 funding applications for projects in Oceana Marin that mitigate future damage due to
6 storms/disasters. He explained to the Board that CALOES in conjunction with FEMA have a grant
7 program to provide funding to approved agencies to make repairs and or mitigate future damage.
8 Mr. Vogler explained that the application process is onerous and needs to be strategized so the
9 District receives that most amount of grant money possible. He stated that after speaking with GHD,
10 staff has decided to apply for the top two projects that are needed the most, the Oceana Marin
11 Force Main and Lift Station Upgrade and the Oceana Marin Treatment Pond Rehab. He informed
12 the Board that GHD specialized in benefit cost analysis and environmental issues and would be able
13 to help the District submit the final application by November 1st deadline. He noted that each
14 application will require roughly \$23K in services from GHD.

15 Director Grossi asked how successful staff thinks it will be in obtaining the grant money.

16 Mr. Vogler stated that he believes it's of value to spend the money on the application but
17 there is no guarantee.

18 Mr. McIntyre reminded the Board of the 2015 Master Plan that was completed by Nute
19 Engineering stating over \$3M worth of improvements are needed in Oceana Marin and that he has
20 conveyed to the homeowners that the District would do all that it could to be successful obtaining
21 grants.

22 On motion of Director Joly, seconded by Director Grossi, the Board authorized the General
23 Manager to amend the general consulting services agreement in the additional amount of \$32,000
24 by the following vote:

25 AYES: Directors Fraites, Grossi, Joly, and Petterle

26 NOES: None

27 ABSENT: Director Baker

28 **WATER MASTER PLAN HYDRAULIC MODELING AND CIP DEVELOPMENT –**
29 **KENNEDY/JENKS CONSULTANTS**

30 Mr. Vogler requested that the Board consider an agreement with Kennedy/Jenks
31 Consultants for preparation of a consolidated hydraulic model for the Novato Service Area and other

1 assistance with development of the 2017 Master Plan. He reminded the Board of the consulting
2 service agreement with SoftResources that was approved at the last Board meeting and stated that
3 this agreement compliments with the SoftResources work. He advised the Board that the GIS
4 system for the Novato area has now been completed, and can be leveraged to build a new
5 consolidated hydraulic model of the entire Novato water system. He stated that the proposed model
6 will contain all of the pipes, storage tanks and pump stations to more fully understand the hydraulic
7 interaction between various pressure zones under varying demand conditions as well as
8 incorporating important information like pipe age and material in an effort to develop a
9 comprehensive CIP that is targeted and makes best use of District funding for capital projects.

10 On motion of Director Fraites, seconded by Director Grossi the Board authorized the
11 General Manager to execute an agreement with Kennedy/Jenks Consultants for preparation of a
12 consolidated model of the Novato Service Area water model and assistance with development of the
13 2017 Master Plan for a not to exceed fee of \$80,000 plus a contingency of \$10,000 by the following
14 vote:

15 AYES: Directors Fraites, Grossi, Joly, and Petterle

16 NOES: None

17 ABSENT: Director Baker

18 **INFORMATION ITEMS**

19 **RECYCLED WATER CENTRAL EXPANSION UPDATE NO. 3**

20 J.D. Bronson, The Covello Group, provided the Board with the Recycled Water Central
21 Expansion update.

22 **FY 17 – OPERATIONS/MAINTENANCE YEAR END REPORT**

23 Mr. Clark provided the Board with the FY17 Operations/Maintenance Year End Report. He
24 stated that employees received confined space training and major maintenance projects during the
25 winter shutdown at the Stafford Treatment Plant included the rebuild of the sludge dewatering
26 equipment and removal and repair of the underdrain on Filter Number 2. He advised the Board that
27 the spring production season began March 15, 2017 and production for the spring and early
28 summer resulted in 341 MG of treated water and with the fall production of 415 MG, a total fiscal
29 year production of 756 MG was achieved versus the District goal was 750 MG. He stated that
30 Recycled water total production for the period was 61.4 MG, up 15% from the April-June period last
31 year and operation of the Deer Island Recycled Water plant began in August. He advised the Board
32 that Electrical / Mechanical staff will have two of the senior members retire within the next eight

1 months. Mr. Clark informed the Board that during the District's annual training for local third-party
2 plumbing / backflow testing, contractors were invited to submit proposals to perform annual device
3 testing services; three have been chosen to perform work this summer on testing backflow devices
4 in batches of 100. He noted that the District has 2300 backflow devices with a goal to complete
5 annual tests each year and that for various reasons, 148 tests were not completed this year. Mr.
6 Clark advised the Board that staff completed the exterior painting of the 25 Giacomini residence.

7 **FOURTH QUARTER FY 17 – WATER QUALITY QUARTERLY REPORT W/ QUARTERLY**
8 **BACTERIOLOGICAL MONITORING REPORT**

9 Pablo Ramudo provided the Board with the Fourth Quarter FY16/17 Water Quality Report.
10 He stated that there was dramatic change in raw water quality with recorded low levels of total
11 organic carbon. He advised that in the Novato service area of the 242 routine samples collected for
12 compliance with the Total Coliform Rule, there was one coliform positive sample this quarter from
13 the sample station representing the zone served by the Eagle Drive hydropneumatic tanks. He
14 noted that chlorine in this sample was adequate and three follow-up samples showed no presence
15 of coliform bacteria. He stated that chlorine residual concentrations throughout our distribution
16 system were good and average disinfection by-product concentrations were moderate and within
17 standards.

18 Mr. Ramudo advised the Board that in the West Marin service area raw water quality was
19 good throughout quarter and levels of constituents associated with salt water intrusion were
20 moderate throughout the quarter; these constituents were present in higher concentrations in Point
21 Reyes Well 2 than in Well 4 causing reporting to the local newspaper. He stated that of the 23
22 routine samples collected for compliance with the Total Coliform Rule, there were no coliform
23 positive samples this quarter and Chlorine residual concentrations throughout our distribution
24 system were good.

25 Director Joly asked if staff thought Gallagher Well would be running soon. Mr. Ramudo
26 replied that staff expects to have Gallagher Well running sometime in the next week or two.

27 **DRAFT BOARD OF DIRECTORS MANUAL (POLICY NO. 14)**

28 Mrs. Young provided the Board with a draft of the Board of Directors Manual (Policy No. 14)
29 for their review and requested that comments to be returned to her or Mr. McIntyre by October 11th
30 for final acceptance at the October 17th meeting.

1 **STAFFORD TREATMENT PLANT CHLORINE GAS INCIDENT REVIEW**

2 Robert Clark provided the Board with a review of the Stafford Treatment Plant Chlorine Gas
3 Incident. He advised the Board that the treatment plant experienced a minor chlorine gas leak within
4 the sealed storage room at the plant. On-site staff initiated immediate action to stop the leak, and
5 contacted the Marin County Fire Department and Novato Fire Protection District per NMWD's
6 emergency operations protocol. Mr. Clark applauded his staff and the local emergency responders
7 for their quick and expert actions in resolving this incident.

8 Director Joly asked if the traffic was shut down to the golf course. Mr. McIntyre responded
9 that it was shut down from 5:30 p.m. to almost 6:30 p.m.

10 Director Petterle requested that the Board be informed as soon as possible with
11 accidents/incidents so they are aware what to discuss with the public.

12 Director Grossi asked if the vendor was responsible for the leak. Mr. Clark responded that
13 the vendor owes the District an explanation of why the cylinder valve malfunctioned.

14 **FY17 RESIDENTIAL CONSUMPTION STATUS REPORT**

15 Mr. Bentley provided the Board with the FY17 Residential Consumption Status Report. He
16 provided the Board with the history of the tier rate structure which has proven to be the most
17 effective water conservation tool the District has implemented.

18 **NBWA MEETING – SEPTEMBER 8, 2017**

19 Director Fraites provided a short summary of the North Bay Water Association Meeting held
20 on September 8th. He noted that the Russian River Water Supply Fish Ladder tour is coming up on
21 October 6th and anyone interested in attending should sign-up on the NBWA website.

22 **MISCELLANEOUS**

23 The Board received the following miscellaneous items: Disbursements, Status Report – New
24 Answering Service, 2018 Medical Plan Cost Increase, and Salinity Notices.

25 The Board also received the following news articles: SB623 Becomes 2 year bill, County
26 forms Coast Guard working groups, Highway 37 toll floated to hasten flood fixes, repairs', Chlorine
27 gas leak at Novato water treatment plant contained, and Novato voters to consider flood protection
28 tax.

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MEMORANDUM

To: Board of Directors

September 29, 2017

From: David L. Bentley, Auditor-Controller

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

\\nmwdsrv1\administration\aclword\invest\18\policy memo 2018.docx

RECOMMENDED ACTION: Approve the Investment Policy as Presented.**FINANCIAL IMPACT:** None

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

NORTH MARIN WATER DISTRICT STATEMENT OF INVESTMENT POLICY

- 1) Investment of sinking fund or reserve money of the North Marin Water District shall be made in securities in which North Marin Water District is legally empowered to invest such funds in accordance with Section 53601 of the Government Code, taking into consideration the probable income as well as the probable safety of said funds, exercising the judgment and care, under the circumstances then prevailing, which individuals of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of said funds.
- 2) As far as possible, all money shall be deposited for safekeeping in financial institutions insured by the Federal Deposit Insurance Corporation or may be invested as provided in Section 53635 of the Government Code, pertaining to local agency pooled money investments.
- 3) Money may be invested in the Local Agency Investment Fund in accordance with Section 16429.1 of the Government Code.
- 4) A minimum of 20% of the District's investment portfolio shall remain liquid (i.e., in demand deposit accounts or equivalent) at all times. In addition, the weighted average life of the portfolio shall not exceed 2½ years.
- 5) No investments shall be made in financial futures or financial option contracts that are otherwise allowed pursuant to Section 53601.1 of the Government Code.
- 6) Interest earned through investment of the pooled District treasury shall be credited to the various water, sewer, and reserve account funds in direct proportion to their percentage of the total District treasury.
- 7) Accounts shall be maintained in North Marin Water District accounting records to record the reserve and inactive funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the Government Code.
- 8) Reserve fund account balances shall be maintained separately and shall reflect at all times the balance in each reserve fund in a manner consistent with generally accepted accounting practices.
- 9) Depositories having custody of North Marin Water District funds shall be directed to forward copies of all correspondence concerning North Marin Water District funds to the Auditor-Controller of North Marin Water District. In the Auditor-Controller's absence, the General Manager of the District shall serve as Treasurer. In addition to the Auditor-Controller, the General Manager and a Senior Accountant shall be signatories on all investment accounts maintained by the District. Banking Institutions shall require authorization from two signatories to execute any non-recurring wire transfer.

September 29, 2017

Approved by GM



Date

9/29/17

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

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

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

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

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

RECOMMENDATION

Approve the Investment Policy as presented.

6

MEMORANDUM

To: Board of Directors September 29, 2017
From: Rocky Vogler, Chief Engineer *RV*
Subject: Amend Contract with Environmental Science Associates (ESA) – General Consulting Services Agreement

R:\NON JOB No ISSUES\Consultants\ESA\Agmt_BOD Memos\Amend ESA Env Mon Servs BOD memo 10-03-17.doc

RECOMMENDED ACTION: That the Board authorize the General Manager to amend the General Consulting Services Agreement with ESA

FINANCIAL IMPACT: Additional \$16,000 (no budget augmentation required)

Central Service Area Environmental Monitoring Services

On September 20, 2016, the Board approved a \$30,000 general services consulting agreement with ESA to ensure proper implementation of the various mitigation measures during the construction phase of the Recycled Water Central Service Area Expansion project. In accordance with the NBWRA EIR, North Marin Water District is responsible for providing the required project monitoring, and has contracted with ESA to obtain these services. Since construction began on the Central Recycled Water project, additional tasks were required to support the District's permitting, monitoring and implementation requirements including:

- State Lands Commission Permit Support
- Review and Monitoring of Rowland Way Bridge Swallow Nest Management
- Arborist Report for Redwood Blvd. Bike Path
- Pipeline Construction Monitoring

Construction of the Central Recycled Water project for the East and West phases is substantially complete. It is anticipated that the remaining phases of the Central Recycled Water project including the Highway 101 Crossing, Norman Tank and Private On-Site Retrofits will not require additional services provided by ESA.

RECOMMENDATION

That the Board authorize General Manager to amend the general consulting services agreement in the amount of \$16,000.

Approved by GM *RV*

Date 9/29/17

7

MEMORANDUM

To: Board of Directors
 From: David L. Bentley, Auditor/Controller
 Subj: Request for Bill Adjustment – 265 Saddlewood Dr.
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September 29, 2017

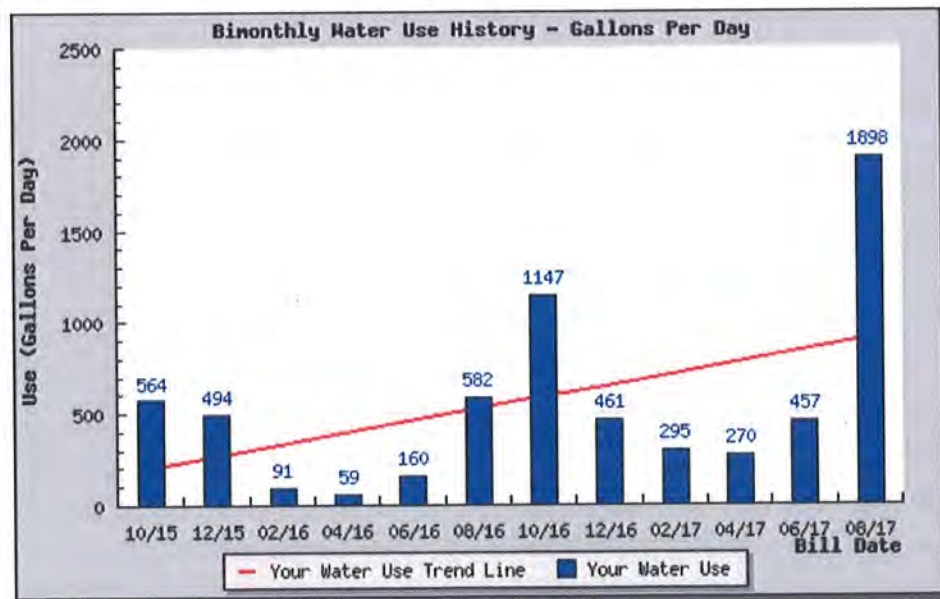
RECOMMENDED ACTION: Deny**FINANCIAL IMPACT:** None

Ms. Jean Harris, 265 Saddlewood Drive, has requested a bill adjustment for her \$944 August water bill. Ms. Harris received a \$174 bill adjustment for her October 2016 bill when she incurred an irrigation leak. In July, Ms. Harris incurred a leak in her pool fill-valve, a toilet overflow, and two irrigation leaks. Under Board Policy, one adjustment is allowed in any consecutive 24-month period.

Ms. Harris would like to address the Board concerning the Bill Adjustment Policy. She said that she could not find the policy on the District's website. Board policies are not on the website, but the bill adjustment policy, including the 2-year limitation, is explained on the website under Frequently Asked Questions, and staff emailed a link to her.

Board options to consider:

- 1) Allow an additional bill adjustment (\$495 credit);
- 2) Eliminate the tier charges from the August bill (\$275 credit);
- 3) Deny any additional bill adjustment.

**RECOMMENDATION:**

To be consistent with treatment of other customers, staff recommends option 3.

8/31/2017

North Marin Water Board

Dear Group,

I would like to meet and discuss the recent leaks and damage done on my property.

I am requesting to be placed on your first meeting in October.

Thank you,

Jean Harris

Account # 1990502

jharrisj@comcast.net

(415) 958-5065
265 Saddlewood

RECEIVED

SEP 05 2017

North Marin Water District

NORTH MARIN WATER DISTRICT

POLICY: BILL ADJUSTMENT POLICY
POLICY NUMBER: 2

Original Date: February 7, 1967
Last Reviewed: 04/18/17
Last Revised: 04/18/17

In the event water use (measured in 1,000 gallon units) for the disputed bill is in excess of one and one-half times the normal seasonal bimonthly use as solely determined by the District, and there is no evidence that the excess water use was due to the willful act or negligence of the consumer or the consumer's agent(s), the District will credit the consumer's account for the difference between the dollar amount of the disputed bill and the dollar amount of the normal bill (calculated as normal seasonal bimonthly use at current quantity rates) less one-half of the excess use at the base rate pursuant to NMWD Regulation 54.

$$\text{Credit} = \text{Disputed Bill Amount} - \text{Normal Bill Amount} - (0.5 \times \text{Excess Use} \times \text{Base Rate})$$


In the event the excess use encompasses two consecutive bimonthly billing periods, such bi-period rate adjustment will be separately applied to each such billing period provided the water use in each bimonthly period exceeds one and one-half times the normal seasonal bimonthly use for said period as determined by the District. Consideration of an adjustment pursuant to this policy shall be allowed only once in any consecutive 24-month period. Consumers requesting a bill adjustment must allow District staff to complete a residential water use survey before any bill adjustment is given. The District General Manager, or designee, may grant exemptions to this requirement should staff be unavailable to perform the survey in a timely manner.

04/17

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8

MEMORANDUM

To: Board of Directors
From: Dianne Landeros, Accounting/HR Supervisor 
Subject: Accept – Outside Auditor's FY17 Report and Management Report
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September 29, 2017

RECOMMENDED ACTION: Accept FY17 Financial Report and Management Letter

FINANCIAL IMPACT: None with this Review. Annual Audit Cost is \$16,570.

Chris Brown of Fedak & Brown LLP will attend the meeting to present the Comprehensive Annual Financial Report (CAFR) (Attachment 1) and the Management Report (Attachment 2).

The key statement in the Independent Auditor's Report found on page 8 is that: "In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the North Marin Water District as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America." This "unmodified opinion" is the best, or highest, opinion that an outside auditor can render on an entity's financial statements.

The Management Report (Attachment 2) states that the auditor did not identify any deficiencies in the District's internal control that might result in material misstatement of the District's financial position. For the ninth year running the independent auditor did not have any comments or recommendations regarding internal controls.

This year the District had two prior period adjustments, resulting in restatement of FY16 net income. The first adjustment pertained to a Sonoma County Water Agency (SCWA) invoice received in September 2016 for additional purchased water cost arising from SCWA metering errors during FY16 (\$247,077). The second adjustment pertained to a Novato Sanitary District (NSD) invoice received in February 2017 for NSD's recycled water plant electric charges for fiscal years 2012-2016 (\$39,672), for which NMWD reimburses NSD. Both adjustments increased purchased water cost and thus FY16 Source of Supply expense was restated, reducing FY16 net income to \$91,719.

Accounting adjustments in three areas were made by staff after submitting the ledger to the outside auditor and are disclosed on the last four pages of the Management Report.

- 1) An increase of accrued water sales revenue of \$108,072;
- 2) A GASB 45 increase in retiree medical expense of \$120,987;
- 3) A GASB 68 increase in pension expense of \$719,752 and an increase in the Pension Liability of \$2,420,952, to \$11,040,789.

Staff has reviewed the audited financial report and finds it acceptable.

RECOMMENDATION

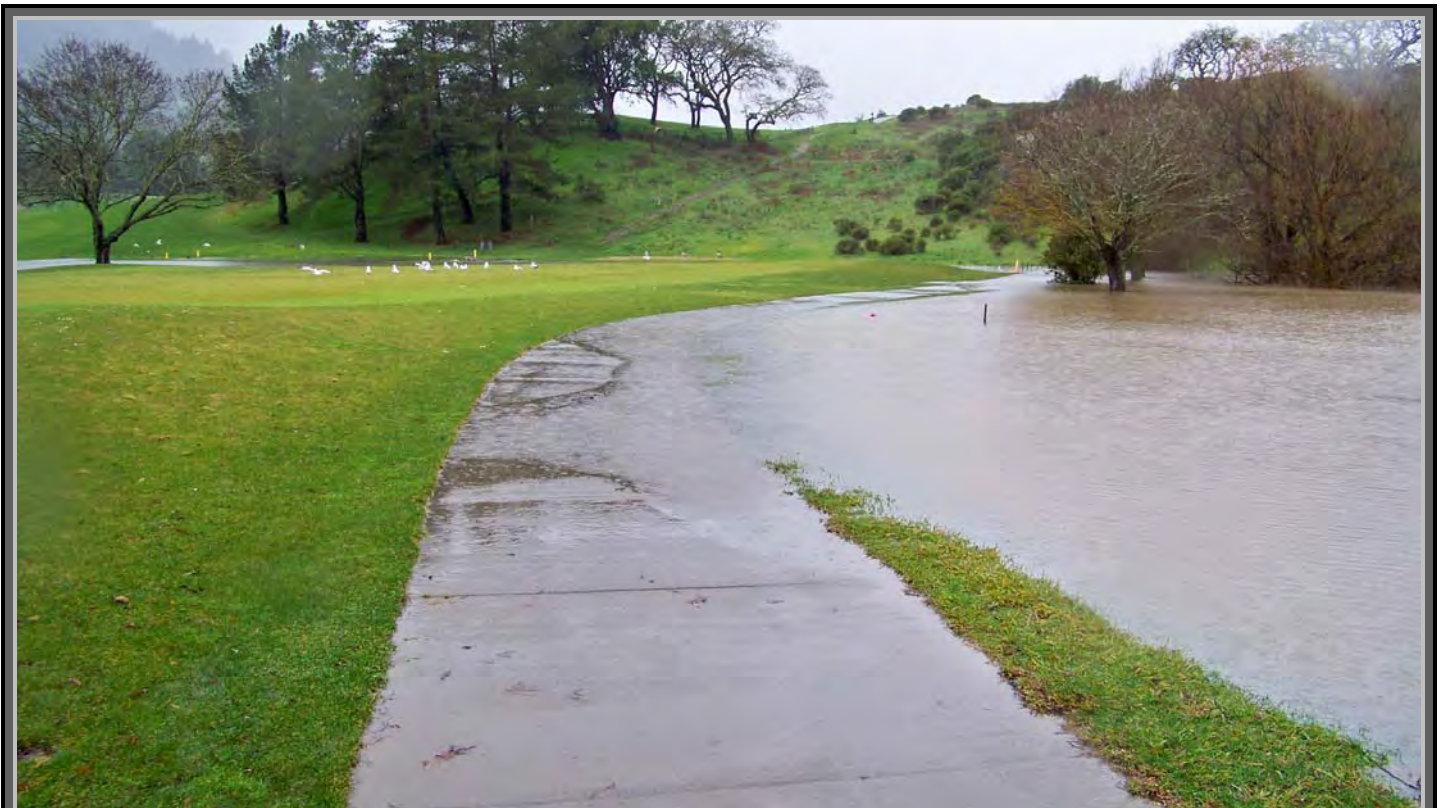
Accept the Outside Auditor's FY17 Financial Report and Management Letter.



NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report For the Fiscal Years Ended June 30, 2017 and 2016





NORTH MARIN WATER DISTRICT

Name	Title	Elected/ Appointed	Current Term
Stephen Petterle	President	Elected	12/15 - 12/19
Rick Fraites	Vice-President	Elected	12/13 - 12/17
Jack Baker	Director	Elected	12/15 - 12/19
James Grossi	Director	Appointed	08/17 - 12/18
Michael Joly	Director	Appointed	02/17 - 12/17

**Drew McIntyre, 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, 2017 and 2016

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, 2017 and 2016**

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Introductory Section



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October 3, 2017

Board of Directors
North Marin Water District

It is our pleasure to submit the Annual Financial Report for the North Marin Water District (District) for the fiscal years ended June 30, 2017 and 2016, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared the data incorporated in 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 on page 10 of this report.

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The 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. As of June 30, 2017, the District employed 54 (53.7 full-time equivalent) employees, some of whom are part-time, plus a small cadre of temporary and seasonal employees as the workload dictates. There were 21 office positions and 33 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 20,544 potable water service connections and 47 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 780 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 231 service connections.

District Services, continued

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 Novato 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 1.7 billion gallons of water in both fiscal years 2017 and 2016 from the Agency.

Economic Condition, Outlook and Major Initiatives

The District 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 operated by the Agency typically provides 80% of Novato's water supply. Novato rainfall in fiscal year 2017 totaled 43.2", which was about 160% of the historical average annual rainfall. In fiscal year 2017 ample water was available in Lake Sonoma for fish, agriculture and urban use on the lower Russian River system and no restrictions on the Russian River water deliveries were imposed. North Marin's Stafford Lake water treatment plant produced 756 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 144 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 Russian River water production and delivery facilities (pumps and pipelines) to fulfill the Restructured Agreement contract requirements for increased Russian River water. The Agency is now focused on compliance with the Biological Opinion 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. The District has already achieved the SB7X-7 goal, but continues to strive to achieve more water conservation and development of recycled water to further stretch its local source of supply in future years.

A 5% rate increase for customers in the Novato service area was authorized by the Board of Director's effective June 1, 2017. At \$656 per year, the cost of water service for a typical Novato detached single-family home using 90,900 gallons of water per year remains a good value for Novato customers.

In West Marin, normal year water supply conditions existed on Lagunitas Creek.

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 2017 and 2016, 2,320 AF (756 MG) and 1,844 AF (601 MG), respectively, 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). Lake Mendocino's Coyote Dam impounds the Eel River diversions and winter runoff from the local watershed. Lake Sonoma's Warm Springs Dam impounds winter runoff from the Dry Creek and Warm Springs watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet the regions' water supply needs, which totaled 40,356 acre feet in fiscal year 2017. 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.

During the fiscal years 2017 and 2016, the District received 5,158 AF (1,681 MG) and 5,178 AF (1,687 MG), respectively, of Russian River water. The District has an agreement 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 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 Fedak and Brown LLP 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 eighth 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 2016 and 2015 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.

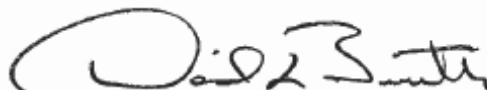
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for 2017.

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,



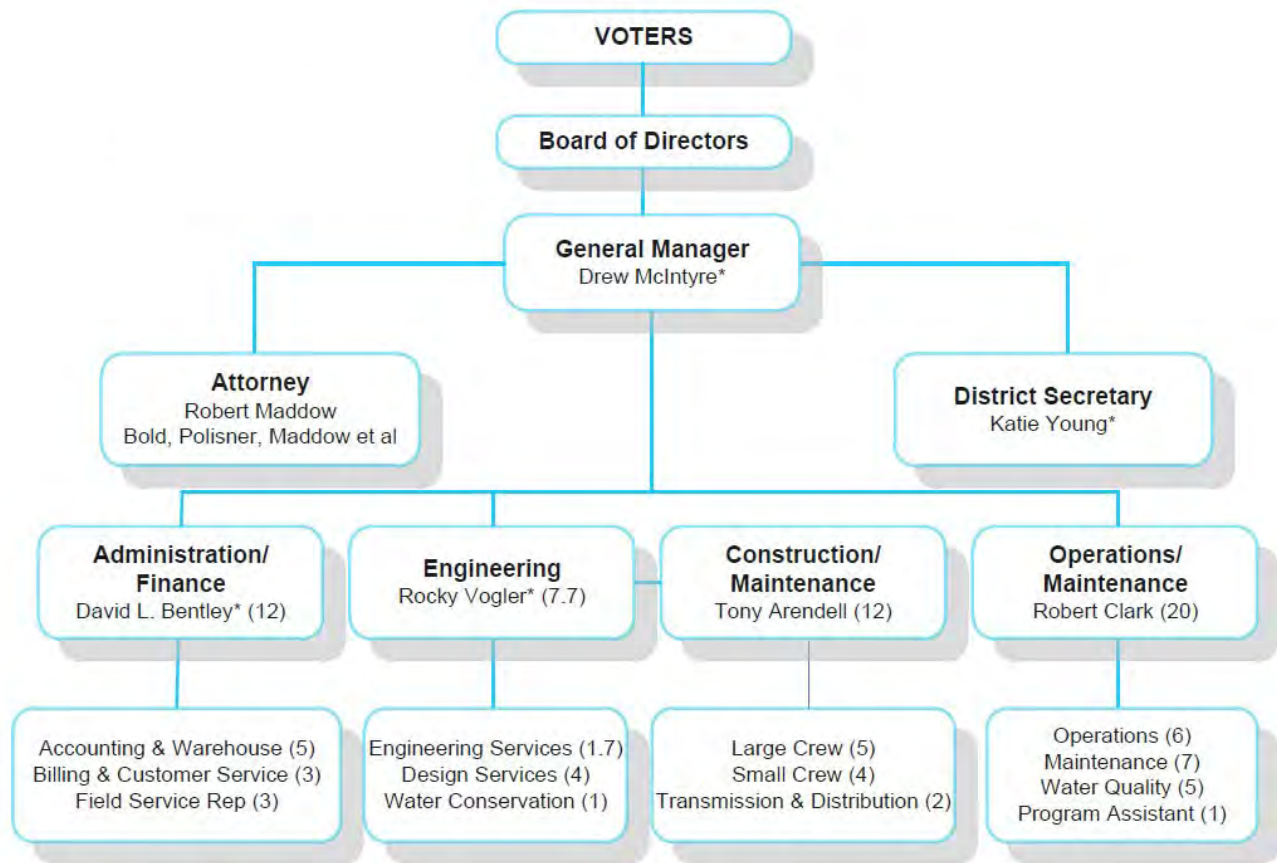
Drew McIntyre
General Manager



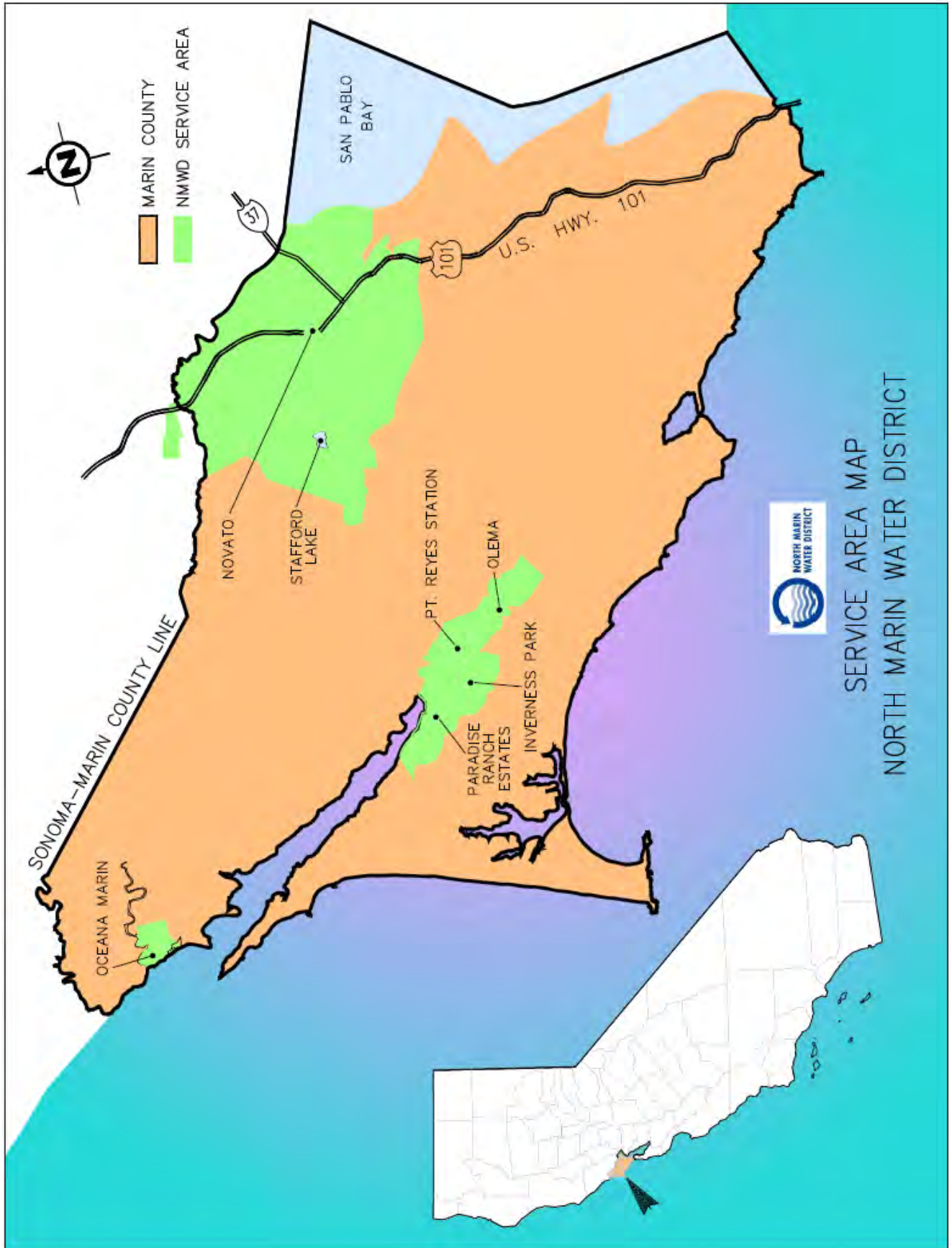
David L. Bentley
Auditor-Controller

North Marin Water District Organizational Chart

As of
June 30, 2017



* 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, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

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Financial Section

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, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits 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 opinions.

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, 2017 and 2016, 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.

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 pages 50 through 52 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.

Independent Auditor's Report, continued

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.

Emphasis of Matter

As described in note 13 to the financial statements, the District identified two separate billings from Sonoma County Water Agency and Novato Sanitary District which related to prior fiscal year periods. Both events required restatement to net position reported for the fiscal year ended June 30, 2016. Our opinion is not modified with respect to these matters.

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 53 through 56, and the statistical section on pages 57 through 72 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 October 3, 2017, 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 73 and 74.

Fedak & Brown LLP
Cypress, California
October 3, 2017

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

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, 2017 and 2016. 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 2017, the District's net position increased 12.5% or \$11,525,936 to \$103,911,972. In fiscal year 2016, the District's net position increased 4.8% or \$4,230,766 to \$92,386,036.
- In 2017, the District's operating revenues increased 7.4% or \$1,291,933 to \$18,703,476. In 2016, the District's operating revenues decreased 3.7% or \$669,774 to \$17,411,543.
- In 2017, the District's operating expenses before depreciation increased 10.2% or \$1,394,950 to \$15,099,687. In 2016, the District's operating expenses before depreciation increased 2.8% or \$379,079 to \$13,704,737.

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 the reader answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows 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.

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 deferred outflows of resources and liabilities and deferred inflows of resources – 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.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

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 49.

Statements of Net Position

Condensed Statements of Net Position					
	2017	As Restated 2016	Change	2015	Change
Assets:					
Current assets	\$ 16,343,722	16,176,379	167,343	10,041,136	6,135,243
Non-current assets	6,473,193	5,191,115	1,282,078	12,208,592	(7,017,477)
Capital assets, net	<u>128,580,395</u>	<u>114,175,642</u>	<u>14,404,753</u>	<u>111,476,381</u>	<u>2,699,261</u>
Total assets	<u>151,397,310</u>	<u>135,543,136</u>	<u>15,854,174</u>	<u>133,726,109</u>	<u>1,817,027</u>
Deferred outflows of resources	<u>2,931,861</u>	<u>1,354,255</u>	<u>1,577,606</u>	<u>757,200</u>	<u>597,055</u>
Liabilities:					
Current liabilities	6,429,846	5,046,758	1,383,088	6,152,006	(1,105,248)
Non-current liabilities	<u>43,331,998</u>	<u>38,657,853</u>	<u>4,674,145</u>	<u>37,994,023</u>	<u>663,830</u>
Total liabilities	<u>49,761,844</u>	<u>43,704,611</u>	<u>6,057,233</u>	<u>44,146,029</u>	<u>(441,418)</u>
Deferred inflows of resources	<u>655,355</u>	<u>806,744</u>	<u>(151,389)</u>	<u>2,182,010</u>	<u>(1,375,266)</u>
Net position:					
Net investment in capital assets	98,131,574	85,542,036	12,589,538	82,037,287	3,504,749
Restricted for capital projects and debt	2,140,681	2,122,980	17,701	2,170,429	(47,449)
Unrestricted	<u>3,639,717</u>	<u>4,721,020</u>	<u>(1,081,303)</u>	<u>3,947,554</u>	<u>773,466</u>
Total net position	<u>\$ 103,911,972</u>	<u>92,386,036</u>	<u>11,525,936</u>	<u>88,155,270</u>	<u>4,230,766</u>

* As Restated is as a result of prior period adjustments recognized. See Note 13 for further detail.

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 and deferred outflows of the District exceeded liabilities and deferred inflows by \$103,911,972 and \$92,386,036 as of June 30, 2017 and 2016, respectively.

By far the largest portion of the District's net position (94% and 93% as of June 30, 2017 and 2016, 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 2017 and 2016, the District showed a positive balance in its unrestricted net position of \$3,639,717 and \$4,721,020, respectively. See note 12 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 Fiscal Years Ended June 30, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>As Restated 2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 18,703,476	17,411,543	1,291,933	18,081,317	(669,774)
Non-operating revenue	505,230	501,176	4,054	425,399	75,777
Total revenue	<u>19,208,706</u>	<u>17,912,719</u>	<u>1,295,987</u>	<u>18,506,716</u>	<u>(593,997)</u>
Expense:					
Operating expense	15,099,687	13,704,737	1,394,950	13,325,658	379,079
Depreciation and amortization	3,416,411	3,286,353	130,058	3,183,725	102,628
Non-operating expense	810,060	829,910	(19,850)	946,811	(116,901)
Total expense	<u>19,326,158</u>	<u>17,821,000</u>	<u>1,505,158</u>	<u>17,456,194</u>	<u>364,806</u>
Net (expense)income before capital contributions	(117,452)	91,719	(209,171)	1,050,522	(958,803)
Capital contributions	<u>11,643,388</u>	<u>4,139,047</u>	<u>7,504,341</u>	<u>9,714,111</u>	<u>(5,575,064)</u>
Change in net position	11,525,936	4,230,766	7,295,170	10,764,633	(6,533,867)
Net position, beginning of year	<u>92,386,036</u>	<u>88,155,270</u>	<u>4,230,766</u>	<u>85,483,555</u>	<u>2,671,715</u>
Prior period adjustment	-	-	-	(8,092,918)	8,092,918
Net position, end of year	<u>\$ 103,911,972</u>	<u>92,386,036</u>	<u>11,525,936</u>	<u>88,155,270</u>	<u>4,230,766</u>

* As Restated is as a result of prior period adjustments recognized. See Note 13 for further detail.

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 12.5% or \$11,525,936 to \$103,911,972 which was due primarily to \$11,643,388 in capital contributions which was offset by a \$117,452 decrease from ongoing operations which included a \$771,842 increase for the recognition of GASB 68 for the third-year to related pension liability and deferred amounts. The increase in pension liability and deferred amounts were non-cash related adjustments. In fiscal year 2016, the District's net position increased 4.8% or \$4,230,766 to \$92,386,036 which was due primarily to \$4,139,047 in capital contributions and a \$378,468 increase from ongoing operations which included a \$775,044 increase for the recognition of GASB 68 for the second-year to related pension liability and deferred amounts. The increase in pension liability and deferred amounts were non-cash related adjustments.

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

In 2017, the District's operating revenues increased 7.4% or \$1,291,933 to \$18,703,476 due primarily to an increase in water consumption sales affected by the lifting of State drought emergency restrictions following a wet winter year. In 2016, the District's operating revenues decreased 3.7% or \$669,774 to \$17,411,543 due primarily to a decrease in water consumption sales affected by drought restrictions.

In 2017, the District's operating expenses before depreciation increased 10.2% or \$1,394,950 to \$15,099,687 due primarily to an increase of \$719,752 for the recognition of GASB 68 as noted above. Absent the pension adjustment, operating expenses increased 17.3% or \$335,358 in general and administrative, 4.5% or \$128,487 in transmission and distribution, 4.7% or \$98,434 in water treatment, 8.9% or \$71,274 in water facilities operations, 23.4% or \$65,888 in pumping expense, all of which were offset by a decrease of 10.9% or \$42,805 in water conservation expense. In 2016, the District's operating expenses before depreciation increased 2.8% or \$379,079 due primarily to increases of 15.6% or \$260,855 in general and administrative, 5.3% or \$144,122 in transmission and distribution and 3.9% or \$79,022 in water treatment, all of which were offset by decreases of 18.2% or \$86,879 in water conservation, 20.1% or \$70,752 in pumping expense, and 1.3% or \$58,822 in source of supply.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

Total District Revenues

	<u>2017</u>	<u>As Restated 2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 13,801,864	12,508,912	1,292,952	13,180,015	(671,103)
Monthly meter service charge	4,334,762	4,331,899	2,863	4,312,108	19,791
Sewer service charges	215,989	195,461	20,528	186,864	8,597
Other charges and services	350,861	375,271	(24,410)	402,330	(27,059)
Total operating revenues	<u>18,703,476</u>	<u>17,411,543</u>	<u>1,291,933</u>	<u>18,081,317</u>	<u>(669,774)</u>
Non-operating revenues:					
Property tax revenue	107,210	102,259	4,951	94,391	7,868
Investment earnings	129,347	80,661	48,686	86,011	(5,350)
Interest earnings from note – BPGL	39,419	44,417	(4,998)	49,296	(4,879)
Rental revenue	83,151	68,109	15,042	89,657	(21,548)
Other non-operating revenues	146,103	205,730	(59,627)	106,044	99,686
Total non-operating revenues	<u>505,230</u>	<u>501,176</u>	<u>4,054</u>	<u>425,399</u>	<u>75,777</u>
Total revenues	<u>\$ 19,208,706</u>	<u>17,912,719</u>	<u>1,295,987</u>	<u>18,506,716</u>	<u>(593,997)</u>

* As Restated is as a result of prior period adjustments recognized. See Note 13 for further detail.

In 2017 and 2016, total District revenues increased \$1,295,987 and decreased \$593,997, respectively.

Total District Expenses

	<u>2017</u>	<u>As Restated 2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Source of supply	\$ 4,579,359	4,565,833	13,526	4,624,655	(58,822)
Pumping	351,342	281,255	70,087	352,007	(70,752)
Water facilities operations	937,559	797,806	139,753	751,940	45,866
Water treatment	2,346,949	2,099,887	247,062	2,020,865	79,022
Transmission and distribution	3,223,237	2,871,290	351,947	2,727,168	144,122
Sewage collection and treatment	151,205	134,193	17,012	108,928	25,265
Customer service	676,189	628,981	47,208	588,579	40,402
General and administrative	2,462,392	1,934,011	528,381	1,673,156	260,855
Water conservation	371,455	391,481	(20,026)	478,360	(86,879)
Depreciation and amortization	3,416,411	3,286,353	130,058	3,183,725	102,628
Total operating expenses including depreciation expense	<u>18,516,098</u>	<u>16,991,090</u>	<u>1,525,008</u>	<u>16,509,383</u>	<u>481,707</u>
Non-operating expenses:					
Interest expense – long-term debt	791,211	807,034	(15,823)	847,950	(40,916)
Other non-operating expenses	18,849	22,876	(4,027)	98,861	(75,985)
Total non-operating expenses	<u>810,060</u>	<u>829,910</u>	<u>(19,850)</u>	<u>946,811</u>	<u>(116,901)</u>
Total expenses	<u>\$ 19,326,158</u>	<u>17,821,000</u>	<u>1,505,158</u>	<u>17,456,194</u>	<u>364,806</u>

* As Restated is as a result of prior period adjustments recognized. See Note 13 for further detail.

In 2017 and 2016, total District expenses increased by \$1,505,158 and \$364,806, respectively.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

Capital Asset Administration

Changes in capital asset amounts for 2017 were as follows:

	Balance 2016	Additions	Transfers/ Deletions	Balance 2017
Capital assets:				
Non-depreciable assets	\$ 4,231,436	17,615,073	(5,819,083)	16,027,426
Depreciable assets	160,821,661	6,025,174	(45,252)	166,801,583
Accumulated depreciation	<u>(50,877,455)</u>	<u>(3,416,411)</u>	<u>45,252</u>	<u>(54,248,614)</u>
Total capital assets, net	<u>\$ 114,175,642</u>	<u>20,223,836</u>	<u>(5,819,083)</u>	<u>128,580,395</u>

Changes in capital asset amounts for 2016 were as follows:

	Balance 2015	Additions	Transfers/ Deletions	Balance 2016
Capital assets:				
Non-depreciable assets	\$ 18,528,855	5,973,904	(20,271,323)	4,231,436
Depreciable assets	140,668,887	20,283,033	(130,259)	160,821,661
Accumulated depreciation	<u>(47,721,361)</u>	<u>(3,286,353)</u>	<u>130,259</u>	<u>(50,877,455)</u>
Total capital assets, net	<u>\$ 111,476,381</u>	<u>22,970,584</u>	<u>(20,271,323)</u>	<u>114,175,642</u>

At the end of fiscal year 2017 and 2016, the District's investment in capital assets amounted to \$128,580,395 and \$114,175,642, 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 6 for further information)

Debt Administration

Changes in long-term debt amounts for 2017 were as follows:

	Balance 2016	Additions	Principal Payments	Balance 2017
Long-term debt:				
Bonds payable	\$ 116,000	-	(22,000)	94,000
Loans payable	<u>29,823,692</u>	<u>3,846,486</u>	<u>(1,747,239)</u>	<u>31,922,939</u>
Total long-term debt	<u>\$ 29,939,692</u>	<u>3,846,486</u>	<u>(1,769,239)</u>	<u>32,016,939</u>

Changes in long-term debt amounts for 2016 were as follows:

	Balance 2015	Additions	Principal Payments	Balance 2016
Long-term debt:				
Bonds payable	\$ 136,000	-	(20,000)	116,000
Loans payable	<u>31,237,391</u>	<u>288,206</u>	<u>(1,701,905)</u>	<u>29,823,692</u>
Total long-term debt	<u>\$ 31,373,391</u>	<u>288,206</u>	<u>(1,721,905)</u>	<u>29,939,692</u>

(See note 10 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, Telephone: (415) 897-4133.

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Basic Financial Statements

North Marin Water District
Statements of Net Position
June 30, 2017 and 2016

	2017	As Restated 2016
Current assets:		
Cash and cash equivalents (note 2)	\$ 936,101	1,011,059
Restricted – cash and cash equivalents (note 2)	2,181,987	4,400,367
Restricted – investments (note 2)	2,740,387	4,882,649
Accrued interest receivable	28,206	18,021
Accounts receivable – water and sewer sales and services	3,523,856	3,260,957
Accounts receivable – governmental agencies	45,097	899,467
Accounts receivable – other	22,085	474,958
Capital grants and loan proceeds receivable	6,051,875	500,813
Note receivable – Black Point Golf Links – current portion (note 3)	216,271	211,153
Materials and supplies inventory	500,701	454,062
Prepaid expenses and deposits	97,156	62,873
Total current assets	16,343,722	16,176,379
Non-current assets:		
Restricted – investments (note 2)	4,236,376	2,738,027
Internal balances (note 5)	-	-
Note receivable – Black Point Golf Links (note 3)	1,302,617	1,518,888
Notes receivable – employee housing assistance loans, net (note 4)	934,200	934,200
Capital assets, not being depreciated (note 6)	16,027,426	4,231,436
Depreciable capital assets, net (note 6)	112,552,969	109,944,206
Total non-current assets	135,053,588	119,366,757
Total assets	151,397,310	135,543,136
Deferred outflows of resources:		
Deferred pension outflows (note 11)	2,931,861	1,354,255
Total deferred outflows of resources	2,931,861	1,354,255
Current liabilities:		
Accounts payable and accrued expenses	3,521,082	2,350,346
Accrued wages and related payables	261,336	258,611
Accrued claims payable (note 7)	192,122	95,244
Customer advances and deposits	768,884	689,151
Accrued interest payable – long-term debt	106,642	113,238
Long-term liabilities – due within one year:		
Compensated absences (note 8)	162,483	158,981
Bonds payable (note 10)	22,000	22,000
Loans payable (note 10)	1,395,297	1,359,187
Total current liabilities	6,429,846	5,046,758
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 8)	487,448	476,942
Other post-employment benefits payable (note 9)	1,204,119	1,002,569
Bonds payable (note 10)	72,000	94,000
Loans payable (note 10)	30,527,642	28,464,505
Net pension liability (note 11)	11,040,789	8,619,837
Total non-current liabilities	43,331,998	38,657,853
Total liabilities	49,761,844	43,704,611
Deferred inflows of resources:		
Deferred pension inflows (note 11)	655,355	806,744
Total deferred inflows of resources	655,355	806,744
Net position: (note 12, 13)		
Net investment in capital assets	98,131,574	85,542,036
Restricted for capital projects and debt service	2,140,681	2,122,980
Unrestricted	3,639,717	4,721,020
Total net position	\$ 103,911,972	92,386,036

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, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
Operating revenues:		
Water consumption sales	\$ 13,801,864	12,508,912
Bi-monthly meter service charge	4,334,762	4,331,899
Sewer service charges	215,989	195,461
Other charges and services	<u>350,861</u>	<u>375,271</u>
Total operating revenues	<u>18,703,476</u>	<u>17,411,543</u>
Operating expenses:		
Source of supply	4,579,359	4,565,833
Pumping	351,342	281,255
Water facilities operations	937,559	797,806
Water treatment	2,346,949	2,099,887
Transmission and distribution	3,223,237	2,871,290
Sewage collection and treatment	151,205	134,193
Customer service	676,189	628,981
General and administrative	2,462,392	1,934,011
Water conservation	<u>371,455</u>	<u>391,481</u>
Total operating expenses	<u>15,099,687</u>	<u>13,704,737</u>
Operating income before depreciation	3,603,789	3,706,806
Depreciation expense – capital recovery	<u>(3,416,411)</u>	<u>(3,286,353)</u>
Operating income	<u>187,378</u>	<u>420,453</u>
Non-operating revenues(expenses):		
Property tax revenue	107,210	102,259
Investment earnings	129,347	80,661
Interest earnings from note receivable – BPGL	39,419	44,417
Rental revenue	83,151	68,109
Interest expense – long-term debt	(791,211)	(807,034)
Other non-operating revenues	146,103	205,730
Other non-operating expenses	<u>(18,849)</u>	<u>(22,876)</u>
Total non-operating revenues, net	<u>(304,830)</u>	<u>(328,734)</u>
Net (expense) income before capital contributions	<u>(117,452)</u>	<u>91,719</u>
Capital contributions:		
State of California – Caltrans	4,750,845	2,649,186
Developers and others	796,853	678,924
Connection fees	1,034,585	278,690
Capital grants – federal	2,686,799	-
Capital grants – state and local	<u>2,374,306</u>	<u>532,247</u>
Capital contributions	<u>11,643,388</u>	<u>4,139,047</u>
Change in net position	<u>11,525,936</u>	<u>4,230,766</u>
Net position, beginning of year	<u>92,386,036</u>	<u>88,155,270</u>
Net position, end of year	<u>\$ 103,911,972</u>	<u>92,386,036</u>

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 19,977,074	17,077,395
Cash paid to employees for salaries and wages	(5,350,601)	(4,936,473)
Cash paid to vendors and suppliers for materials and services	<u>(7,295,092)</u>	<u>(7,195,676)</u>
Net cash provided by operating activities	<u>7,331,381</u>	<u>4,945,246</u>
Cash flows from non-capital financing activities:		
Property tax revenue	<u>107,210</u>	<u>102,259</u>
Net cash provided by non-capital financing activities	<u>107,210</u>	<u>102,259</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(17,834,336)	(6,006,150)
Proceeds from capital contributions and connection fees	6,092,326	3,851,643
Proceeds from principal issued on long-term debt	3,846,486	288,206
Principal paid on long-term debt	(1,769,239)	(1,721,904)
Interest paid on long-term debt	<u>(797,807)</u>	<u>(810,739)</u>
Net cash used in capital and related financing activities	<u>(10,462,570)</u>	<u>(4,398,944)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,591,826	6,103,864
Purchases of investments	(4,252,245)	(6,624,286)
Principal received on notes receivable	211,153	206,155
Principal received(issued) on employee computer loans, net	-	445
Investment earnings	<u>179,907</u>	<u>133,273</u>
Net cash provided by (used in) investing activities	<u>730,641</u>	<u>(180,549)</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,293,338)</u>	<u>468,012</u>
Cash and cash equivalents, beginning of year	<u>5,411,426</u>	<u>4,943,414</u>
Cash and cash equivalents, end of year	<u>\$ 3,118,088</u>	<u>5,411,426</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 936,101	1,011,059
Restricted assets – cash and cash equivalents	<u>2,181,987</u>	<u>4,400,367</u>
Total cash and cash equivalents	<u>\$ 3,118,088</u>	<u>5,411,426</u>

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Cash Flows, continued
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 187,378	420,453
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense – capital recovery	3,416,411	3,286,353
Rental revenue	83,151	68,109
Other non-operating revenue	146,103	205,730
Other non-operating expenses	(18,849)	(22,876)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water and sewer sales and services	(262,899)	(266,826)
Accounts receivable – governmental agencies	854,370	100,542
Accounts receivable – other	452,873	(441,703)
Materials and supplies inventory	(53,239)	95,996
Prepaid expenses and other deposits	(34,283)	12,020
Increase in deferred outflows of resources	(1,577,606)	(597,055)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	1,170,736	(1,490,878)
Accrued wages and related payables	2,725	(7,096)
Accrued claims payable	96,878	36,524
Customer advances and deposits	79,733	29,649
Compensated absences	14,008	21,132
Other post-employment retirement benefits	201,550	201,333
Net pension liability	2,420,952	1,918,573
Increase in deferred inflows of resources	151,389	1,375,266
Total adjustments	<u>7,144,003</u>	<u>4,524,793</u>
Net cash provided by operating activities	\$ <u>7,331,381</u>	<u>4,945,246</u>
Non-cash investing, capital and financing transactions:		
Change in fair value of investments	\$ (21,326)	(7,449)
Change in accounts receivable – grants	\$ (3,141,825)	(462,289)

See accompanying notes to the basic financial statements

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(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, 2017 and 2016

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

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

In June 2015, the GASB issued Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No.50, Pension Disclosures.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

In August 2015, the GASB issued Statement No. 77 – Tax Abatement Disclosures. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

In December 2015, the GASB issued Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

In January 2016, the GASB issued Statement No. 80 – Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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

C. Financial Reporting, continued

In March 2016, the GASB issued Statement No. 82 – Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows 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. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. 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.

6. 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, 2017 and 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

7. 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.

8. 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.

9. 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

10. Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has four items which qualify for reporting in this category. The first item is a deferred outflow related to pensions. This amount is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year. The next two items are deferred outflows related to pensions for the net changes in proportion and net differences between expected and actual experience. These amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement dates June 30, 2016 and 2015, which is a 3.7 and 3.8 year period, respectively. The last item is a deferred inflow related to pensions for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

11. 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2015 and 2014
- Measurement Date: June 30, 2016 and 2015
- Measurement Period: July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015

13. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This financial statement element, deferred inflows of resources, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has two items which qualify for reporting in this category. The items are deferred inflows related to pensions for the net changes in assumptions and the net differences between the actual employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement date June 30, 2016 and 2015, which is 3.7 and 3.8 year period, respectively.

14. 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.

15. 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.

16. 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.

17. 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

18. 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*.

19. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

(2) Cash and Investments

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

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 936,101	1,011,059
Restricted – cash and cash equivalents	<u>2,181,987</u>	<u>4,400,367</u>
Total cash and cash equivalents	\$ <u>3,118,088</u>	<u>5,411,426</u>
Restricted – investments	<u>6,976,763</u>	<u>7,620,676</u>
Total cash and investments	\$ <u><u>10,094,851</u></u>	<u><u>13,032,102</u></u>

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

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 350	350
Deposits with financial institutions	25,044	779,646
Deposits with County of Marin Treasury	843,602	735,570
Investments	<u>9,225,855</u>	<u>11,516,536</u>
Total cash and investments	\$ <u><u>10,094,851</u></u>	<u><u>13,032,102</u></u>

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

The table on the following page 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

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

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).

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Investment in State Investment Pool, continued

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

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, 2017, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 months or less	13 to 24 months	25-60 months	More than 60 months
Local Agency Investment Fund	\$ 2,246,710	2,246,710	-	-	-
Certificates-of-deposit	2,977,000	1,736,000	1,241,000	-	-
U.S. Treasury note	2,002,774	-	2,002,774	-	-
U.S. Agency securities	1,999,371	1,004,387	994,984	-	-
Total	\$ 9,225,855	4,987,097	4,238,758	-	-

Investments at June 30, 2016, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 months or less	13 to 24 months	25-60 months	More than 60 months
Local Agency Investment Fund	\$ 3,896,722	3,896,722	-	-	-
Certificates-of-deposit	3,973,000	2,237,000	1,736,000	-	-
Corporate medium-term notes	641,686	641,686	-	-	-
U.S. Treasury note	1,001,605	1,001,605	-	-	-
U.S. Agency securities	2,003,523	1,002,358	1,001,165	-	-
Total	\$ 11,516,536	8,779,371	2,737,165	-	-

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(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, 2017, 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	\$ 2,246,710	N/A	2,246,710	-
Certificates-of-deposit	2,977,000	N/A	2,977,000	-
U.S. Treasury note	2,002,774	AA+	-	2,002,774
U.S. Agency securities	1,999,371	AA+	-	1,999,371
Total	\$ 9,225,855		5,223,710	4,002,145

Credit ratings at June 30, 2016, 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	\$ 3,896,722	N/A	3,896,722	-
Certificates-of-deposit	3,973,000	N/A	3,973,000	-
Corporate medium-term notes	641,686	A-	-	641,686
U.S. Treasury note	1,001,605	AA+	-	1,001,605
U.S. Agency securities	2,003,523	A+	-	2,003,523
Total	\$ 11,516,536		7,869,722	3,646,814

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investments at June 30, 2017:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates-of-deposit	\$ 2,977,000	-	2,977,000	-
Corporate medium-term notes	-	-	-	-
U.S. Treasury note	2,002,774	2,002,774	-	-
U.S. Agency securities	1,999,371	1,999,371	-	-
Total investments measured at fair value	6,979,145	4,002,145	2,977,000	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	2,246,710			
Total	\$ 9,225,855			

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Fair Value Measurements, continued

Investments at June 30, 2016:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	\$ 3,973,000	-	3,973,000	-
Corporate medium-term notes	641,686	641,686	-	-
U.S. Treasury note	1,001,605	1,001,605	-	-
U.S. Agency securities	2,003,523	2,003,523	-	-
Total investments measured at fair value	7,619,814	3,646,814	3,973,000	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	3,896,722			
Total	\$ 11,516,536			

(3) Note Receivable – Black Point Golf Links

The District has entered into a contractual agreement with Black Point Golf Links, which now goes by Stone Tree Golf Course, whereby the golf course agreed to reimburse the District for construction costs incurred for a new recycled water facility, 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:

	2017	2016
Note receivable – Black Point Golf Links – current portion	\$ 216,271	211,153
Note receivable – Black Point Golf Links	1,302,617	1,518,888
Note receivable – Black Point Golf Links	\$ 1,518,888	1,730,041

(4) 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 may be 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:

Origination	2017	2016
August 2004	\$ 250,000	250,000
Sept. 2004	39,200	39,200
Nov. 2007	150,000	150,000
June 2010	245,000	245,000
March 2015	250,000	250,000
Total	\$ 934,200	934,200

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(5) Internal Balances

Due To/From Other Funds and Transfers

Internal balances consist of the following as of June 30, 2017, as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advance	Novato Water	Novato Recycled	\$ <u>5,557,108</u>

Transfers between funds as of June 30, 2017, was as follows:

<u>Purpose</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Contribution	Novato Water	Novato Recycled	\$ <u>1,230,940</u>

Transfers between funds as of June 30, 2016, was as follows:

<u>Purpose</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Contribution	Novato Water	Novato Recycled	\$ <u>806,664</u>

In 2017 and 2016, the Novato Water system transferred \$1,230,940 and \$806,664, respectively, in net position to the Novato Recycled system for the local share of the North/South Recycled Water Expansion, SRF loan payments and grant administration costs. (See the Supplementary Schedules on pages 53 through 56 for further information)

(6) 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>2017</u>	<u>2016</u>	<u>2015</u>
Developer construction – Novato Water	\$ 403,791	503,308	422,113
Developer construction – Novato Recycled	13,176	-	-
Developer construction – West Marin Water	-	12,096	25,540
Other construction – Novato Water	2,028,926	870,862	16,048,994
Other construction – Novato Recycled	11,718,412	1,130,190	251,219
Other construction – West Marin Water	288,681	229,506	297,599
Other construction – Oceana Marin Sewer	101,349	12,383	10,299
Total construction-in-progress per year	\$ <u>14,554,335</u>	<u>2,758,345</u>	<u>17,055,764</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(6) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	<u>2,758,345</u>	<u>17,615,073</u>	<u>(5,819,083)</u>	<u>14,554,335</u>
Total non-depreciable assets	<u>4,231,436</u>	<u>17,615,073</u>	<u>(5,819,083)</u>	<u>16,027,426</u>
Depreciable assets:				
Distribution system	82,915,691	841,635	-	83,757,326
Treatment plant	21,082,445	101,968	-	21,184,413
Storage facilities	20,874,294	28,792	-	20,903,086
Transmission system	24,090,845	4,805,554	-	28,896,399
Source facilities	5,574,006	22,060	-	5,596,066
Sewer facilities	1,186,758	6,319	-	1,193,077
Structures and improvements	1,902,893	-	-	1,902,893
Other plant and equipment	<u>3,194,729</u>	<u>218,846</u>	<u>(45,252)</u>	<u>3,368,323</u>
Total depreciable assets	<u>160,821,661</u>	<u>6,025,174</u>	<u>(45,252)</u>	<u>166,801,583</u>
Accumulated depreciation:				
Distribution system	(27,303,440)	(1,692,114)	-	(28,995,554)
Treatment plant	(7,587,998)	(693,849)	-	(8,281,847)
Storage facilities	(6,153,544)	(425,839)	-	(6,579,383)
Transmission system	(3,517,182)	(211,444)	-	(3,728,626)
Source facilities	(1,955,393)	(113,868)	-	(2,069,261)
Sewer facilities	(572,188)	(31,961)	-	(604,149)
Structures and improvements	(1,220,977)	(41,439)	-	(1,262,416)
Other plant and equipment	<u>(2,566,733)</u>	<u>(205,897)</u>	<u>45,252</u>	<u>(2,727,378)</u>
Total accumulated depreciation	<u>(50,877,455)</u>	<u>(3,416,411)</u>	<u>45,252</u>	<u>(54,248,614)</u>
Total depreciable assets, net	<u>109,944,206</u>	<u>2,608,763</u>	<u>-</u>	<u>112,552,969</u>
Total capital assets, net	<u>\$ 114,175,642</u>	<u>20,223,836</u>	<u>(5,819,083)</u>	<u>128,580,395</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(6) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	<u>17,055,764</u>	<u>5,973,904</u>	<u>(20,271,323)</u>	<u>2,758,345</u>
Total non-depreciable assets	<u>18,528,855</u>	<u>5,973,904</u>	<u>(20,271,323)</u>	<u>4,231,436</u>
Depreciable assets:				
Distribution system	81,691,342	1,224,349	-	82,915,691
Treatment plant	21,082,445	-	-	21,082,445
Storage facilities	20,586,721	287,573	-	20,874,294
Transmission system	5,489,830	18,601,015	-	24,090,845
Source facilities	5,514,636	59,370	-	5,574,006
Sewer facilities	1,176,459	10,299	-	1,186,758
Structures and improvements	1,902,893	-	-	1,902,893
Other plant and equipment	<u>3,224,561</u>	<u>100,427</u>	<u>(130,259)</u>	<u>3,194,729</u>
Total depreciable assets	<u>140,668,887</u>	<u>20,283,033</u>	<u>(130,259)</u>	<u>160,821,661</u>
Accumulated depreciation:				
Distribution system	(25,638,287)	(1,665,153)	-	(27,303,440)
Treatment plant	(6,889,419)	(698,579)	-	(7,587,998)
Storage facilities	(5,735,653)	(417,891)	-	(6,153,544)
Transmission system	(3,429,896)	(87,286)	-	(3,517,182)
Source facilities	(1,847,959)	(107,434)	-	(1,955,393)
Sewer facilities	(537,461)	(34,727)	-	(572,188)
Structures and improvements	(1,179,537)	(41,440)	-	(1,220,977)
Other plant and equipment	<u>(2,463,149)</u>	<u>(233,843)</u>	<u>130,259</u>	<u>(2,566,733)</u>
Total accumulated depreciation	<u>(47,721,361)</u>	<u>(3,286,353)</u>	<u>130,259</u>	<u>(50,877,455)</u>
Total depreciable assets, net	<u>92,947,526</u>	<u>16,996,680</u>	<u>-</u>	<u>109,944,206</u>
Total capital assets, net	<u>\$ 111,476,381</u>	<u>22,970,584</u>	<u>(20,271,323)</u>	<u>114,175,642</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(7) Accrued Claims Payable

The District self-insures 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 paid.

The balance at June 30, consists of the following:

	<u>2017</u>	<u>2016</u>
Accrued claims payable, beginning of year	\$ 95,244	58,720
Current year claims recognized	318,921	20,045
Current year claims paid	(126,799)	(4,751)
Prior year claims incurred	(28,431)	53,511
Prior year claims paid	<u>(66,813)</u>	<u>(32,281)</u>
Accrued claims payable, end of year	<u>\$ 192,122</u>	<u>95,244</u>

(8) Compensated Absences

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

Changes to compensated absences for 2017, were as follows:

<u>Balance</u> <u>2016</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2017</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 635,923	993,110	(979,102)	649,931	162,483	487,448

Changes to compensated absences for 2016, were as follows:

<u>Balance</u> <u>2015</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2016</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 614,791	1,022,872	(1,001,740)	635,923	158,981	476,942

(9) Other Post-Employment Benefits Payable

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(9) Other Post-Employment Benefits Payable, continued

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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Active plan members	55	51	52
Retirees and beneficiaries receiving benefits	33	33	33
Separated plan members entitled to but not yet receiving benefits	<u>3</u>	<u>3</u>	<u>3</u>
Total plan membership	<u>91</u>	<u>87</u>	<u>88</u>

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 5.4% 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, 2017 and 2016, the District's annual ARC cost after adjustments were \$384,395, respectively. The District's net other post employment benefits payable obligation amounted to \$1,204,119 and \$1,002,569 for the years ended June 30, 2017 and 2016, respectively. The District contributed \$164,969 and \$168,935 in retiree benefit contributions for current retiree OPEB premiums for the years ended June 30, 2017 and 2016, respectively.

The balance at June 30, consists of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 384,395	384,395	286,640
Interest on net OPEB obligation	40,103	31,694	28,108
Interest earnings on irrevocable trust balance	-	-	-
Adjustment to annual required contribution	<u>(57,979)</u>	<u>(45,821)</u>	<u>(40,638)</u>
Total annual OPEB expense	<u>366,519</u>	<u>370,268</u>	<u>274,110</u>
Contributions made:			
Contributions made to irrevocable trust	-	-	-
Retiree benefit payments paid outside of a trust	<u>(164,969)</u>	<u>(168,935)</u>	<u>(166,521)</u>
Total contributions made	<u>(164,969)</u>	<u>(168,935)</u>	<u>(166,521)</u>
Total change in net OPEB payable obligation	201,550	201,333	107,589
OPEB payable - beginning of year	<u>1,002,569</u>	<u>801,236</u>	<u>693,647</u>
OPEB payable - end of year	<u>\$ 1,204,119</u>	<u>1,002,569</u>	<u>801,236</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(9) 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 2017 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
2017	\$	366,519	-	164,969	45.01%	\$ 1,204,119
2016		370,268	-	168,935	45.63%	1,002,569
2015		274,110	-	166,521	60.75%	801,236

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$4,085,375. There are no Plan Assets invested in an irrevocable trust. The District funds on a pay-as-you-go basis, plus designates \$1,500 per employee per year, and maintains net position equal to the remaining net other post-employment benefits payable obligation. The Board of Directors of the District has designated \$3,924,287 and \$3,680,017, as of June 30, 2017 and 2016, 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, 2017, was \$5,350,601. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 76.35%.

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, 2015	
Actuarial cost method	Projected Unit Credit	
Amortization method	30-year level dollar, open period	
Remaining amortization period	24 years as of the valuation date	
Asset valuation method	20 year level contribution	
Actuarial assumptions:		
Investment rate of return	4.00%	
Projected salary increase	3.00%	
Inflation - discount rate	4.00%	
Healthcare cost trend rate	<u>Fiscal Year</u>	<u>Percentage</u>
	2015	8.0%
	2016	7.0%
	2017	6.0%
	2018+	5.0%

See page 52 for the Schedule of Funding Status for the postemployment defined benefit plan, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(10) Long-term Debt

Changes in long-term debt amounts for 2017 were as follows:

	Balance 2016	Additions	Principal Payments	Balance 2017	Current Portion	Long-term Portion
Long-term debt:						
Bonds payable:						
1980 Revenue bonds – PRE-1	\$ 50,000	-	(12,000)	38,000	12,000	26,000
1981 Revenue bonds – PR-6	66,000	-	(10,000)	56,000	10,000	46,000
Total bonds payable	116,000	-	(22,000)	94,000	22,000	72,000
Loans payable:						
1977 U.S. EDA loan – Novato Water	34,384	-	(16,705)	17,679	17,679	-
1977 U.S. EDA loan – West Marin Water	4,444	-	(2,481)	1,963	1,963	-
2005 DWR loan – Novato Water	11,612,244	-	(771,523)	10,840,721	392,691	10,448,030
2005 SWRCB loan – Novato Recycled	2,615,528	-	(210,593)	2,404,935	215,648	2,189,287
2011-2012 SWRCB loans – Novato Recycled N & S	8,466,684	-	(413,125)	8,053,559	422,954	7,630,605
2011 B of M loan – Novato Water	5,746,127	-	(290,212)	5,455,915	300,284	5,155,631
2011 B of M loan – West Marin Water	843,468	-	(42,600)	800,868	44,078	756,790
2016 SWRCB Loan – Novato Recycled Central	500,813	3,846,486	-	4,347,299	-	4,347,299
Total loans payable	29,823,692	3,846,486	(1,747,239)	31,922,939	1,395,297	30,527,642
Total long-term debt	\$ 29,939,692	3,846,486	(1,769,239)	32,016,939	1,417,297	30,599,642

Changes in long-term debt amounts for 2016 were as follows:

	Balance 2015	Additions	Principal Payments	Balance 2016	Current Portion	Long-term Portion
Long-term debt:						
Bonds payable:						
1980 Revenue bonds – PRE-1	\$ 61,000	-	(11,000)	50,000	12,000	12,000
1981 Revenue bonds – PR-6	75,000	-	(9,000)	66,000	10,000	10,000
Total bonds payable	136,000	-	(20,000)	116,000	22,000	22,000
Loans payable:						
1977 U.S. EDA loan – Novato Water	50,293	-	(15,909)	34,384	16,705	16,705
1977 U.S. EDA loan – West Marin Water	6,807	-	(2,363)	4,444	2,481	2,481
2005 DWR loan – Novato Water	12,365,655	-	(753,411)	11,612,244	383,471	383,471
2005 SWRCB loan – Novato Recycled	2,821,187	-	(205,659)	2,615,528	210,594	210,594
2011-2012 SWRCB loans – Novato Recycled N & S	8,870,210	-	(403,526)	8,466,684	413,125	413,125
2011 B of M loan – Novato Water	6,026,070	-	(279,943)	5,746,127	290,211	290,211
2011 B of M loan – West Marin Water	884,561	-	(41,093)	843,468	42,600	42,600
2016 SWRCB Loan – Novato Recycled Central	212,607	288,206	-	500,813	-	-
Total loans payable	31,237,390	288,206	(1,701,904)	29,823,692	1,359,187	1,359,187
Total long-term debt	\$ 31,373,390	288,206	(1,721,904)	29,939,692	1,381,187	1,381,187

Bonds Payable

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:

Fiscal Year	Principal	Interest	Total
2018	\$ 12,000	1,900	13,900
2019	13,000	1,300	14,300
2020	13,000	650	13,650
Total	38,000	3,850	41,850
Less current portion	(12,000)		
Total non-current	\$ 26,000		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(10) 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>
2018	\$ 10,000	2,550	12,550
2019	11,000	2,025	13,025
2020	11,000	1,475	12,475
2021	12,000	900	12,900
2022	12,000	300	12,300
Total	56,000	7,250	63,250
Less current portion	(10,000)		
Total non-current	\$ 46,000		

Loans Payable

1977 U.S. EDA Loan – Novato Water segment

In August 1977, the District secured a \$351,770 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>
2018	\$ 17,679	787	18,466
Total	17,679	787	18,466
Less current portion	(17,679)		
Total non-current	\$ -		

1977 U.S. EDA Loan – West Marin Water segment

In August 1977, the District secured a \$46,000 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>
2018	\$ 1,963	145	2,108
Total	1,963	145	2,108
Less current portion	(1,963)		
Total non-current	\$ -		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(10) Long-Term Debt, continued

Loans Payable, continued

2005 DWR Loan – Novato Water segment

In 2005, the District entered into an agreement with the California Department of Water Resources (DWR) for a loan in an amount not-to-exceed \$16,528,850 with an interest rate of 2.39% per annum for the reconstruction of the Stafford Water Treatment Plant. Principal and interest payments on the loan are due each year on January 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>
2018	\$ 392,691	263,730	656,421
2019	799,515	244,959	1,044,474
2020	818,737	225,738	1,044,475
2021	838,422	206,052	1,044,474
2022	858,580	185,895	1,044,475
2023-2027	4,612,650	609,722	5,222,372
2028-2030	<u>2,520,126</u>	<u>91,062</u>	<u>2,611,188</u>
Total	10,840,721	<u>1,827,158</u>	<u>12,667,879</u>
Less current portion	<u>(392,691)</u>		
Total non-current	\$ <u>10,448,030</u>		

2005 SWRCB Loan – Novato Recycled Water segment

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

As noted in note 3, the District entered into a contractual agreement with Black Point Golf Links whereby the golf course agreed to reimburse the District for construction costs incurred for the new recycled water facility, in-lieu of connection fees. Black Point Golf Links, as the major customer of the recycled water facility, contributes significantly to the repayment of this loan through the repayment of the note receivable to the District.

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>
2018	\$ 215,648	57,719	273,367
2019	220,824	52,543	273,367
2020	226,124	47,243	273,367
2021	231,551	41,816	273,367
2022	237,108	36,259	273,367
2023-2027	<u>1,273,680</u>	<u>93,155</u>	<u>1,366,835</u>
Total	2,404,935	<u>328,735</u>	<u>2,733,670</u>
Less current portion	<u>(215,648)</u>		
Total non-current	\$ <u>2,189,287</u>		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(10) Long-Term Debt, continued

Loans Payable, continued

2011-2012 SWRCB Loans – 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 construction of the Recycled Water Expansion project – North Service Area. As of June 30, 2013, eligible costs for reimbursement were \$4,364,335 plus \$11,270 in capitalized interest charges for a total loan of \$4,375,605. Principal and interest payments of \$281,892 are due and payable annually on the loan until fiscal year 2033.

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 construction of the Recycled Water Expansion project – South Service Area. As of June 30, 2014, eligible costs for reimbursement were \$5,357,887 plus \$4,065 in capitalized interest charges for a total loan of \$5,361,952. Principal and interest payments of \$332,407 are due and payable annually on the loan until fiscal year 2034. Future annual debt service payments on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 422,954	191,345	614,299
2019	433,018	181,281	614,299
2020	443,323	170,976	614,299
2021	453,876	160,423	614,299
2022	464,681	149,618	614,299
2023-2027	2,494,772	576,723	3,071,495
2028-2032	2,806,535	264,960	3,071,495
2033-2034	534,400	14,366	548,766
Total	8,053,559	1,709,692	9,763,251
Less current portion	(422,954)		
Total non-current	\$ 7,630,605		

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

In October 2013, 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>
2018	\$ 344,362	208,437	552,799
2019	356,315	196,485	552,800
2020	368,180	184,620	552,800
2021	381,461	171,339	552,800
2022	394,701	158,099	552,800
2023-2027	2,188,364	575,636	2,764,000
2028-2032	2,223,400	172,068	2,395,468
Total	6,256,783	1,666,684	7,923,467
Less current portion	(344,362)		
Total non-current	\$ 5,912,421		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(10) Long-Term Debt, continued

Loans Payable, continued

2016 SWRCB Loan – Novato Recycled Water segment – Central Service Area

In fiscal year 2016, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for financing the construction of the Recycled Water Expansion project – Central Service Area for an amount not-to-exceed \$9,912,500. Of this amount, \$6,592,295 is a 30-year loan at 1% interest and \$3,320,205 is grant funded. As of June 30, 2017 and 2016, eligible costs for reimbursement were \$4,347,399 and \$500,813, respectively. Principal and interest payments of will be determined upon completion of the project. The loan as anticipated to start repayment upon project completion anticipated during fiscal year 2018.

(11) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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. The new legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.5% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 62 years of age; 3 year final compensation.

The Plans' provision and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible com	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates F	7.944%	6.250%
Required employer contribution rates F	10.069%	6.555%

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(11) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal years ended June 30, 2017 and 2016, the contributions for the Plan were as follows:

	Miscellaneous Plan	
	2017	2016
Contributions – employer	\$ 926,448	828,792
Contributions – employee (paid by employer)	16,241	83,806
Total employer paid contributions	<u>\$ 942,689</u>	<u>912,598</u>

Net Pension Liability

As of June 30, 2017 and 2016, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
	2017	2016
Miscellaneous Plan	\$ 11,040,789	8,619,837

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the pool. The net pension liability of the Plan is measured as of June 30, 2016 and 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, rolled forward to June 30, 2016 and 2015, using standard update procedures. The Districts' proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2016, was as follows:

	Miscellaneous
Proportion – June 30, 2015	0.12558%
Proportion – June 30, 2016	<u>0.12759%</u>
Change – Increase (Decrease)	<u>0.00201%</u>

The District's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2015, was as follows:

	Miscellaneous
Proportion – June 30, 2014	0.10769%
Proportion – June 30, 2015	<u>0.12558%</u>
Change – Increase (Decrease)	<u>0.01789%</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(11) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2017 and 2016, the District recognized pension expense of \$1,618,405 and \$775,044, respectively.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date at June 30, 2016	\$ 926,448	-
Net, differences between actual and expected experience	22,831	-
Net, changes in assumptions	-	(280,202)
Net differences between projected and actual earnings on plan investments	1,458,356	-
Net, differences between actual contribution and proportionate share of contribution	-	(375,153)
Net, change due to differences in proportion of net pension liability	524,226	-
Total	<u>\$ 2,931,861</u>	<u>(655,355)</u>

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date at June 30, 2015	\$ 828,792	-
Differences between actual and expected experience	42,882	-
Changes in assumptions	-	(405,704)
Net, differences between projected and actual earnings on plan investments	-	(203,384)
Differences between actual contribution and proportionate share of contribution	-	(197,656)
Net, change due to differences in proportion of net pension liability	482,581	-
Total	<u>\$ 1,354,255</u>	<u>(806,744)</u>

As of June 30 2017 and 2016, employer pension contributions of \$926,448 and \$828,792, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018 and 2017, respectively.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(11) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

At June 30, 2017, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense (income) as follows.

Actuarially Determined Deferred Outflows and (Inflows) - Miscellaneous Plan

Fiscal Year Ending June 30:	Net, Differences between Expected and Actual Experience	Net, Changes in Assumptions	Net, Differences between Projected and Actual Earnings Pension Plan Investments	Net, Differences between Actual Contribution and Proportionate Share of Contribution	Net, Changes Due to Differences in Proportions	Net, Deferred Outflows/(Inflows) o Resources
2018	\$ 13,561	(152,076)	181,409	(162,477)	260,717	\$ 141,134
2019	10,498	(123,098)	181,407	(148,357)	205,113	125,563
2020	(1,228)	(5,028)	726,911	(64,319)	58,396	714,732
2021	-	-	368,629	-	-	368,629
2022	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	\$ 22,831	(280,202)	1,458,356	(375,153)	524,226	\$ 1,350,058

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015, actuarial valuation report was determined using the following actuarial assumptions:

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

Valuation Date	June 30, 2015 and 2014
Measurement Date	June 30, 2016 and 2015
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(11) Defined Benefit Pension Plan, continued

Discount Rate, continued

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)
Total	100.0%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The tables on the following page presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2017, the discount rate comparison was the following:

	<u>Discount Rate - 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
District's Net Pension Liability	\$ 16,798,070	11,040,789	6,300,918

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(11) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate, continued

At June 30, 2016, the discount rate comparison was the following:

	Discount Rate - 1% (6.65%)	Prior Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
District's Net Pension Liability	\$ 14,074,568	8,619,837	4,133,914

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 50-51 for Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2017 and 2016, the District reported no payables for the outstanding amount of contribution to the pension plan

(12) Net Position

Calculation of net position per fund as of June 30, 2017, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 3,801,588	11,731,589	392,092	102,157	16,027,426
Depreciable capital assets, net	88,760,265	17,678,079	5,297,260	817,365	112,552,969
Capital project loan proceeds unused	36,140	869,672	662,306	-	1,568,118
Current:					
Bonds payable	-	-	(22,000)	-	(22,000)
Loans payable	(710,653)	(638,602)	(46,042)	-	(1,395,297)
Non-current:					
Bonds payable	-	-	(72,000)	-	(72,000)
Loans payable	(15,603,661)	(14,167,191)	(756,790)	-	(30,527,642)
Total net investment in capital assets	76,283,679	15,473,547	5,454,826	919,522	98,131,574
Restricted net position:					
Connection fee reserve	-	-	98,780	-	98,780
Wohler pipeline reserve	407,963	-	-	-	407,963
Collector No. 6 reserve	1,604,004	-	-	-	1,604,004
Cash reserve for debt service	-	-	30,507	-	30,507
Accrued interest for debt service	-	-	(573)	-	(573)
Total restricted net position	2,011,967	-	128,714	-	2,140,681
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	500,701	-	-	-	500,701
Prepaid expenses and deposits	78,050	-	15,511	3,595	97,156
Non-current:					
Note receivable – Black Point Golf Links	-	1,302,617	-	-	1,302,617
Notes receivable – employee housing loans, net	934,200	-	-	-	934,200
Total non-spendable net position	1,512,951	1,302,617	15,511	3,595	2,834,674
Spendable net position are designated as follows:					
Other post-employment benefits reserve	3,924,287	-	-	-	3,924,287
Operating reserve	(4,464,038)	370,318	556,693	417,783	(3,119,244)
Total spendable net position	(539,751)	370,318	556,693	417,783	805,043
Total unrestricted net position	973,200	1,672,935	572,204	421,378	3,639,717
Total net position	\$ 79,268,846	17,146,482	6,155,744	1,340,900	103,911,972

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(12) Net Position, continued

Calculation of net position per fund as of June 30, 2016, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	As Restated Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 2,743,042	1,130,190	345,013	13,191	4,231,436
Depreciable capital assets, net	85,565,884	18,115,052	5,470,138	793,132	109,944,206
Capital project loan proceeds unused	38,628	614,299	653,159	-	1,306,086
Current:					
Bonds payable	-	-	(22,000)	-	(22,000)
Loans payable	(690,387)	(623,719)	(45,081)	-	(1,359,187)
Non-current:					
Bonds payable	-	-	(94,000)	-	(94,000)
Loans payable	(16,702,366)	(10,959,307)	(802,832)	-	(28,464,505)
Total net investment in capital assets	<u>70,954,801</u>	<u>8,276,515</u>	<u>5,504,397</u>	<u>806,323</u>	<u>85,542,036</u>
Restricted net position:					
Connection fee reserve	-	-	109,263	-	109,263
Wohler pipeline reserve	402,328	-	-	-	402,328
Collector No. 6 reserve	1,581,850	-	-	-	1,581,850
Cash reserve for debt service	-	-	30,386	-	30,386
Accrued interest for debt service	-	-	(847)	-	(847)
Total restricted net position	<u>1,984,178</u>	<u>-</u>	<u>138,802</u>	<u>-</u>	<u>2,122,980</u>
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	454,062	-	-	-	454,062
Prepaid expenses and deposits	47,696	-	14,353	824	62,873
Non-current:					
Note receivable – Black Point Golf Links	-	1,518,888	-	-	1,518,888
Notes receivable – employee housing loans, net	934,200	-	-	-	934,200
Total non-spendable net position	<u>1,435,958</u>	<u>1,518,888</u>	<u>14,353</u>	<u>824</u>	<u>2,970,023</u>
Spendable net position are designated as follows:					
Other post-employment benefits reserve	3,680,017	-	-	-	3,680,017
Operating reserve	(4,183,649)	1,417,037	388,187	449,405	(1,929,020)
Total spendable net position	<u>(503,632)</u>	<u>1,417,037</u>	<u>388,187</u>	<u>449,405</u>	<u>1,750,997</u>
Total unrestricted net position	<u>932,326</u>	<u>2,935,925</u>	<u>402,540</u>	<u>450,229</u>	<u>4,721,020</u>
Total net position	<u>\$ 73,871,305</u>	<u>11,212,440</u>	<u>6,045,739</u>	<u>1,256,552</u>	<u>92,386,036</u>

(13) Prior Period Adjustment

Water Delivery Adjustment Billing for January 2016 through June 2016

On September 19 2016, the Sonoma County Water Agency (Agency) notified the District of a usage adjustment for the period January 2016 through June 2016, due to Agency identified water delivery irregularities to the District. The Agency during its investigation determined that two 18-inch meters installed by a Caltrans contractor during the Petaluma Aqueduct Relocation project measured gallons per minute instead of cubic feet per second which caused meter reads to be lower than expected.

The Agency determined the amount of unmetered flow through its mainline by deducting the billing meter deliveries to the District and the change in the storage from Kastania storage tank in the Agency's upstream production meter flow.

The Agency had its meter supplier, Sensus, test the meters which determined the accuracy of the meters at approximately 70%. Subsequent corrections for the flow for the period of January 2016 through June 2016 resulted in an additional billing in the amount \$247,077.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(13) Prior Period Adjustment, continued

Recycled Water Adjustment Billing for January 2016 through June 2016

On February 13, 2017, the Novato Sanitary District (Sanitary District) notified the District of an electricity usage adjustment related to operation of the recycled water facility for the fiscal years 2012, 2013, 2014, 2015 and 2016 in the amount \$71,718. Of this amount, the District had estimated and accrued \$32,046 as of June 30, 2016. The remaining balance of \$39,672 is reported as an adjustment to net position.

The adjustment to net position is as follows:

Net position at July 1, 2015, as previously stated	\$ 88,155,270
Effect of adjustment to record water delivery adjustment	(247,077)
Effect of adjustment to record recycled water electricity adjustment	<u>(39,672)</u>
Total adjustments to net position	<u>(286,749)</u>
Change in net position at June 30, 2016, as previously stated	<u>4,517,515</u>
Net position at June 30, 2016, as restated	<u>\$ 92,386,036</u>

(14) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2017 and 2016, was \$6,096,887 and \$5,172,659, 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.

(15) 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 \$58,776,000 property and equipment policy, a \$1.0 million public official's liability policy, a \$1.0 million cyber liability policy, a \$526,000 vehicle physical damage policy, and a \$500,000 employee fidelity bond policy.

(16) 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, 2017, the District's reserve balances for these obligations were \$407,963 (Wohler Pipeline) and \$1,604,004 (Collector #6).

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(16) 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 2013, 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 \$2,467,772 in remaining costs of existing District capital projects as of June 30, 2017.

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.

(17) Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of October 3, 2017, which is the date the financial statements were available to be issued.

(18) 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, 2017, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(18) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(18) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Required Supplementary Information

North Marin Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last Ten Years*

Description	Measurement Dates		
	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.12759%	0.12558%	0.10769%
District's proportionate share of the net pension liability	\$ 11,040,789	8,619,837	6,701,264
District's covered-employee payroll	\$ 4,542,666	4,305,518	4,106,287
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	243.05%	200.20%	163.20%
Plan's fiduciary net position as a percentage of the total pension liability	73.98%	78.63%	83.47%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2016, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2016, there were no changes in the assumptions.

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore only three years are shown.

North Marin Water District
Schedules of Pension Plan Contributions
As of June 30, 2017
Last Ten Years*

Description	Fiscal Year 6/30/2017	Fiscal Year 6/30/2016	Fiscal Year 6/30/2015	Fiscal Year 6/30/2014
Actuarially determined contribution	\$ 926,656	836,212	930,146	900,997
Contributions in relation to the actuarially determined contribution	(926,447)	(828,792)	(669,066)	(2,974,698)
Contribution deficiency (excess)	\$ 209	7,420	261,080	(2,073,701)
District's covered payroll	\$ 4,600,500	4,542,666	4,305,518	4,106,287
Contribution's as a percentage of covered-employee payroll	20.14%	18.24%	15.54%	72.44%

Notes:

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, (valuation date of June 30, 2014) was the first year of implementation required by GASB 68 & 71, therefore only four years are shown.

**North Marin Water District
Schedule of Funding Status
For the Years Ended June 30, 2017 and 2016**

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, 2015	\$ -	4,085,375	4,085,375	0.00%	\$ 5,350,601	76.35%
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%

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 2019 based on the year ending June 30, 2018. (See notes 9 and 12 for the District's 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, 2017

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	\$ -	-	511,926	424,175	936,101
Restricted – cash and cash equivalents	521,224	869,671	791,086	6	2,181,987
Restricted – investments	2,740,387	-	-	-	2,740,387
Accrued interest receivable	28,206	-	-	-	28,206
Accounts receivable – water and sewer sales	3,156,035	249,824	115,953	2,044	3,523,856
Accounts receivable – governmental agencies	45,097	-	-	-	45,097
Accounts receivable – other	253	10,103	-	11,729	22,085
Capital grants and loan proceeds receivable	-	6,051,875	-	-	6,051,875
Note receivable – Black Point Golf Links	-	216,271	-	-	216,271
Materials and supplies inventory	500,701	-	-	-	500,701
Prepaid expenses and deposits	78,050	-	15,511	3,595	97,156
Total current assets	7,069,953	7,397,744	1,434,476	441,549	16,343,722
Non-current assets:					
Restricted – investments	4,236,376	-	-	-	4,236,376
Internal balances	5,557,108	(5,557,108)	-	-	-
Note receivable – Black Point Golf Links	-	1,302,617	-	-	1,302,617
Notes receivable – employee housing loans, net	934,200	-	-	-	934,200
Capital assets, not being depreciated	3,801,588	11,731,589	392,092	102,157	16,027,426
Depreciable capital assets, net	88,760,265	17,678,079	5,297,260	817,365	112,552,969
Total non-current assets	103,289,537	25,155,177	5,689,352	919,522	135,053,588
Total assets	110,359,490	32,552,921	7,123,828	1,361,071	151,397,310
Deferred outflows of resources:					
Deferred pension outflows	2,931,861	-	-	-	2,931,861
Total deferred outflows of resources	2,931,861	-	-	-	2,931,861
Current liabilities:					
Accounts payable and accrued expenses	\$ 3,066,349	453,319	-	1,414	3,521,082
Accrued wages and related payables	184,478	28,547	36,233	12,078	261,336
Accrued claims payable	178,673	4,995	6,340	2,114	192,122
Customer advances and deposits	727,613	10,000	26,706	4,565	768,884
Accrued interest payable – long-term debt	884	103,785	1,973	-	106,642
Long-term liabilities – due within one year:					
Compensated absences	162,483	-	-	-	162,483
Bonds payable	-	-	22,000	-	22,000
Loans payable	710,653	638,602	46,042	-	1,395,297
Total current liabilities	5,031,133	1,239,248	139,294	20,171	6,429,846
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	487,448	-	-	-	487,448
Other post-employment benefits payable	1,204,119	-	-	-	1,204,119
Bonds payable	-	-	72,000	-	72,000
Loans payable	15,603,661	14,167,191	756,790	-	30,527,642
Net pension liability	11,040,789	-	-	-	11,040,789
Total non-current liabilities	28,336,017	14,167,191	828,790	-	43,331,998
Total liabilities	33,367,150	15,406,439	968,084	20,171	49,761,844
Deferred inflows of resources:					
Deferred pension inflows	655,355	-	-	-	655,355
Total deferred inflows of resources	655,355	-	-	-	655,355
Net position:					
Net investment in capital assets	76,283,679	15,473,547	5,454,826	919,522	98,131,574
Restricted for capital projects and debt service	2,011,967	-	128,714	-	2,140,681
Unrestricted	973,200	1,672,935	572,204	421,378	3,639,717
Total net position	\$ 79,268,846	17,146,482	6,155,744	1,340,900	103,911,972

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2016

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	As Restated Total
Current assets:					
Cash and cash equivalents	\$ -	208,714	344,289	458,056	1,011,059
Restricted – cash and cash equivalents	2,988,040	614,299	792,422	5,606	4,400,367
Restricted – investments	4,882,649	-	-	-	4,882,649
Accrued interest receivable	18,021	-	-	-	18,021
Accounts receivable – water and sewer sales	2,906,106	250,929	102,106	1,816	3,260,957
Accounts receivable – governmental agencies	899,467	-	-	-	899,467
Accounts receivable – other	12,669	462,289	-	-	474,958
Capital grants and loan proceeds receivable	-	500,813	-	-	500,813
Note receivable – Black Point Golf Links	-	211,153	-	-	211,153
Materials and supplies inventory	454,062	-	-	-	454,062
Prepaid expenses and deposits	47,696	-	14,353	824	62,873
Total current assets	12,208,710	2,248,197	1,253,170	466,302	16,176,379
Non-current assets:					
Restricted – investments	2,738,027	-	-	-	2,738,027
Note receivable – Black Point Golf Links	-	1,518,888	-	-	1,518,888
Notes receivable – employee housing loans, net	934,200	-	-	-	934,200
Capital assets, not being depreciated	2,743,042	1,130,190	345,013	13,191	4,231,436
Depreciable capital assets, net	85,565,884	18,115,052	5,470,138	793,132	109,944,206
Total non-current assets	91,981,153	20,764,130	5,815,151	806,323	119,366,757
Total assets	104,189,863	23,012,327	7,068,321	1,272,625	135,543,136
Deferred outflows of resources:					
Deferred pension outflows	1,354,255	-	-	-	1,354,255
Total deferred outflows of resources	1,354,255	-	-	-	1,354,255
Current liabilities:					
Accounts payable and accrued expenses	2,277,212	71,718	-	1,416	2,350,346
Accrued wages and related payables	192,018	23,617	32,232	10,744	258,611
Accrued claims payable	88,577	2,476	3,143	1,048	95,244
Customer advances and deposits	655,461	10,028	20,797	2,865	689,151
Accrued interest payable – long-term debt	1,719	109,022	2,497	-	113,238
Long-term liabilities – due within one year:					
Compensated absences	158,981	-	-	-	158,981
Bonds payable	-	-	22,000	-	22,000
Loans payable	690,387	623,719	45,081	-	1,359,187
Total current liabilities	4,064,355	840,580	125,750	16,073	5,046,758
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	476,942	-	-	-	476,942
Other post-employment benefits payable	1,002,569	-	-	-	1,002,569
Bonds payable	-	-	94,000	-	94,000
Loans payable	16,702,366	10,959,307	802,832	-	28,464,505
Net pension liability	8,619,837	-	-	-	8,619,837
Total non-current liabilities	26,801,714	10,959,307	896,832	-	38,657,853
Total liabilities	30,866,069	11,799,887	1,022,582	16,073	43,704,611
Deferred inflows of resources:					
Deferred pension inflows	806,744	-	-	-	806,744
Total deferred inflows of resources	806,744	-	-	-	806,744
Net position:					
Net investment in capital assets	70,954,801	8,276,515	5,504,397	806,323	85,542,036
Restricted for capital projects and debt service	1,984,178	-	138,802	-	2,122,980
Unrestricted	932,326	2,935,925	402,540	450,229	4,721,020
Total net position	\$ 73,871,305	11,212,440	6,045,739	1,256,552	92,386,036

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, 2017

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 12,504,554	699,454	597,856	-	13,801,864
Bi-monthly meter service charge	4,136,919	29,068	168,775	-	4,334,762
Sewer service charges	-	-	-	215,989	215,989
Other charges and services	343,412	12	6,837	600	350,861
Total operating revenues	16,984,885	728,534	773,468	216,589	18,703,476
Operating expenses:					
Source of supply	4,417,447	149,008	12,904	-	4,579,359
Pumping	309,233	3,449	38,660	-	351,342
Water facilities operations	808,675	68,852	60,032	-	937,559
Water treatment	2,188,084	17,786	141,079	-	2,346,949
Transmission and distribution	3,028,410	46,914	147,913	-	3,223,237
Sewage collection and treatment	-	-	-	151,205	151,205
Customer service	642,708	823	30,414	2,244	676,189
General and administrative	2,282,355	65,387	86,366	28,284	2,462,392
Water conservation projects	361,042	-	10,413	-	371,455
Total operating expenses	14,037,954	352,219	527,781	181,733	15,099,687
Operating income before depreciation	2,946,931	376,315	245,687	34,856	3,603,789
Depreciation	(2,710,627)	(472,017)	(192,151)	(41,616)	(3,416,411)
Operating income(loss)	236,304	(95,702)	53,536	(6,760)	187,378
Non-operating revenues(expenses):					
Property tax revenue	-	-	51,963	55,247	107,210
Investment earnings	104,564	2,813	16,221	5,749	129,347
Interest earnings(loss) from note receivable – BPGL	-	39,419	-	-	39,419
Rental revenue	78,307	-	4,344	500	83,151
Interest expense – long-term debt	(465,664)	(292,140)	(33,407)	-	(791,211)
Other non-operating revenues	135,546	10,557	-	-	146,103
Other non-operating expenses	(2,172)	(2,437)	(13,452)	(788)	(18,849)
Total non-operating revenues, net	(149,419)	(241,788)	25,669	60,708	(304,830)
Net income(loss) before capital contributions	86,885	(337,490)	79,205	53,948	(117,452)
Capital contributions:					
State of California – Caltrans	4,750,845	-	-	-	4,750,845
Developers and others	783,616	13,237	-	-	796,853
Connection fees	973,385	-	30,800	30,400	1,034,585
Capital grants – federal	-	2,686,799	-	-	2,686,799
Capital grants – state and local	33,750	2,340,556	-	-	2,374,306
Capital contributions	6,541,596	5,040,592	30,800	30,400	11,643,388
Change in net position	6,628,481	4,703,102	110,005	84,348	11,525,936
Net position transfer	(1,230,940)	1,230,940	-	-	-
Net position, beginning of year - as restated	73,871,305	11,212,440	6,045,739	1,256,552	92,386,036
Net position, end of year	\$ 79,268,846	17,146,482	6,155,744	1,340,900	103,911,972

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, 2016

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	As Restated Total
Operating revenues:					
Water consumption sales	\$ 11,291,003	673,167	544,742	-	12,508,912
Bi-monthly meter service charge	4,134,438	28,686	168,775	-	4,331,899
Sewer service charges	-	-	-	195,461	195,461
Other charges and services	367,697	50	7,064	460	375,271
Total operating revenues	15,793,138	701,903	720,581	195,921	17,411,543
Operating expenses:					
Source of supply	4,316,178	232,365	17,290	-	4,565,833
Pumping	252,061	2,995	26,199	-	281,255
Water facilities operations	682,261	72,361	43,184	-	797,806
Water treatment	1,949,762	5,652	144,473	-	2,099,887
Transmission and distribution	2,747,675	14,131	109,484	-	2,871,290
Sewage collection and treatment	-	-	-	134,193	134,193
Customer service	603,385	819	22,646	2,131	628,981
General and administrative	1,738,681	83,542	88,981	22,807	1,934,011
Water conservation projects	381,495	-	9,986	-	391,481
Total operating expenses	12,671,498	411,865	462,243	159,131	13,704,737
Operating income before depreciation	3,121,640	290,038	258,338	36,790	3,706,806
Depreciation	(2,577,081)	(472,040)	(189,039)	(48,193)	(3,286,353)
Operating income(loss)	544,559	(182,002)	69,299	(11,403)	420,453
Non-operating revenues(expenses):					
Property tax revenue	-	-	49,650	52,609	102,259
Investment earnings	61,443	5,556	10,025	3,637	80,661
Interest earnings from note receivable – BPGL	-	44,417	-	-	44,417
Rental revenue	63,682	-	3,927	500	68,109
Interest expense – long-term debt	(494,881)	(276,053)	(36,100)	-	(807,034)
Other non-operating revenues	168,630	28,445	102	8,553	205,730
Other non-operating expenses	(21,644)	-	(596)	(636)	(22,876)
Total non-operating revenues, net	(222,770)	(197,635)	27,008	64,663	(328,734)
Net income(loss) before capital contributions	321,789	(379,637)	96,307	53,260	91,719
Capital contributions:					
State of California – Caltrans	2,649,186	-	-	-	2,649,186
Developers and others	658,248	-	15,841	4,835	678,924
Connection fees	255,000	-	-	23,690	278,690
Capital grants – state and local	69,958	462,289	-	-	532,247
Capital contributions	3,632,392	462,289	15,841	28,525	4,139,047
Change in net position	3,954,181	82,652	112,148	81,785	4,230,766
Net position transfer	(806,664)	806,664	-	-	-
Net position, beginning of year – as restated	70,723,788	10,323,124	5,933,591	1,174,767	88,155,270
Net position, end of year – as restated	\$ 73,871,305	11,212,440	6,045,739	1,256,552	92,386,036

See accompanying notes to the basic financial statements

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Statistical Information Section

North Marin Water District Statistical Section

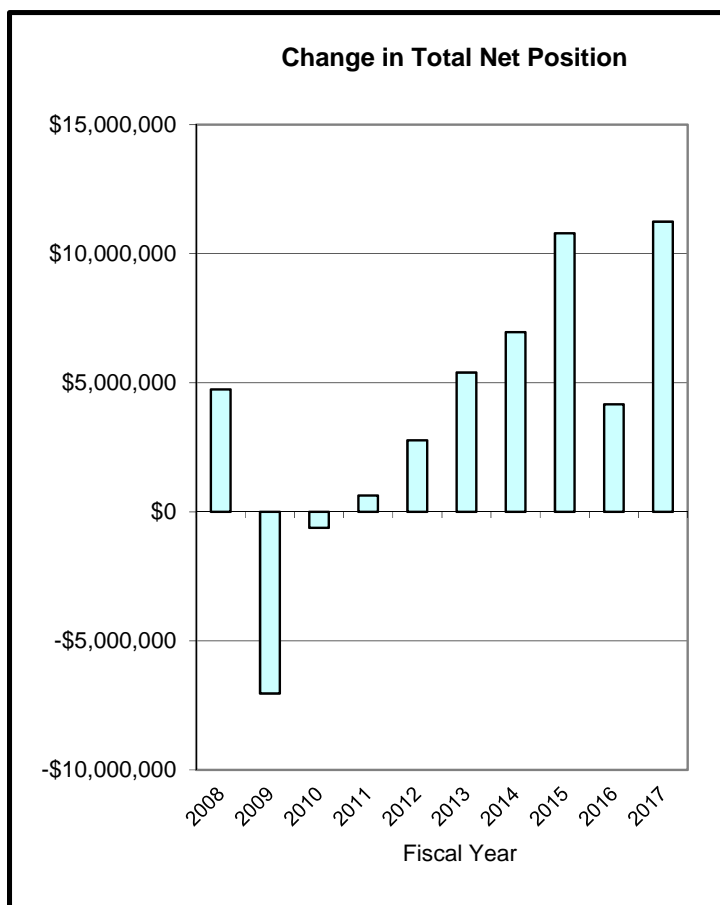
This part of the District's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

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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.	58-62
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	63-66
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.	67-68
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	69-70
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.	71-72

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

	Fiscal Year		
	2008	2009	2010
Change in net assets:			
Operating revenues (see schedule 2)	\$11,779,157	\$12,526,294	\$12,381,493
Operating expenses (see schedule 3)	(12,538,993)	(13,257,125)	(13,083,372)
Depreciation and amortization	(1,761,673)	(10,091,139) ⁽¹⁾	(2,659,883)
Operating income(loss)	(\$2,521,509)	(\$10,821,970)	(\$3,361,762)
Net non-op revenue(expense) (see schedule 4)	197,211	8,954	(255,218)
Net income(loss) before capital contributions	(\$2,324,298)	(\$10,813,016)	(\$3,616,980)
Capital contributions	7,061,891	3,776,402	2,998,366
Change in net position	\$4,737,593	(\$7,036,614)	(\$618,614)
Net position by component:			
Net investment in capital assets	\$65,099,863	\$61,057,551	\$60,880,162
Restricted	4,743,194	4,304,331	5,321,639
Unrestricted	10,476,733	7,921,294	6,462,761
Total net position	\$80,319,790	\$73,283,176	\$72,664,562



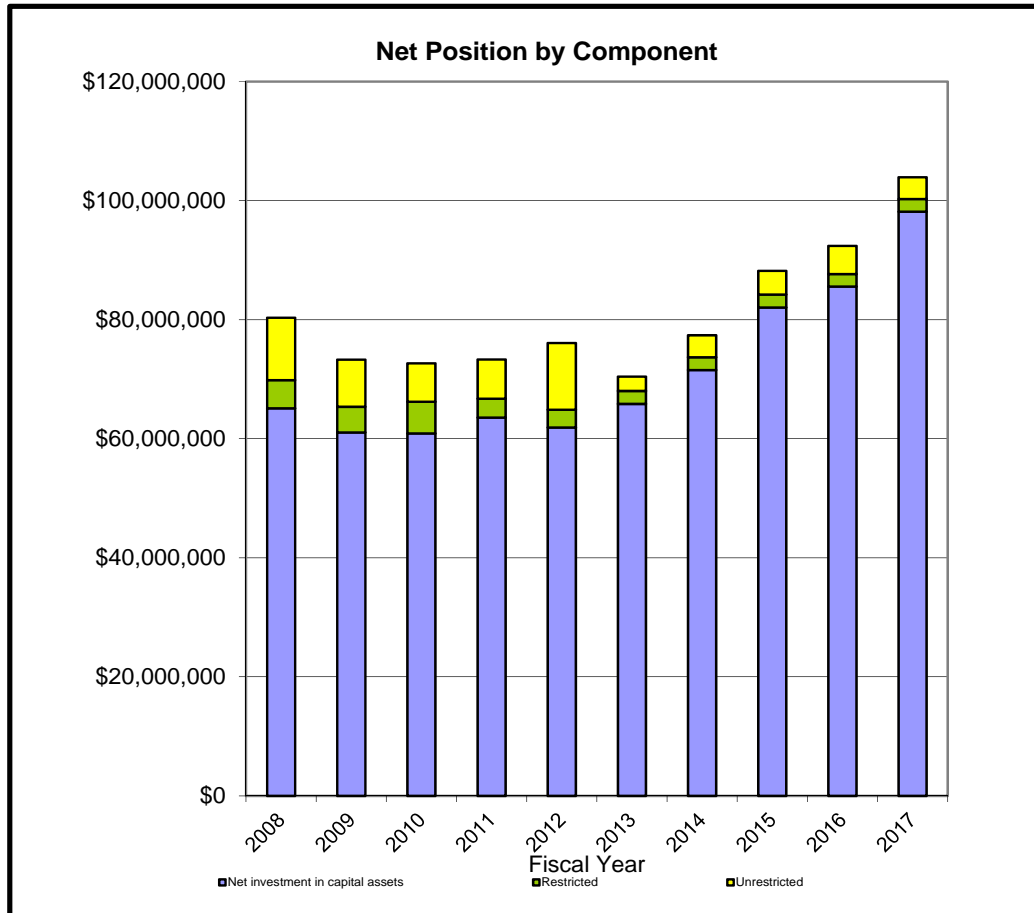
Source: North Marin Water District Audited Financial Statements

⁽¹⁾ Asset lives were adjusted in Fiscal Year 2009 which resulted in a large depreciation adjustment

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

Schedule 1

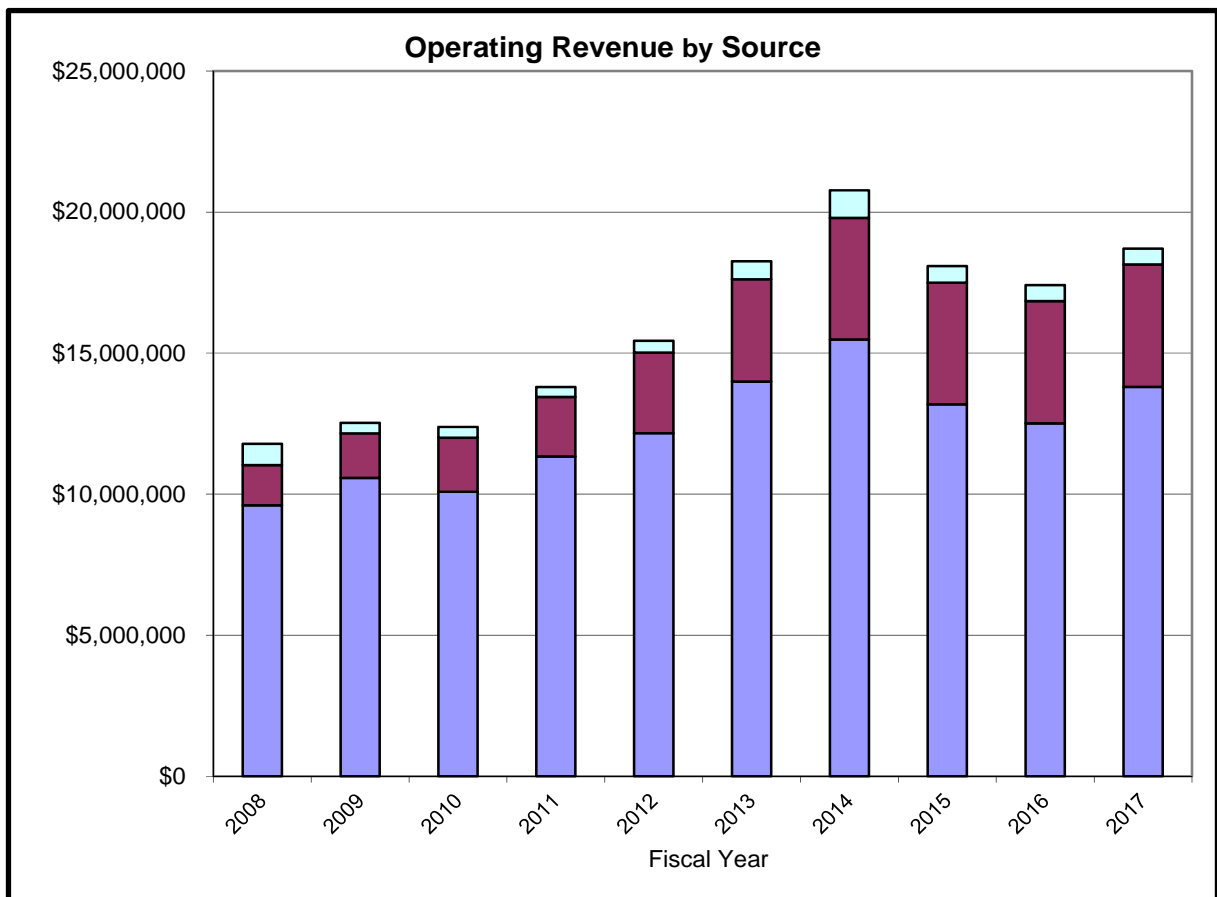
Fiscal Year						
2011	2012	As Restated 2013	As Restated 2014	2015	As Restated 2016	2017
\$13,797,012	\$15,435,733	\$18,256,638	\$20,772,429	\$18,081,308	\$17,411,543	\$18,703,476
(11,878,612)	(12,610,862)	(13,140,845)	(13,309,833)	(13,328,124)	(13,704,737)	(15,099,687)
(2,660,418)	(2,726,598)	(2,793,360)	(3,128,302)	(3,183,725)	(3,286,353)	(3,416,411)
(\$742,018)	\$98,273	\$2,322,433	\$4,334,294	\$1,569,459	\$420,453	\$187,378
(414,563)	(531,318)	(285,490)	(518,474)	(488,661)	(328,734)	(304,830)
(\$1,156,581)	(\$433,045)	\$2,036,943	\$3,815,820	\$1,080,798	\$91,719	(\$117,452)
1,785,475	3,200,979	3,357,870	3,144,256	9,714,111	4,139,047	11,643,388
\$628,894	\$2,767,934	\$5,394,813	\$6,960,076	\$10,794,909	\$4,230,766	\$11,525,936
\$63,542,479	\$61,882,478	\$65,839,724	\$71,538,168	\$82,037,287	\$85,542,036	\$98,131,574
3,171,305	2,993,055	2,186,452	2,156,020	2,170,429	2,122,980	2,140,681
6,579,672	11,185,857	2,404,385	3,696,449	3,977,830	4,721,020	3,639,717
\$73,293,456	\$76,061,390	\$70,430,561	\$77,390,637	\$88,185,546	\$92,386,036	\$103,911,972



**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
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
2014	15,480,438	4,308,584	983,407	20,772,429
2015	13,180,015	4,312,108	589,188	18,081,311
2016	12,508,927	4,331,899	570,717	17,411,543
2017	13,801,864	4,334,762	566,850	18,703,476

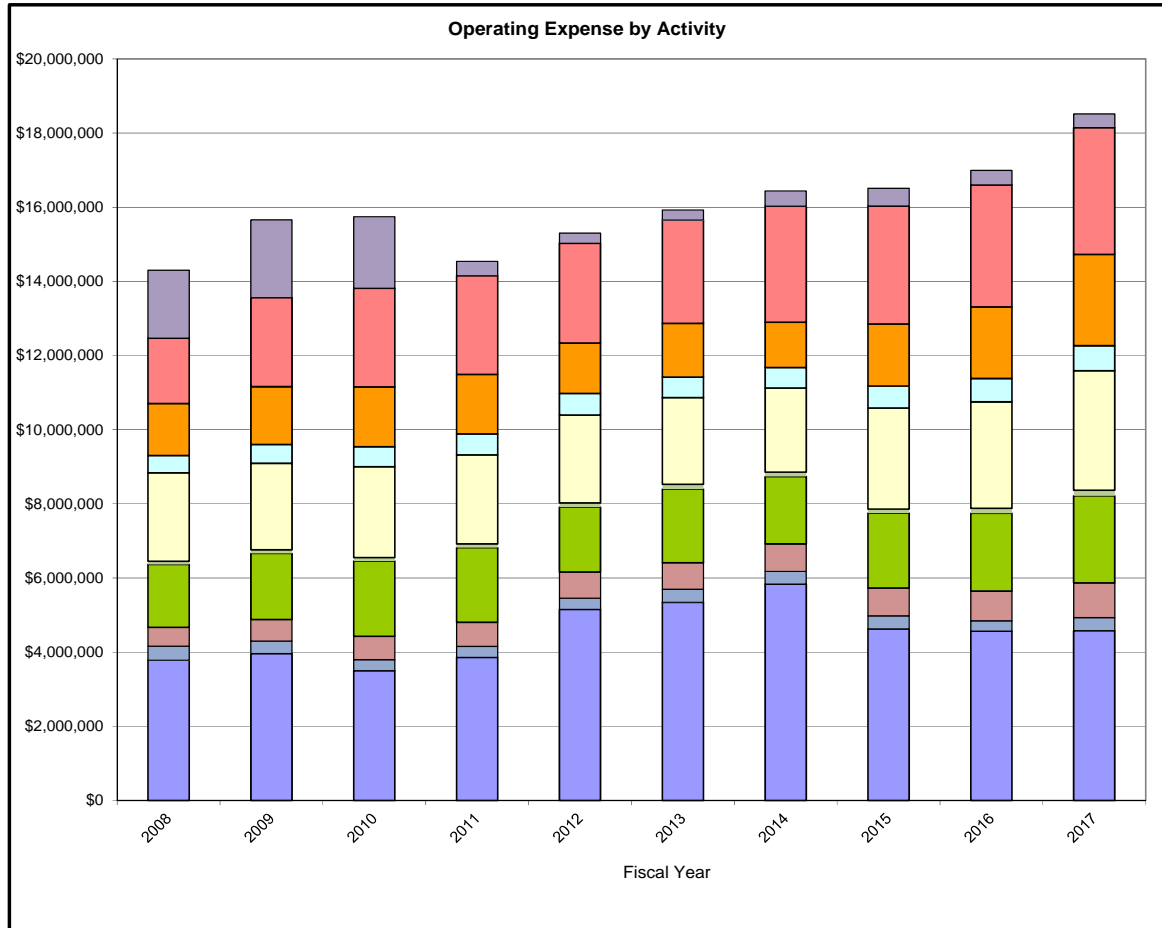


Source: North Marin Water District Audited Financial Statements

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 (2)	Other Op Expense	Deprec and Amortization (1)	Total Op Expense
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
2014	5,834,854	341,597	742,706	1,815,429	120,548	2,270,764	550,709	1,221,849	411,377	3,128,302	16,438,135
2015	4,624,655	352,007	751,940	2,020,865	108,928	2,727,168	588,579	1,673,156	478,360	3,183,725	16,509,383
2016	4,565,833	281,255	797,806	2,099,887	134,193	2,871,290	628,981	1,934,011	391,481	3,286,353	16,991,090
2017	4,579,359	351,342	937,559	2,346,949	151,205	3,223,237	676,189	2,462,392	371,455	3,416,411	18,516,098



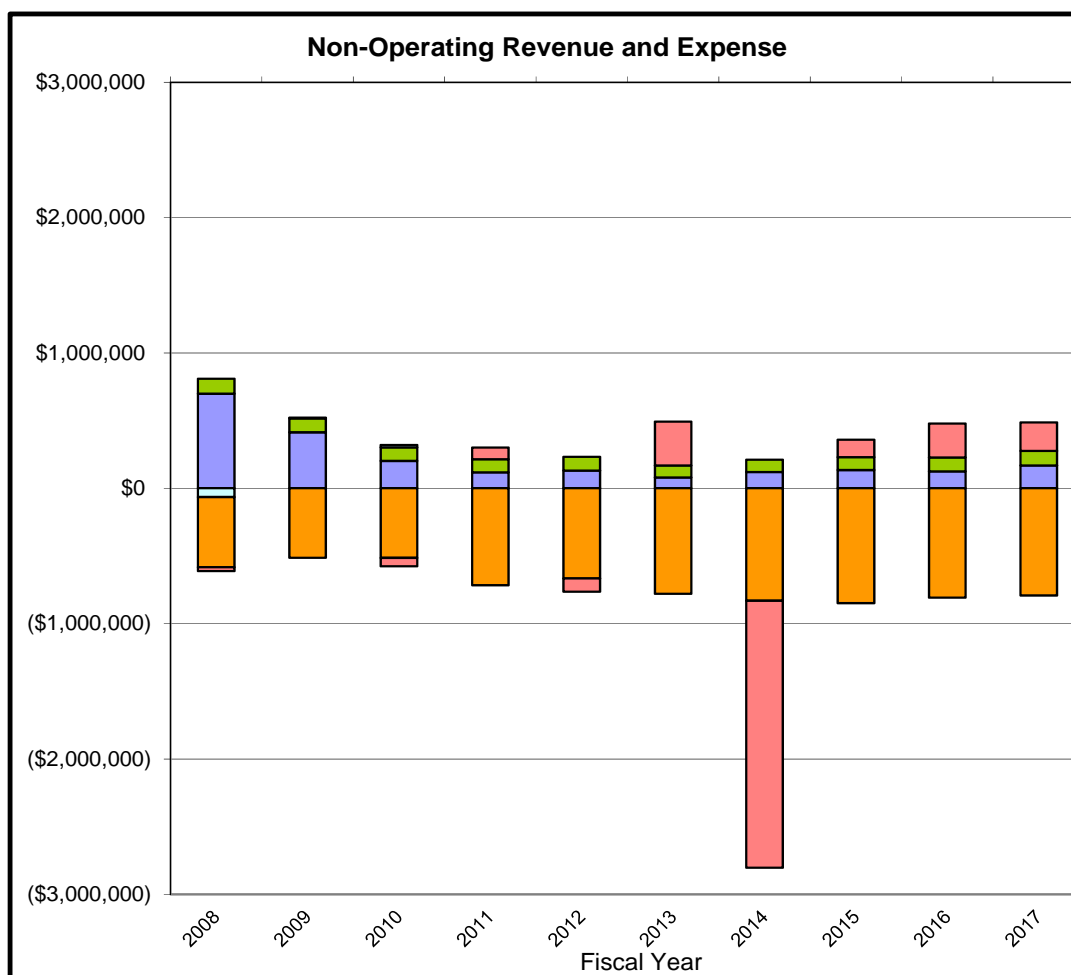
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 4

Fiscal Year	Investment Income ⁽¹⁾	Property Taxes	Gain/(Loss) on Asset Sales	Interest Expense	Other Inc & Exp, net	Net Non-Op Rev/(Exp)
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	130,974	101,559	-	(665,713)	(98,138)	(531,318)
2013	80,713	88,088	-	(778,762)	324,471	(285,490)
2014	120,671	90,071	-	(830,830)	(1,972,027) ⁽²⁾	(2,592,115)
2015	135,307	94,391	-	(847,950)	129,591	(488,661)
2016	125,078	102,259	-	(807,035)	250,963	(328,735)
2017	168,766	107,210	-	(791,211)	210,405	(304,830)



Notes:

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

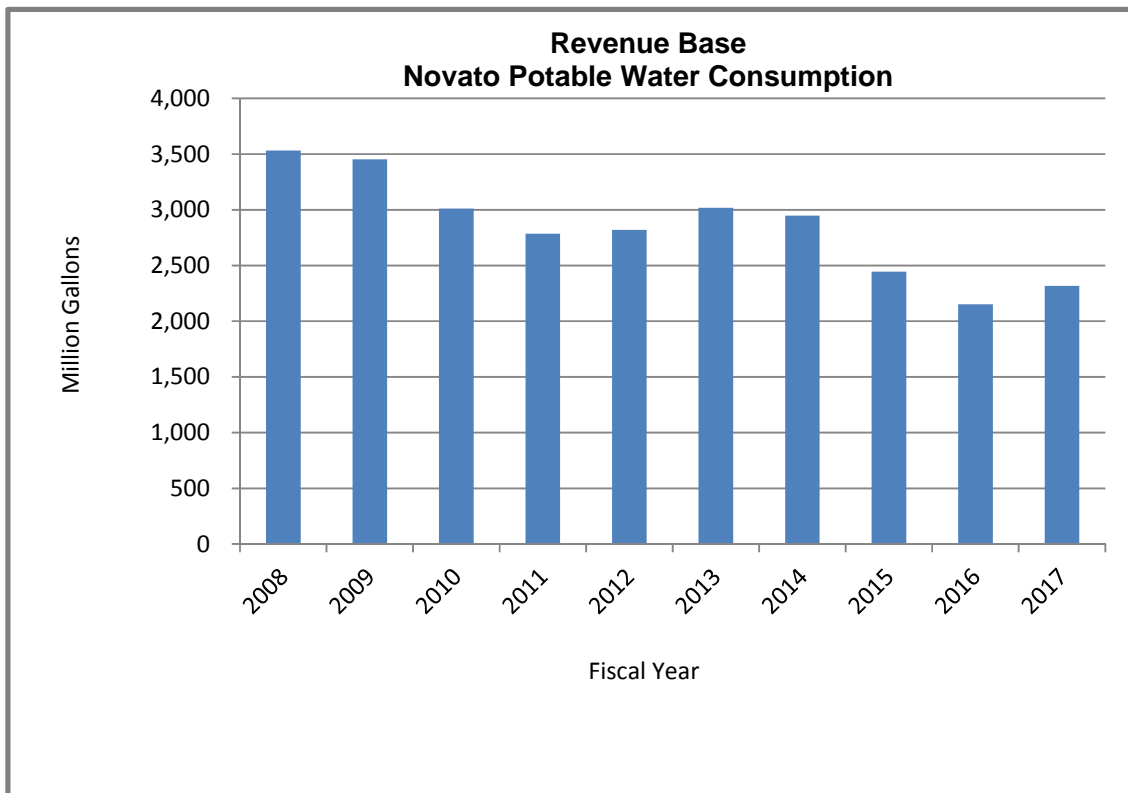
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

Source: North Marin Water District Audited Financial Statements

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

Schedule 5

Fiscal Year	Novato Potable Water Consumption (Million Gallons)
2008	3,533
2009	3,454
2010	3,011
2011	2,786
2012	2,820
2013	3,018
2014	2,948
2015	2,444
2016	2,152
2017	2,317



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	Customer Type						West Marin Water	Oceana Marin Sewer	Total
	Novato Potable & Recycled								
	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Government	Recycled				
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	
2014	18,491	699	1,222	231	44	776	229	21,692	
2015	18,541	698	1,226	230	44	778	229	21,746	
2016	18,561	704	1,239	232	44	780	230	21,790	
2017	18,631	700	1,254	229	47	780	231	21,872	

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	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17
5/8" & 3/4"	\$10.00	\$13.20	\$14.40	\$20.00	\$25.00	\$30.00	\$30.00	\$30.00	\$30.00	\$31.50
1"	\$20.00	\$26.40	\$28.80	\$40.00	\$50.00	\$60.00	\$60.00	\$60.00	\$60.00	\$63.00
1 1/2"	\$24.00	\$32.40	\$35.30	\$49.00	\$61.00	\$73.00	\$73.00	\$73.00	\$73.00	\$77.00
2"	\$38.00	\$50.40	\$54.95	\$76.00	\$95.00	\$114.00	\$114.00	\$114.00	\$114.00	\$120.00
3"	\$75.00	\$99.60	\$108.55	\$151.00	\$189.00	\$227.00	\$227.00	\$227.00	\$227.00	\$238.00
4"	\$120.00	\$159.60	\$173.95	\$242.00	\$303.00	\$364.00	\$364.00	\$364.00	\$364.00	\$382.00
6"	\$251.00	\$334.80	\$364.95	\$507.00	\$634.00	\$761.00	\$761.00	\$761.00	\$761.00	\$799.00
8"	\$375.00	\$499.20	\$544.15	\$756.00	\$945.00	\$1,134.00	\$1,134.00	\$1,134.00	\$1,134.00	\$1,191.00
Water Use Rate (per 1,000 Gallons)										
User Type	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17
<u>Residential Zone A</u>										
Base Rate ⁽¹⁾	\$2.27	\$3.02	\$3.29	\$3.49	\$3.73	\$4.03	\$4.29	\$4.46	\$4.77	\$5.01
Tier 1: 616-1845 gpd	\$3.61	\$4.81	\$5.24	\$5.55	\$5.94	\$6.42	\$6.84	\$7.11	\$7.61	\$7.99
Tier 2: >1845 gpd	\$6.28	\$8.36	\$9.11	\$9.66	\$10.34	\$11.17	\$11.90	\$12.38	\$13.25	\$13.91
<u>Non-Residential Zone A</u>										
Base Rate ⁽¹⁾	\$2.61	\$3.48	\$3.62	\$3.84	\$4.11	\$4.44	\$4.73	\$4.92	\$5.26	\$5.52
Seasonal Rate	-	-	\$3.90	\$4.13	\$4.42	\$4.77	\$5.08	\$5.28	\$5.65	\$5.93

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

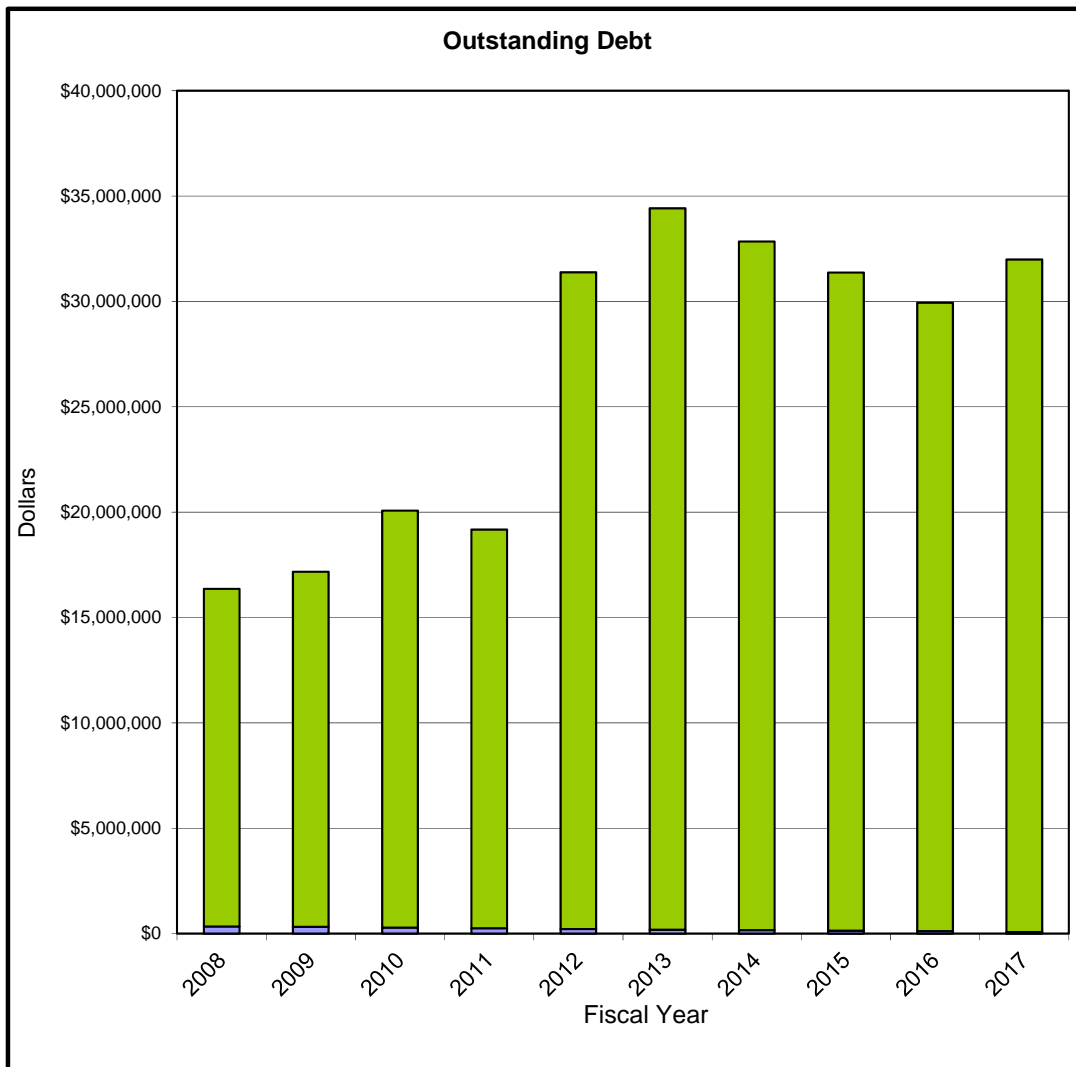
	FY 2016/17	% of Total	FY 2006/07	% of Total
1	City of Novato	2.3%	Coast Guard Spanish Housing	1.9%
2	StoneTree Golf Course	1.7%	StoneTree Golf Course	1.8%
3	Novato Unified School District	1.6%	City of Novato	1.5%
4	Biomarin Pharmaceutical	1.1%	Novato Unified School District	1.4%
5	Indian Valley Golf Course	0.7%	Fireman's Fund	0.9%
6	Fireman's Fund	0.7%	Indian Valley Golf Course	0.7%
7	Meadow Park HOA	0.7%	Meadow Park HOA	0.6%
8	Bay Vista Apartments	0.6%	Marion Park Apartments	0.6%
9	Marion Park Apartments	0.5%	Marin Valley Mobile Country Club	0.5%
10	Vintage Oaks Shopping Center	0.4%	Lanham Village HOA	0.4%
		10.4%		10.2%
	Total Water Service Revenue	\$17,890,000		\$10,980,000

Source: NMWD CORE billing system (t:\ac\excel\wtr use\top revenue 2007_2017.xlsx)top 10

**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⁾
2008	\$ 335,801	16,020,049	16,355,850	\$ 268.13	0.27%
2009	312,878	16,856,896	17,169,774	281.47	0.33%
2010	282,809	19,790,955	20,073,764	329.08	0.38%
2011	250,587	18,924,944	19,175,531	314.35	0.36%
2012	209,203	31,173,317	31,382,520	514.47	0.57%
2013	181,652	34,241,715	34,423,367	564.32	0.62%
2014	159,916	32,687,391	32,847,307	538.48	0.57%
2015	136,000	31,237,390	31,373,390	514.32	0.52%
2016	116,000	29,823,693	29,939,693	490.81	0.48%
2017	72,000	31,922,939	32,016,939	524.87	0.50%



Source: North Marin Water District Audited Financial Statements

⁽¹⁾ Per Capita/Personal Income per Capita (See Schedule 11)

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

Schedule 10

Fiscal Year	Revenue ⁽¹⁾	Expense ⁽²⁾	Net Available Revenue	Debt Service		Total	Coverage Ratio
				Principal	Interest		
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
2014	21,364,965	(13,437,213)	7,927,752	1,618,138	830,830	2,448,968	3.24
2015	19,308,316	(13,424,517)	5,883,799	1,686,523	847,951	2,534,474	2.32
2016	18,191,410	(13,727,613)	4,463,797	1,721,904	807,034	2,528,938	1.77
2017	20,209,860	(15,118,535)	5,091,325	1,769,241	757,781	2,527,022	2.01

Notes:

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

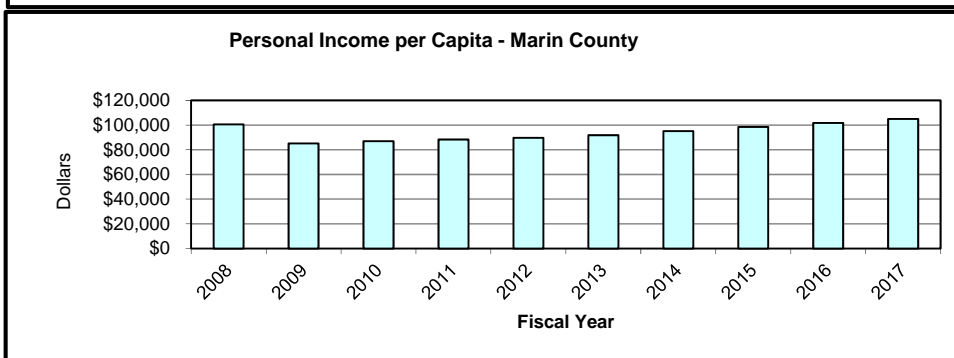
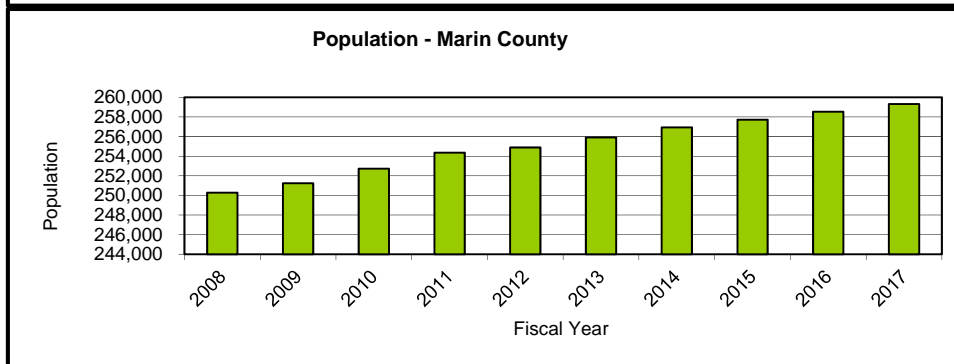
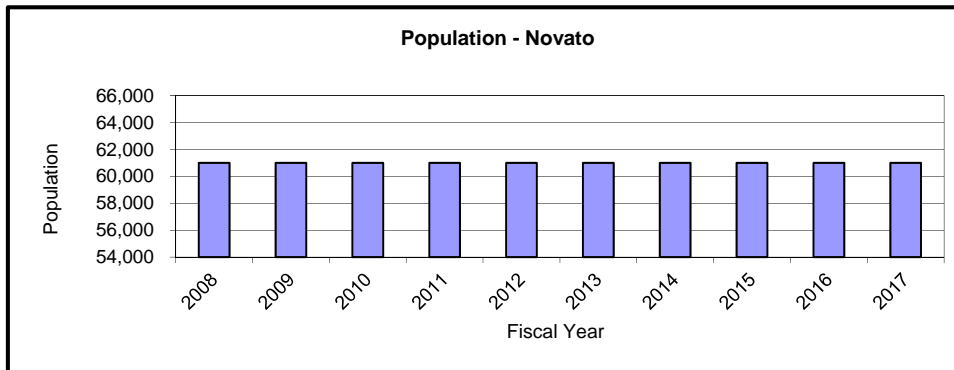
Source: North Marin Water District Audited Financial Statements

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

Schedule 11

Year	Novato Service Area ⁽¹⁾		County of Marin		
	Estimated Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2008	61,000	5.6%	250,288	\$ 25,177,721	\$ 100,595
2009	61,000	9.6%	251,230	21,376,407	85,087
2010	61,000	7.7%	252,731	21,971,675	86,937
2011	61,000	7.4%	254,359	22,465,241	88,321
2012	61,000	6.5%	254,882	22,856,288	89,674
2013	61,000	5.3%	255,897	23,476,503	91,742
2014	61,000	4.1%	256,929	24,435,233	95,105
2015	61,000	3.5%	257,720	25,361,452	98,407
2016	61,000	3.5%	258,530	26,301,550	101,735
2017	61,000	3.1%	259,308	27,214,893	104,952



Sources: NMWD Annual Report population estimate, County of Marin Economic Forecast at
<http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tableName=Labforce>
http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/Marin.pdf

Notes:

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

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

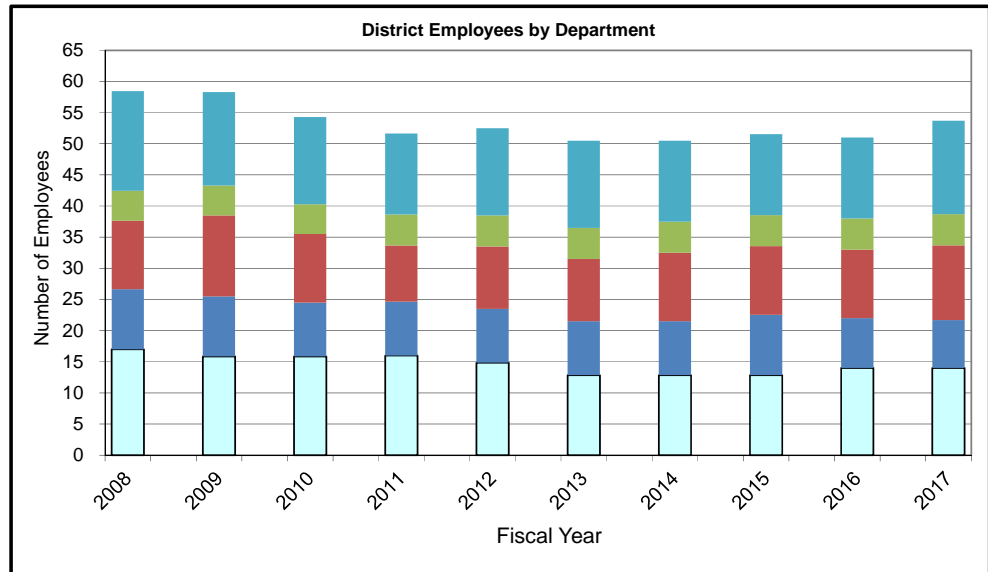
FY 2016/2017			FY 2006/2007		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 BioMarin Pharamaceutical	875	3.06%	Fireman's Fund	1,100	4.53%
2 Novato Unified School District	850	2.97%	Novato Unified School District	761	3.13%
3 2K/Visual Concepts Entertainment	600	2.10%	Greenpoint Mortgage	508	2.09%
4 Novato Community Hospital	321	1.12%	Cagwin & Dorward	406	1.67%
5 City of Novato	300	1.05%	Novato Community Hospital	358	1.47%
6 Costco Wholesale	298	1.04%	BioMarin Pharamaceutical	310	1.28%
7 Safeway Stores	275	0.96%	Brayton & Associates	274	1.13%
8 Bradley Electric	271	0.95%	Costco Wholesale	261	1.07%
9 Novato Healthcare Center	223	0.78%	Safeway Stores	252	1.04%
10 Buck Institute	195	0.68%	Target Store	251	1.03%
	4,208	14.71%		4,481	18.44%

Source: City of Novato and <http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tableName=Labforce>

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

Schedule 13

Department	Fiscal Year End									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative Services	17	16	16	16	15	13	13	13	14	14
Engineering Services	10	10	9	9	9	9	9	10	8	8
Construction /Maintenance	11	13	11	9	10	10	11	11	11	12
Water Quality	5	5	5	5	5	5	5	5	5	5
Operations / Maintenance	16	15	14	13	14	14	13	13	13	15
	58	58	54	52	53	51	51	52	51	54



Source: North Marin Water District Overheaded 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)
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
2014	100	356	2,805	39
2015	100	357	2,808	39
2016	100	358	2,814	39
2017	100	364	2,824	39

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance

**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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 3, 2017.

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.

Fedak & Brown LLP
Cypress, California
October 3, 2017

North Marin Water District
Management Report
June 30, 2017



Fedak & Brown LLP
Certified Public Accountants

North Marin Water District

Management Report

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Board of Directors
North Marin Water District
Novato, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of North Marin Water District (District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

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

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

Summary of Current Year Observations, Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2017.

Summary of Prior Year Observations, Comments and Recommendations

Governmental Accounting Standards Board Pronouncements

During our audit for the year ended June 30, 2016, we noted that the District capitalized portions of the employer's contribution to the CalPERS Pension Plan into the District's capital assets. Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71 – Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, require that all employer contributions made subsequent to the measurement date be recorded as deferred outflows of resources and then be applied to the District's outstanding pension obligation in succeeding periods. These GASB pronouncements have changed the accounting treatment of employer pension contributions which are no longer considered as an expense of the District. As a result of our audit procedures, and in order to comply with generally accepted accounting principles (GAAP), the District has developed a methodology to adjust the capital asset accounts to reclassify capitalized pension contributions.

Management's Response Comment

Staff finds GASB 68's declaration that the District's share of pension contribution payments to CalPERS are not an expense to be unsatisfactory, particularly as said payments pertain to capital asset work performed by the District on behalf of developers, as it shifts the 20% pension cost from developers to rate payers. Staff believes developers should pay the full cost of their development, including the pension contribution, and should not be subsidized by rate payers. After discussion, the auditors and staff agreed on a compromise to comply with GASB 68 on a summary basis. The Management Report "encourage(s) the District to fully recognize the principle of these new pronouncements." Staff will continue to work with the outside auditing firm going forward to comply with the new pronouncement with an eye toward fairness to both developers and rate payers.

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

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

Fedak & Brown, LLP
Cypress, California
October 3, 2017

APPENDIX

North Marin Water District

Audit/Finance Committee Letter

June 30, 2017

Board of Directors
North Marin Water District
Novato, California

We have audited the basic financial statements of the North Marin Water District (District) for the year ended June 30, 2017 and have issued our report thereon dated October 3, 2017. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated March 13, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

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

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to the board and management in our Communication to Those Charged with Governance through our Audit Engagement Letter dated March 13, 2017.

Qualitative Aspects of Accounting Practices

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

We noted transactions entered into by the District during fiscal year 2017 for which there is a lack of authoritative guidance or consensus. Please see our Summary of Current Year Observations, Comments and Recommendations. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

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

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

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

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

Management's estimate of the defined benefit pension plan: deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

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

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

The disclosure of capital assets, net in Note 6 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefits payable in Note 9 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosure of the District's defined benefit pension plan in Note 11 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

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

There were sixteen total audit adjustments to the original trial balance presented to us. Twelve of the adjustments related to the year three implementation of GASB Pronouncement No. 68 which were proposed by both the auditor and the District. Three of the audit adjusting entries were proposed by the auditor. One additional audit adjusting entry was proposed by the District. The audit adjustments are noted in the schedule of audit adjusting entries attached to the end of this report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated October 3, 2017.

Conclusion

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

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

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

Fedak & Brown, LLP

Cypress, California

October 3, 2017

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
CPE - To adjust OPEB per current year client prepared calculation and to adjust cash reserves at June 30, 2017.			
12653.01	Restricted Cash - Retiree Health Benefits	120,987.39	
12653.01	Restricted Cash - Retiree Health Benefits	802.80	
13509.01	Unrestricted Cash	120,987.66	
41162.01	Gain On Overhead Operations	120,987.39	
12621.01	Restricted Cash - Liability Contingency Fund		78,639.68
12653.01	Restricted Cash - Retiree Health Benefits		42,347.98
13509.01	Unrestricted Cash		120,987.39
13509.01	Unrestricted Cash		802.80
21501.01	Retiree Health Benefits Payable - Long Term		120,987.39
Total		363,765.24	363,765.24
Adjusting Journal Entries JE # 2			
AJE - To adjust unbilled receivable calculation based on difference between estimated and actual cycle billings for June 30, 2017.			
13741.01	Accrued Water Revenue	97,869.51	
13741.02	Accrued Water Revenue	40.05	
13741.05	Accrued Water Revenue	10,162.28	
41100.01	Water Sales		97,869.51
41100.02	Water Sales		40.05
41100.05	Water Sales:NovRecycl:GM		10,162.28
Total		108,071.84	108,071.84
Adjusting Journal Entries JE # 3			
GASB 68 Entry #1 - To reclassify 2016 contributions to NPL at June 30, 2017.			
21502.01	Net Pension Liability	828,792.00	
16100.01	Deferred Outflows		828,792.00
Total		828,792.00	828,792.00
Adjusting Journal Entries JE # 4			
GASB 68 Entry #2 - To reclassify 2017 contributions to Deferred Outflows of Resources at June 30, 2017.			
16100.01	Deferred Outflows	926,447.47	
51400.01	GASB68 Adjustment - Source		6,819.29
51400.02	GASB68 Adjustment - Source		425.34
52309.01	GASB68 Adjustment - Pumping		4,196.53
52309.02	GASB68 Adjustment - Pumping		1,069.60
52309.05	GASB68 Adjustment - Pumping		113.53
52700.01	GASB68 Adjustment - Operations		76,274.88
52700.02	GASB68 Adjustment - Operations		5,406.58
52700.05	GASB68 Adjustment - Operations		5,810.53
53800.01	GASB68 Adjustment - Water Treatment		180,633.04
53800.02	GASB68 Adjustment - Water Treatment		9,362.46
53800.05	GASB68 Adjustment - Water Treatment		988.25
54598.01	GASB68 Adjustment - T&D		274,140.72
54598.02	GASB68 Adjustment - T&D		12,553.50
54598.05	GASB68 Adjustment - T&D		1,270.04
54699.08	GASB68 Adjustment - Sewage Collection		4,148.35
54799.08	GASB68 Adjustment - Sewage Treatment		2,670.05
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		3,454.47
55999.01	GASB68 Adjustment - Consumer Accounting		59,963.23
55999.02	GASB68 Adjustment - Consumer Accounting		1,780.13
57000.01	GASB68 Adjustment - G&A		248,686.09
58100.01	GASB68 Adjustment - Water Conservation		26,113.88
58100.02	GASB68 Adjustment - Water Conservation		566.98
Total		926,447.47	926,447.47

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 5			
GASB 68 Entry #3 - To record changes in pension liability during FY15/16 at June 30, 2017.			
16100.01	Deferred Outflows	308,659.00	
16100.01	Deferred Outflows	1,843,149.00	
23100.01	Deferred Inflows	203,384.00	
51400.01	GASB68 Adjustment - Source	10,827.38	
51400.02	GASB68 Adjustment - Source	675.34	
52309.01	GASB68 Adjustment - Pumping	6,663.07	
52309.02	GASB68 Adjustment - Pumping	1,698.26	
52309.05	GASB68 Adjustment - Pumping	180.26	
52700.01	GASB68 Adjustment - Operations	121,106.01	
52700.02	GASB68 Adjustment - Operations	8,584.34	
52700.05	GASB68 Adjustment - Operations	9,225.72	
53800.01	GASB68 Adjustment - Water Treatment	286,801.48	
53800.02	GASB68 Adjustment - Water Treatment	14,865.32	
53800.05	GASB68 Adjustment - Water Treatment	1,569.10	
54598.01	GASB68 Adjustment - T&D	435,269.01	
54598.02	GASB68 Adjustment - T&D	19,931.91	
54598.05	GASB68 Adjustment - T&D	2,016.52	
54699.08	GASB68 Adjustment - Sewage Collection	6,586.58	
54799.08	GASB68 Adjustment - Sewage Treatment	4,239.40	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	5,484.84	
55999.01	GASB68 Adjustment - Consumer Accounting	95,207.07	
55999.02	GASB68 Adjustment - Consumer Accounting	2,826.41	
57000.01	GASB68 Adjustment - G&A	394,853.23	
58100.01	GASB68 Adjustment - Water Conservation	41,462.52	
58100.02	GASB68 Adjustment - Water Conservation	900.23	
16100.01	Deferred Outflows		6,490.00
16100.01	Deferred Outflows		203,384.00
21502.01	Net Pension Liability		3,249,744.00
23100.01	Deferred Inflows		26,574.00
23100.01	Deferred Inflows		339,974.00
Total		3,826,166.00	3,826,166.00

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY16/17 at June 30, 2017.			
23100.01	Deferred Inflows	152,076.00	
23100.01	Deferred Inflows	162,477.00	
51400.01	GASB68 Adjustment - Source	1,085.19	
51400.02	GASB68 Adjustment - Source	67.69	
52309.01	GASB68 Adjustment - Pumping	667.82	
52309.02	GASB68 Adjustment - Pumping	170.21	
52309.05	GASB68 Adjustment - Pumping	18.07	
52700.01	GASB68 Adjustment - Operations	12,138.07	
52700.02	GASB68 Adjustment - Operations	860.38	
52700.05	GASB68 Adjustment - Operations	924.66	
53800.01	GASB68 Adjustment - Water Treatment	28,745.19	
53800.02	GASB68 Adjustment - Water Treatment	1,489.90	
53800.05	GASB68 Adjustment - Water Treatment	157.27	
54598.01	GASB68 Adjustment - T&D	43,625.62	
54598.02	GASB68 Adjustment - T&D	1,997.71	
54598.05	GASB68 Adjustment - T&D	202.11	
54699.08	GASB68 Adjustment - Sewage Collection	660.15	
54799.08	GASB68 Adjustment - Sewage Treatment	424.90	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	549.73	
55999.01	GASB68 Adjustment - Consumer Accounting	9,542.30	
55999.02	GASB68 Adjustment - Consumer Accounting	283.28	
57000.01	GASB68 Adjustment - G&A	39,574.87	
58100.01	GASB68 Adjustment - Water Conservation	4,155.65	
58100.02	GASB68 Adjustment - Water Conservation	90.23	
16100.01	Deferred Outflows		13,561.00
16100.01	Deferred Outflows		267,014.00
16100.01	Deferred Outflows		181,409.00
Total		461,984.00	461,984.00

Adjusting Journal Entries JE # 7

CPE - To correct allocation distribution to pension expense for GASB Entries 2,3,4 - FB AJEs 4-6.

54699.08	GASB68 Adjustment - Sewage Collection	4,148.35	
54699.08	GASB68 Adjustment - Sewage Collection	900.23	
54699.08	GASB68 Adjustment - Sewage Collection	90.23	
54799.08	GASB68 Adjustment - Sewage Treatment	2,670.05	
54799.08	GASB68 Adjustment - Sewage Treatment	6,586.58	
54799.08	GASB68 Adjustment - Sewage Treatment	660.15	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	3,454.47	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	4,239.40	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	424.90	
58100.02	GASB68 Adjustment - Water Conservation	566.98	
58100.02	GASB68 Adjustment - Water Conservation	5,484.84	
58100.02	GASB68 Adjustment - Water Conservation	549.73	
54699.08	GASB68 Adjustment - Sewage Collection		566.98
54699.08	GASB68 Adjustment - Sewage Collection		6,586.58
54699.08	GASB68 Adjustment - Sewage Collection		660.15
54799.08	GASB68 Adjustment - Sewage Treatment		4,148.35
54799.08	GASB68 Adjustment - Sewage Treatment		4,239.40
54799.08	GASB68 Adjustment - Sewage Treatment		424.90
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		2,670.05
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		5,484.84
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		549.73
58100.02	GASB68 Adjustment - Water Conservation		3,454.47
58100.02	GASB68 Adjustment - Water Conservation		900.23
58100.02	GASB68 Adjustment - Water Conservation		90.23
Total		29,775.91	29,775.91

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 8			
GASB 68 Entry #5 - To reclassify District portion of pension expense capitalized with construction in progress to pension expense by operating function. GASB 68 rule identifies District portion of pension exp. is no longer a surrogate for capitalization.			
51400.01	GASB68 Adjustment - Source	596.34	
51400.02	GASB68 Adjustment - Source	37.20	
52309.01	GASB68 Adjustment - Pumping	366.98	
52309.02	GASB68 Adjustment - Pumping	93.53	
52309.05	GASB68 Adjustment - Pumping	9.93	
52700.01	GASB68 Adjustment - Operations	6,670.11	
52700.02	GASB68 Adjustment - Operations	472.80	
52700.05	GASB68 Adjustment - Operations	508.12	
53800.01	GASB68 Adjustment - Water Treatment	15,796.06	
53800.02	GASB68 Adjustment - Water Treatment	818.73	
53800.05	GASB68 Adjustment - Water Treatment	86.42	
54598.01	GASB68 Adjustment - T&D	23,973.16	
54598.02	GASB68 Adjustment - T&D	1,097.78	
54598.05	GASB68 Adjustment - T&D	111.06	
54699.08	GASB68 Adjustment - Sewage Collection	362.77	
54799.08	GASB68 Adjustment - Sewage Treatment	233.49	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	302.09	
55999.01	GASB68 Adjustment - Consumer Accounting	5,243.69	
55999.02	GASB68 Adjustment - Consumer Accounting	155.67	
57000.01	GASB68 Adjustment - G&A	21,747.19	
58100.01	GASB68 Adjustment - Water Conservation	2,283.62	
58100.02	GASB68 Adjustment - Water Conservation	49.58	
11181.01	Distribution Lines Contra Account for GASB68		9,242.34
11181.01	Distribution Lines Contra Account for GASB68		9,630.80
11181.02	Distribution Lines:West Marin:Eng		49.56
11181.05	Distribution Lines Contra Account for GASB68		1,643.24
11181.08	Distribution Lines:OM Sewer:Admin		3,210.06
11201.01	Work In Progress - Developer Contra Acct GASB68		7,535.04
11202.01	Work In Progress - District Contra Acct GASB68		18,630.33
11202.02	Work In Progress - District Contra Acct GASB68		1,622.55
11202.05	Work In Progress - District Contra Acct GASB68		29,078.08
11202.08	Work In Progress - OM Sewer:Ops		374.32
Total		81,016.32	81,016.32
Adjusting Journal Entries JE # 9			
GASB 68 Entry #6 - To balance District funds for GASB entries 1-5.			
11181.08	Distribution Lines:OM Sewer:Admin	3,210.06	
12653.01	Restricted Cash - Retiree Health Benefits	29,316.50	
13509.01	Unrestricted Cash	2,830.08	
13509.01	Unrestricted Cash	26,486.42	
22400.05	Due To Other Funds - Current Operations	23,894.43	
11185.08	Sewer Laterals		3,210.06
13509.01	Unrestricted Cash		29,316.50
13509.02	Unrestricted Cash		26,486.42
13509.08	Unrestricted Cash		2,830.08
14120.01	Due From Other Funds - Current Operations		23,894.43
Total		85,737.49	85,737.49

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
AJE - To adjust CIP and depreciable asset for asset transfers, over transferred due to prior years adjustment to CIP for GASB 68. Current Year transfers did not account for these adjustments in the prior year.			
11201.01	Work In Progress - Developer Contra Acct GASB68	5,316.86	
11201.01	Work In Progress - Developer Contra Acct GASB68	98.70	
11201.02	Work In Progress - Developer Contra Acct GASB68	616.26	
11202.08	Work In Progress - OM Sewer:Ops	225.25	
11160.08	Sewage Treatment Plant		225.25
11181.01	Distribution Lines Contra Account for GASB68		5,316.86
51400.01	GASB68 Adjustment - Source		4.60
51400.02	GASB68 Adjustment - Source		0.89
52309.01	GASB68 Adjustment - Pumping		3.34
52309.02	GASB68 Adjustment - Pumping		0.49
52309.05	GASB68 Adjustment - Pumping		0.07
52700.01	GASB68 Adjustment - Operations		54.24
52700.02	GASB68 Adjustment - Operations		2.96
52700.05	GASB68 Adjustment - Operations		3.49
53800.01	GASB68 Adjustment - Water Treatment		135.76
53800.02	GASB68 Adjustment - Water Treatment		8.03
53800.05	GASB68 Adjustment - Water Treatment		0.18
54598.01	GASB68 Adjustment - T&D		216.13
54598.02	GASB68 Adjustment - T&D		8.24
54598.05	GASB68 Adjustment - T&D		1.31
54699.08	GASB68 Adjustment - Sewage Collection		3.22
54799.08	GASB68 Adjustment - Sewage Treatment		1.43
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		2.74
55999.01	GASB68 Adjustment - Consumer Accounting		50.74
55999.02	GASB68 Adjustment - Consumer Accounting		0.73
57000.01	GASB68 Adjustment - G&A		194.24
57000.02	GASB68 Adjustment - G&A		0.06
58100.01	GASB68 Adjustment - Water Conservation		21.37
58100.02	GASB68 Adjustment - Water Conservation		0.65
59900.01	GASB68 Adjustment - Non Operating		0.05
Total		6,257.07	6,257.07
Adjusting Journal Entries JE # 11			
CPE - To adjust Cash June 2017. Batch 8198 JE-020981			
13509.01	Unrestricted Cash	215.55	
13509.01	Unrestricted Cash	587.25	
22400.05	Due To Other Funds - Current Operations	6.64	
13509.02	Unrestricted Cash		587.25
13509.08	Unrestricted Cash		215.55
14120.01	Due From Other Funds - Current Operations		6.64
Total		809.44	809.44
Adjusting Journal Entries JE # 12			
CPE - To adjust cash across funds at June 30, 2017. Batch 8220 JE-021011&JE-021012.			
13509.01	Unrestricted Cash	6.96	
13509.01	Unrestricted Cash	215.98	
13509.08	Unrestricted Cash	222.94	
14120.01	Due From Other Funds - Current Operations	1.59	
12653.01	Restricted Cash - Retiree Health Benefits		215.98
13509.01	Unrestricted Cash		222.94
13509.02	Unrestricted Cash		6.96
22400.05	Due To Other Funds - Current Operations		1.59
Total		447.47	447.47

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 13			
AJE - To correct Compensated Absences for missing employees noted during testwork at June 30, 2017.			
25300.01	Payroll Overhead Clearing Account	3,451.56	
25301.01	Vacation Leave		2,110.98
25303.01	Floating Holiday Leave		817.90
25330.01	Compensatory Time		522.68
Total		<u>3,451.56</u>	<u>3,451.56</u>
Adjusting Journal Entries JE # 14			
CPE - To adjust CIP for allocation to fund 5 (open CIP projects) which was originally recorded to fund 1 in GASB Entry #5. Batch 8241 and 8240			
11201.01	Work In Progress - Developer Contra Acct GASB68	61.02	
22400.05	Due To Other Funds - Current Operations	61.02	
11201.05	Work In Progress - Developer Contra Acct GASB68		61.02
14120.01	Due From Other Funds - Current Operations		61.02
Total		<u>122.04</u>	<u>122.04</u>

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 15			
CPE - To adjust GASB Entry #5 for 1) exp proj 1.2797.99 for alloc amount \$416.92 recorded to depr assets vs. expense. 2) project 8-7165-00 was adjusted for \$46.38 as open when project was closed. 3) to correct depr assets for asset adjusted additions.			
11181.01	Distribution Lines Contra Account for GASB68	416.92	
11181.01	Distribution Lines Contra Account for GASB68	996.00	
11185.08	Sewer Laterals	3,136.00	
11202.08	Work In Progress - OM Sewer:Ops	46.38	
12653.01	Restricted Cash - Retiree Health Benefits	3,118.82	
13509.01	Unrestricted Cash	3,131.69	
13509.02	Unrestricted Cash	12.87	
22400.05	Due To Other Funds - Current Operations	2.93	
11140.01	Source Facilities		215.00
11160.01	Treatment Facilities		3,867.00
11170.01	Storage Facilities		50.00
11185.08	Sewer Laterals		46.38
13509.01	Unrestricted Cash		12.87
13509.01	Unrestricted Cash		3,118.82
13509.08	Unrestricted Cash		3,131.69
14120.01	Due From Other Funds - Current Operations		2.93
51400.01	GASB68 Adjustment - Source		2.68
51400.02	GASB68 Adjustment - Source		0.52
52309.01	GASB68 Adjustment - Pumping		1.95
52309.02	GASB68 Adjustment - Pumping		0.29
52309.05	GASB68 Adjustment - Pumping		0.04
52700.01	GASB68 Adjustment - Operations		31.63
52700.02	GASB68 Adjustment - Operations		1.72
52700.05	GASB68 Adjustment - Operations		2.03
53800.01	GASB68 Adjustment - Water Treatment		79.17
53800.02	GASB68 Adjustment - Water Treatment		4.68
53800.05	GASB68 Adjustment - Water Treatment		0.10
54598.01	GASB68 Adjustment - T&D		126.03
54598.02	GASB68 Adjustment - T&D		4.81
54598.05	GASB68 Adjustment - T&D		0.76
54699.08	GASB68 Adjustment - Sewage Collection		1.87
54799.08	GASB68 Adjustment - Sewage Treatment		0.84
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		1.60
55999.01	GASB68 Adjustment - Consumer Accounting		29.59
55999.02	GASB68 Adjustment - Consumer Accounting		0.43
57000.01	GASB68 Adjustment - G&A		113.27
57000.02	GASB68 Adjustment - G&A		0.04
58100.01	GASB68 Adjustment - Water Conservation		12.46
58100.02	GASB68 Adjustment - Water Conservation		0.38
59900.01	GASB68 Adjustment - Non Operating		0.03
Total		10,861.61	10,861.61

**North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 16			
CPE - To adjust Oceana Marin Fund cash balance to internal reports during review of CAFR at June 30, 2017. (Batch 8256)			
13509.01	Unrestricted Cash	161.61	
13509.08	Unrestricted Cash	161.61	
54511.01	Maintenance Of Mains	161.61	
12621.01	Restricted Cash - Liability Contingency Fund		161.61
13509.01	Unrestricted Cash		161.61
59804.08	Small Jobs		161.61
Total		484.83	484.83
Total Adjusting Journal Entries		6,734,190.29	6,734,190.29
Total All Journal Entries		6,734,190.29	6,734,190.29

Legend:

AJE	Audit Adjusting Journal Entry
CPE	Client Prepared Adjusting Journal Entry
GASB 68 Entry	GASB 68 Adjusting Journal Entry for Year 3 Implementation

9

MEMORANDUM

To: Board of Directors

September 29, 2017

From: Drew McIntyre, General Manager
David L. Bentley, Auditor-Controller

Subj: Solicitation of Successor to Auditor-Controller and Budget Augmentation

f:\acl\word\personnel\ac recruitment\solicit & augment approve.docx

RECOMMENDED ACTION: Approve**FINANCIAL IMPACT: \$70,000 Budget Augmentation Required**

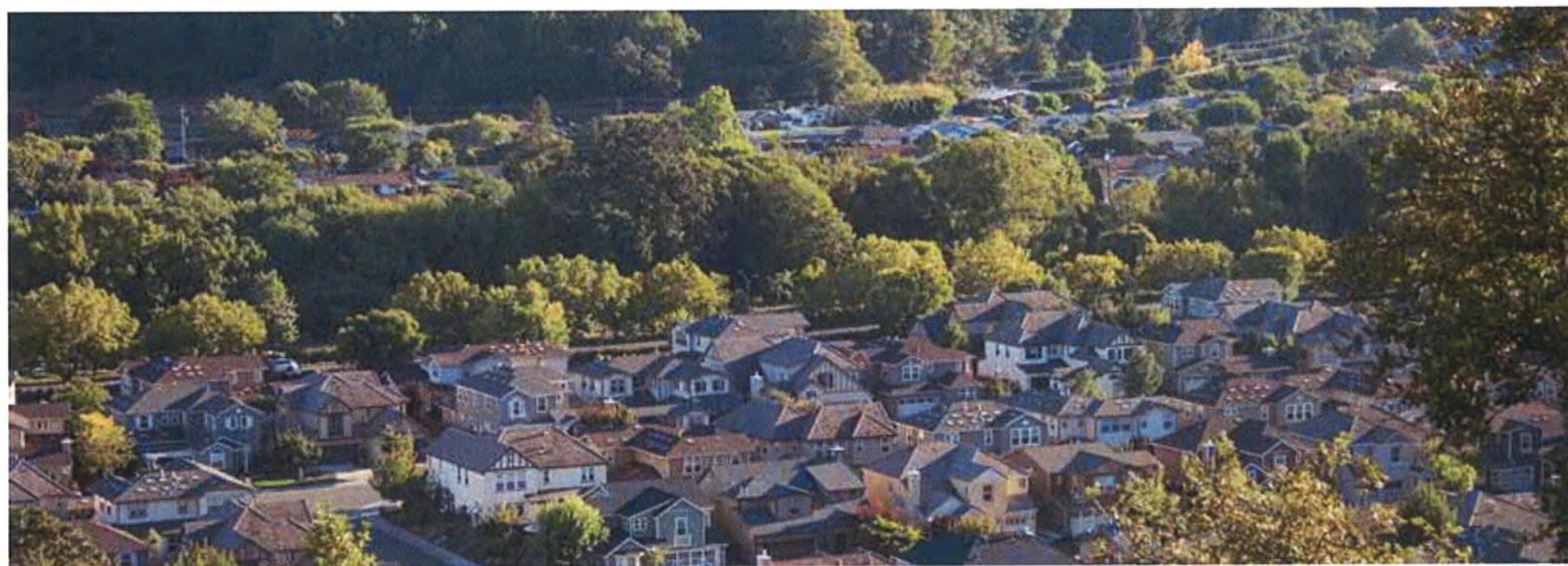
The Auditor-Controller plans to retire in May 2018. Per Board direction, the District will commence recruitment immediately, with a goal to employ a successor in January 2018. The District has engaged Ralph Andersen and Associates, an executive search firm headquartered in Rocklin, to identify and present qualified candidates for Board consideration. The proposed recruitment plan is fast-tracked, and includes interviews of the top candidates at the December 5 Board meeting. As an officer of the District, the Auditor-Controller is employed by the Board to enhance fiscal integrity by separating the line of authority over District finances.

The budget includes \$45,000 for the transition. Starting the successor in January is estimated to require an additional \$40,000. In addition, use of an executive search firm was not included in the budget and will cost approximately \$30,000. The Board approved engaging Ralph Andersen at the September 19 meeting. A draft of the recruitment brochure Ralph Andersen has developed is attached for your review and comment.

10/3	Auditor-Controller Recruitment approved by the Board
10/4	Position posted and candidates solicited
11/15	Application period closes 5:00 PM
11/20-11/29	Initial interviews conducted – top 2-3 candidates selected for Board
Board Meeting 12/5	Board interviews conducted (GM & Board of Directors)
12/6	Contingent employment offer extended & accepted
12/7-12/14	Background screening (financial, medical, references, etc.)
12/15	Employment offer confirmed - candidate provides notice plus holiday break
January 2018	Employment commences

Staff Recommendation:

- 1) Approve the recruitment plan detailed above;
- 2) Approve a budget augmentation of \$70,000 to fund the proposed recruitment plan.



North Marin Water District

Chief Financial Officer

Recruitment Services Provided by Ralph Andersen & Associates



ABOUT THE DISTRICT

North Marin Water District is a publicly owned water district formed in 1948 and operating under Division 12 of the California Water Code. Its policy board consists of five Directors elected at large. The District covers an area of approximately 100 square miles in north and northwest Marin County. It enjoys a reliable water supply imported from the Russian River and supplemented with local surface water (Stafford Lake) and recycled water.

The District's 55 full time employees provide water through 21,500 service connections to a population of approximately 61,000 including the greater Novato area and Point Reyes Station, Inverness Park, Olema and Paradise Ranch in western Marin County. Wastewater collection, treatment, and disposal in West Marin is provided for the Oceana Marin subdivision (near Dillon Beach).

The District employs a dedicated, hardworking staff, has progressive planning and financial management policies, and is a recognized industry leader in water utility standards, water quality protection, and water conservation management.

THE NOVATO AREA

Novato is the second largest city in Marin County. It boasts an excellent climate and beautiful oak studded rolling hills and is primarily a suburban residential area with a picturesque main street and friendly local shopping centers. It is less than a 45-minute drive from the city of San Francisco to the south, California's unparalleled coast and abundant national seashore areas to the west, Sonoma wine country to the north, and Napa Valley wine country to the east. Excellent winter sports areas and high Sierra recreation are a three-hour drive to the east. The area abounds with educational opportunities from pre-school to university level, both public and private. The climate is typical for California with mean annual rainfall of 27 inches, Mediterranean like temperatures and virtually no humidity.

THE POSITION

This outstanding career opportunity is a result of a pending retirement. The position of Chief Financial Officer (officially titled "Auditor-Controller" per the County Water District Code) is an officer of the District and is hired by the Board of Directors, serving in an at-will capacity. Renewal of the at-will contract is done annually by the Board. Important for interested candidates to know, this is a stable and well-run organization with the current incumbent having served in this role for more than thirty years. On a day-to-day basis, the CFO works under the general administrative direction of the General Manager. Working with a great deal of autonomy, this is the top financial advisor of the District and is responsible for the supervision and direction of the general office, fiscal functions, accounting, risk management, human resource programs, consumer relations (meter reading; purchasing and warehousing; and consumer relations), and information technology (outsourced).

This position oversees the full range of accounting functions for four independent entities (Novato Potable Water, West Marin Water, Oceana Marin Sewer, and Novato Recycled Water) including oversight of preparation of monthly financial statements, budgets, cash flow statements, and special fiscal reports. The CFO also oversees the investments of surplus funds, bond interest and redemption, tax receipts, and bond servicing as well as administering special assessment districts. Detailed and extensive long-term capital planning and five-year financial planning are also included as part of the CFO's portfolio of responsibilities. The District also uses a robust project/job costing module for cost allocation to development funded projects.

This position is also responsible for monitoring and implementing any GASB mandates or other regulations and pending legislation. Involvement in professional associations and civic engagement is expected in this leadership role.

The CFO also serves as the District's Risk Manager and the Benefits Manager. This includes significant involvement in various insurance and self-funded insurance programs (i.e., general and auto liability,

workers' compensation, and dental and vision plans are all self-funded) by working with vendors and the third party administrators, as needed. The CFO also establishes and maintains a robust system of internal controls; advises and consults with the General Manager on financial matters and coordinates the annual financial audit. Accounts payable, utility billing, and payroll are all handled in-house by department staff. Additionally, rate-making and rate analysis are important assignments for the CFO on an annual basis, involving public presentations to the Board.

The CFO attends Board of Directors meetings (currently 1st and 3rd Tuesdays at 7:00 pm) and prepares/presents staff reports to the Board for consideration.

This position is an integral part of the District's Executive Management Team, and has substantial interface with all other areas of the District by providing assistance on highly complex financial and other administrative matters. In summary, the CFO is responsible for assisting with formulating policy alternatives, developing goals and objectives, managing staff, administering the annual budget, directing financial operations, enhancing information technology, and overseeing customer service interface and interaction.

THE IDEAL CANDIDATE

The ideal candidate for the position of Chief Financial Officer (official title of Auditor-Controller per the County Water District Code) will have significant experience in a mid-sized public organization with outstanding leadership, mentoring, and team building skills. The CFO will be forward-thinking and have a vision for the development of strategies that will continue to improve the effectiveness and efficiencies of the District. Candidates should also have impeccable personal integrity and unquestioned commitment to contributing to the continued success of a highly regarded service-oriented organization. The CFO will have the ability to have that big picture vision and, at the same time, be able to establish credibility as a decisive, hands-on and results-oriented financial professional committed to excellence, independence, transparency, and fiscal accountability. The ideal candidate will also have exceptional financial analysis skills with the ability to probe, question, and investigate (with support from a small yet talented team) the critical aspects of managing day-to-day fiscal and administrative operations.

Additionally, the ideal candidate will have an approachable personal style and be an exceptional listener, communicator, and experienced in a public forum. The CFO will be adept at managing in a collaborative work environment with the ability to be both diplomatic and decisive. The successful candidate will also need to work with a sense of urgency and timeliness. A sense of humor and the ability to enjoy contributing in a team environment will be an excellent fit for the District.

This is an incredible opportunity to join a stable, well-managed District in beautiful Marin County! District desires to attract a broad spectrum of highly qualified and interested professionals to apply for this position. Candidates outside of the immediate area are asked to research housing costs for both purchase and/or renting before applying. The new CFO will have an opportunity to participate in an Employer Assisted Housing Program which allows for a "silent-second" loan of up to \$300,000 to encourage residency within the District Service Area.

The following attributes are of the greatest importance to the Board of Directors in the selection of this top tier manager:

- Excellent communication skills;
- Focus on collaboration;
- Critical and analytical thinking and presentation skills;
- Leadership and management skills;
- Strategist; and
- Transparency in financial reporting.

The ideal candidate will have experience in the area of debt financing, bond issuance, and debt management as well as being comfortable in providing leadership in discussions regarding bond ratings and funding strategies. The CFO will be expected to deal with underwriters and financial advisors. The successful candidate will also have a strong understanding of technology for financial and other administrative systems. The CFO will have an active leadership role on the ongoing implementation of future technology enhancements. Collaboration with other staff on technology issues and assessments will further ensure effective integration of future management information across the entire spectrum of the organization above and beyond the accounting and financial needs. In summary, the CFO will be part of an organization that places a high value on honesty, integrity, and teamwork with a passion for incorporating best practices into daily operations.



QUALIFYING EDUCATION & EXPERIENCE

Required Qualifications – Minimum of a Bachelor's degree and five years of increasingly responsible business management experience including supervisory experience is required. Professional experience is preferred from a public sector organization. Utility experience is a plus. Private sector candidates working for or with public agencies combined with transferrable skills are also encouraged to apply. Top consideration may be given to public sector experience and will be based on the strength of the pool of applicants.

Highly Desired Qualifications – CPA and/or MBA preferred.

Other Desired Skills – Strong computer skills including Word, Excel, and PowerPoint combined with an appreciation for technology enhancements with the ability to oversee future technology upgrades and efforts. Currently the District uses Sage 100 for accounting modules and has a highly customized Job Costing and Payroll Module and a Utility Billing software program created in-house.

Review and Evaluation of Experience and Education – Candidates should be aware that District leadership, working in concert with Ralph Andersen & Associates, reserves the right to determine the best combination of education and experience required for this position.

COMPENSATION & BENEFITS

The salary range for the Auditor-Controller is **\$12,007 to \$14,594** per month (**\$144,084 to \$175,128 annually**) and consists of a five-step range. Placement in the range (typically done at first step) will be dependent on overall career history and education/certifications. The first three steps are achievable with good performance over 24 months. The last (merit) step is achievable at 48 months.

The District also offers the following array of benefits including:

- Public Employee Retirement System (CalPERS) is coordinated with Social Security and is based on 2.5% per year of service times the highest annual salary earned for CalPERS Classic Members (based on retirement at age 55) and 2% per year of service times the highest average 3 years of annual salary earned (based on retirement at age 62) for CalPERS New Members. The employee contributes a percentage of gross pay to PERS equaling the full employee contribution (8% for CalPERS Classic Members; 6.25% for CalPERS New Members).
- Auto allowance of \$338 per month.
- Excellent health, dental and vision care plans for employee and dependents.
- Retiree Health, as detailed in the District's current policies.
- Leave Includes – Vacation; Sick Leave – Twelve days per year (may be accumulated and; 50% of any amount accumulated over 90 days can be traded annually for cash); and Holidays – 14 per year.

- Life insurance (equal to annual salary).
- Other voluntary and employee paid specific insurance coverage through AFLAC and or IRS Section 125 pretax Flexible Spending Plans.
- Voluntary deferred compensation options.

THE PROCESS

Working with the Ralph Andersen & Associates, a selection panel will review all applications and invite those presenting the best job related qualifications to an initial panel interview. Based on initial interview, the most qualified candidates will then be invited to advance to a second round of interviews by the Board of Directors. Supplemental questions, sample work products and mock public presentation (with PowerPoint) may also be part of the evaluation of finalists. Subsequent interviews may also include a one-on-one meeting with Mr. Drew McIntyre, General Manager, for additional input and a "meet and greet" with subordinate department staff. The outgoing incumbent, Mr. David Bentley, Auditor-Controller, will also be actively involved in the final stages of the selection in support of the Board. He will work to ensure a smooth and timely transition with the selected candidate. An overlapping work arrangement with Mr. Bentley and the new CFO will be developed with his anticipated retirement date in early May 2018. The ideal start date for the new CFO will be flexible and an overlapping schedule tailored as needed. Important to note, a start date of January or February 2018 would be the preference of the Board of Directors.

A detailed background search including references will be done by Ralph Andersen & Associates and will require completion of a comprehensive release form. Successful completion of a medical examination, which includes drug testing, is required subsequent to the offer of hire.

TO BE CONSIDERED

Interested candidates can apply by submitting a comprehensive resume, cover letter, and current salary to Ralph Andersen & Associates via email to apply@ralphandersen.com. Candidates are requested to submit materials prior to **Wednesday, November 15, 2017**.

Ralph Andersen & Associates will work closely with the District throughout this process to ensure confidentiality to the fullest extent possible. References will not be contacted until mutual interest has been established. If you have questions or would like to discuss the opportunity further, please call Ms. Heather Renschler at (916) 630-4900. Confidential inquiries welcomed.



The North Marin Water District is an Equal Opportunity Employer

10

MEMORANDUM

To: Board of Directors
 From: Rocky Vogler, Chief Engineer *RV*
 Subject: Recycled Water Central Project - East: Approve Construction Contingency Ceiling Increase

September 29, 2017

R:\Folders by Job No\6000 jobs\6058 RW Central\BOD Memos\6058 BOD Mountain Cascade Contingency Increase 10-3-17.docx

RECOMMENDED ACTION: Approve an increase in the construction contingency from 9% to 10% for the Mountain Cascade, Inc. contract

FINANCIAL IMPACT: Increase contingency from \$300,000 to \$360,000 (10%)

Background

At the September 20, 2016 meeting the Board approved award of a contract to Mountain Cascade, Inc. for \$3,520,219 for construction of the Recycled Water Expansion Central Service Area – East project. At the time of Board approval a construction contingency of \$300,000 (9% of total contract value) was also authorized. The District's Construction Manager, The Covello Group, expects that additional change orders will exceed the 9% authorization limit within the next couple of months and recommends increasing the construction contingency ceiling limit to \$360,000 (see Attachment 1). Through the end of September 2017, approved, pending and potential change orders total \$356,406 (10% of the total contract value) for the East project. The bulk of these new anticipated change orders are associated with two work items listed in the table below. Substantial completion of the contract work has been achieved, and final completion is expected later this year.

Bid Item	Bid Quantity	Bid Price	Actual Quantity	Cost (for additional quantity)
Hard Rock Excavation	50 CY	\$550/CY	276 CY	\$125,000
Pavement Restoration	1,500 Tons	\$210/Ton	2,048 Tons	\$115,000

Project Costs Update

Total project payments submitted by Mountain Cascade through July 31, 2017 equal \$3,185,262, leaving a balance remaining equal to \$334,957. In conjunction with extending the 16" recycled water pipeline across Novato Creek, additional work was requested by the City of Novato to enhance safety and repair settlement that had occurred at the approaches to the Novato Creek Bridge. The change order for the additional work was \$20,407. This amount will be reimbursed to the District by the City of Novato. Therefore, upon completion of the project, the overall \$60,000 increase in the construction contingency will be offset by that amount.

Furthermore, recent estimates for the West project indicate that the amount of contingency funding required to complete that project phase will be substantially less (\$300,000-\$400,000) than the current authorized contingency amount of \$600,000.

RECOMMENDATION

Board approve a construction contingency cost ceiling increase from \$300,000 to \$360,000 (10%).



September 27, 2017

Mr. Rocky Vogler, Chief Engineer
North Marin Water District
999 Rush Creek Place
Novato, CA 94948

Subject: Construction Contingency Authorization
Project: Recycled Water Expansion – Central Service Area Expansion – East Project
Project No.: 5 6058.30

Dear Mr. Vogler:

The East Project has reached the Substantial Completion milestone and is moving towards Final Completion and close out. One critical step is to finalize all pending and outstanding change items. The Covello Group, via this letter will provide an update on the status of this process and recommends an increase to the Construction Contingency Authorization to help expedite this process. The detail in support of this recommendation follows.

As of the date of this letter, there are Contract Change Orders and contractor submitted requests for reimbursement for differing site conditions and unforeseen circumstances totaling \$241,326.28. Of this amount, \$112,859.23 is under review for merit accuracy as Contractor Potential Change Order (PCO) requests.

The Contract Value is \$3,520,219.00. Contract Change Orders and PCO's as described above make up approximately 3.3% of the Contract value.

The North Marin Water District, via force account direction provided by Field Order, has authorized an additional \$19,200.00, or 0.5% of the Contract value, related to differing site conditions encountered during the work. This force account work was tracked and the actual encumbrance to the Contractor has been submitted as individual PCO's in accordance with the specifications.

The Contractor, Mountain Cascade, Inc., has submitted two (2) requests for an increase to the Contract Amount related to Bid Item quantity adjustments.

Request 1: Bid Item 4, Hard Rock Excavation

Request 2: Bid Item 9, Pavement Restoration

Request 1: Bid Item 4, Hard Rock Excavation

Under Bid Item 4, Hard Rock Excavation, the Contractor excavated two hundred seventy-six and three tenths (276.3) cubic yards (cy) of material which met the specified criteria. The bid quantity for

September 27, 2017

Central Service Area – East Project – Construction Contingency Authorization

hard rock excavation was fifty (50) cy. Therefore the total rock excavated resulted in a net increase of two hundred twenty-six and three tenths (226.3) cy.

Bid Item 4 is a fixed unit price. Therefore, the Contract Unit Price of five hundred fifty dollars and zero cents (in words) \$550.00 (in figures) was extended to a net increase to the Contract Total of one hundred twenty-four thousand four hundred fifty-three dollars and ninety-six cents (in words) \$124,453.96 (in figures). This represents a 3.5% increase to the Contract Total. This amount was invoiced and paid with a balancing change order (Contract Change Order 8, executed on June 30, 2017, included in Change Order totals above and below, in Table 1).

Request 2: Bid Item 9, Pavement Restoration.

While executing final pavement restoration in accordance with the Project Drawings, Specifications, and the City of Novato Standards, to the limits identified on the plans and agreed upon by the City of Novato inspector, a total of two thousand forty-eight (2,048) tons of hot mix asphalt cement (AC) were placed by the Contractor. This total was verified by material delivery tickets collected at the time of placement.

Bid Item 9 Pavement Restoration has a bid allowance of one thousand five hundred (1,500) tons AC. The actual quantity placed therefore exceeded the bid amount by five hundred forty-eight (548) tons. The Contractor's bid price is two hundred ten dollars and zero cents per ton AC (in words) \$210.00 / ton (in figures). The net increase to the Contract Total requested is therefore one hundred fifteen thousand eighty dollars and zero cents (in words) \$115,080.00 (in figures). This represents a 3.3% increase to the Contract Total, and a 37% increase to Bid Item 9.

The quantity placed was evaluated in comparison to the bid estimate. Please refer to the enclosed document titled "AC and Compaction Report Tracking." Although a 37% quantity increase is not typical, many factors can contribute to a variance of this nature. The extent of review in preparation of this letter was to verify the actual tonnage placed.

At this time there are no future changes to the work planned, and the Contractor has not submitted any notice(s) of potential claim(s). Therefore no additional contingency beyond the data compiled in Table 1. East Project Changes Summary.

Table 1. East Project Changes Forecast

Central Service RW Expansion – East Project Changes Forecast		
Contract Value		\$3,520,219.00
Contingency		\$300,000.00
Changes		
Executed Change Orders (excluding Change Order 8)	\$4,013.00	0.1%
Change Order 8 Bid Item 4: Hard Rock	\$124,453.96	3.5%
Contractor Potential Change Orders (PCO's)	\$112,859.32	3.2%
Field Orders (Included in Contractor PCO's above)	\$0.00	0.0%
<i>Bid Item 9 Pavement Restoration Increase</i>	<i>\$115,080.00</i>	<i>3.3%</i>
Contingency Forecast	\$356,406.28	10.1%

September 27, 2017

Central Service Area – East Project – Construction Contingency Authorization

A contingency is a future event or circumstance that is possible but cannot be predicted with certainty. We completed our forecast as requested based upon existing project documentation, industry experience and with input from District Staff and the East Project Contractor. The known and remaining potential exposure together have been forecast in such a way that it should not be considered a guaranteed maximum, rather a guideline for budgeting purposes as requested.

In our experience, a 10% contingency on pipeline work in City streets is reasonable. Therefore, it is the Construction Manager's recommendation for the North Marin Water District Board to authorize an additional \$60,000 in construction contingency for the East Project. This will result in a total authorization of \$360,000, or 10.1% of the Contract amount.


Sincerely,
The Covello Group, Inc.

J.D. Brosnan, P.E.
Construction Manager

cc: David Jackson – North Marin Water District
Gary Skrel – Covello Group

11

MEMORANDUM

To: Board of Directors
From: Drew McIntyre, General Manager 
Subject: Consider – Adopting Statement on Benefits to North Marin Water District from proposed Flood Control Parcel Tax for Novato

September 29, 2017

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RECOMMENDED ACTION: Adopt Statement on Benefits to North Marin Water District from proposed Flood Control Parcel Tax for Novato

FINANCIAL IMPACT: None at this time

The North Marin Water District (NMWD) has a long cooperative working relationship with the Marin County Flood Control and Water Conservation District (MCFC&WCD) including, but not limited to the following mutually beneficial arrangements:

- Entered into a cost sharing agreement in 1985 for a joint project to raise Stafford Dam and modify the existing spillway for improved flood control protection and water supply reliability
- Entered into a cost sharing agreement in 2008 to participate in MCFC&WCD's Novato Watershed Program (Program). The integrated Program scope encompassed not only water supply and water quality issues, but habitat, stream function and flood control as well.

Since 2008, NMWD has participated in MCFC&WCD's Novato Watershed Program along with the city of Novato and Novato Sanitary District. The Program's organizational structure includes a Policy Advisory Committee (attended in the past by Director's Baker and Fraites) as well as a Technical Working Group (attended in the past by me). Note also that Director Grossi and I are members of the Marin County Flood Control Zone 1 Advisory Board.

At the July 18, 2017 NMWD Board meeting, MCFD&WCD staff provided a presentation on the flood control parcel tax measure on the November ballot benefitting Flood Control Zone 1 in Novato. Many of the potential projects developed from the Novato Watershed Program could be implemented with passage of this parcel tax and benefit NMWD. As a result, staff has prepared the attached draft statement on potential benefits to NMWD from the proposed measure for the Board's consideration.

DM BOD Memo Re Flood Control Parcel Tax for Novato
August 29, 2017
Page 2

Recommendation

Adopt the attached Statement on Benefits to North Marin Water District from proposed Flood Control Parcel Tax for Novato

**Resolution 17-XX
STATEMENT ON BENEFITS TO
NORTH MARIN WATER DISTRICT
FROM PROPOSED FLOOD CONTROL PARCEL TAX FOR NOVATO**

The Marin County Flood Control and Water Conservation District (MCFC&WCD) works to ensure that local creeks and channels can safely carry floodwaters; that water in local creeks and bays is clean and safe; that natural resources in local creeks and watersheds are preserved and enhanced; and that additional open space and trails are provided. The Flood Control Zone 1 (Novato) Advisory Board and the Marin County Board of Supervisors have recommended placing a parcel tax on the November 2017 ballot to support this work, and to address community and roadway flooding, restore creek and marsh habitat, and begin adapting to sea level rise.

The proposed parcel tax for Novato Flood Zone 1 would provide funding to reduce roadway flooding in the greater Novato area; allow for restoration of habitat; and repair of storm damaged flood protection facilities.

The North Marin Water District (NMWD) has major water supply, storage, pumping and distribution facilities within the Novato Flood Zone 1 that will directly benefit from potential flood control measures provided by funds from the proposed measure. Specifically, NMWD has several miles of water distribution pipelines, a 4.25 acre Headquarters/Corp Yard, miscellaneous pump stations, and other mission critical facilities that could be subject to flooding from extreme events. NMWD has also cooperated with MCFC&WCD in the past on mutually beneficial projects such as the Novato Watershed Program (started in 2008) and the 1985 Stafford Dam Modifications project that improved both water supply reliability and flood protection.

In summary, the NMWD has a long history of cooperation with MCFC&WCD and believes that their flood control structures, measures and facilities have a direct benefit to protecting NMWD's facilities from flood hazards and also supporting mutually beneficial water supply and flood storage projects in the upper reaches of the Novato Creek Watershed.

Therefore, the Board of Directors of the North Marin Water District fully supports the efforts of the Marin County Flood Control and Water Conservation District and the Marin County Board of Supervisors in placing the proposed flood control parcel tax measure on the November 2017 ballot.

I hereby certify that the foregoing statement was duly and regularly adopted and passed by the Board of Directors of the North Marin Water District, Marin County, California, at a meeting thereof held on the 3rd day of October, 2017, by the following vote:

AYES:
NOES:
ABSENT:

APPROVED:

President, Board of Directors

ATTEST:

Secretary

12

MEMORANDUM

To: Board of Directors
From: Rocky Vogler, Chief Engineer 
Subject: Center Road Construction and Contracting Update
R:\NON JOB No ISSUES\On-Call\Center Road Construction-Contracting Update BOD Memo 10-3-17.doc

September 29, 2017

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: Additional \$210,000 Beyond Approved FY17/18 Budgets (no budget augmentation required)

Project Background

The existing 6-inch cast iron pipeline in Center Road was installed in the 1950s. Over the last several years, there have been multiple pipe failures requiring significant repair efforts. Although a capital project to replace the pipeline was not included in the adopted FY17 Novato Capital Improvement Projects Budget, it was added during the Engineering Department's Quarterly Progress Report during the November 1, 2016 Board meeting. The project was initially budgeted at \$240,000, and included replacement of the 6-inch main with a new 8-inch main from Tamalpais Avenue to Ormond Court (@ 1,200 lineal feet).

During the design of a replacement pipeline, Engineering staff recommended an alternative solution to replacing the 6-inch cast iron pipe. Instead of installing a new 8-inch replacement pipeline, an existing parallel 16-inch mortar lined and coated steel transmission main would be utilized to enable the existing customer services and side-street water mains to be disconnected from the failing 6-inch pipeline and reconnected to the 16-inch main via specialized tapping sleeves. The 6-inch main would then subsequently be abandoned.

Earlier this year, the City of Novato implemented changes to its paving restoration standards which would have resulted in substantial increased costs if the District had pursued the pipe replacement alternative. Given the location of existing utilities, that alternative would have required installation of the new main along the road centerline, triggering the City requirement to install all new subgrade and complete overlay of the entire street. By utilizing connection to the 16-inch pipeline instead of replacing the failing main, and by extending new pipeline into the side streets (see Attachment 1 for limits of work), the need to perform additional District work within the Center Road corridor will be alleviated for many years to come. As a result, the City has agreed to relax its paving requirements for this District project since the City will rehabilitate Center Road in the near future.

On-Call Contracting Background

On April 7, 2015, the Board authorized staff to proceed with solicitation of a Request for Proposal (RFP) for on-call construction services. The On-Call Construction and Repair Services RFP was developed to provide District staff with the flexibility to hire local third party contractors in the event of an emergency and also to accommodate more efficient completion of

small District projects in a timely and cost effective manner. The District's traditional advertise-bid-award procedure for hiring contractors continues to be utilized for most projects. A total of three proposals were received, and based on staff's recommendation, the Board approved On-Call Construction and Repair Services Contracts with both Team Ghilotti and Ghilotti Construction at the February 2, 2016 Board meeting. The initial annual budget allocated to each firm was \$150,000 (\$300,000 total). The agreements were executed in 2016, and contained language which included a contract duration through June 30, 2017, along with the right to extend the contracts for two (2) one-year periods. Subsequent to the execution of the contracts, both Team Ghilotti and Ghilotti Construction have performed work for the District under these contracts.

Ghilotti Construction and Team Ghilotti were contacted in July 2017 to provide On-Call construction services for this project as well as other District projects. Team Ghilotti subsequently indicated they had no schedule availability to perform work in October, and only Ghilotti Construction had the availability.

Work performed under the current On-Call contract by Ghilotti Construction includes the following projects and costs:

• Stafford Dam Piezometer Wellhead Rehab	\$19,750
• <u>Zone A Pressure Improvements</u>	\$74,117
Remaining Balance (out of \$150,000)	\$56,133

Staff intends to allocate up to an additional \$200,000 to the Ghilotti Construction On-Call contract during their second year contract in FY18.

Project/Contracting Update

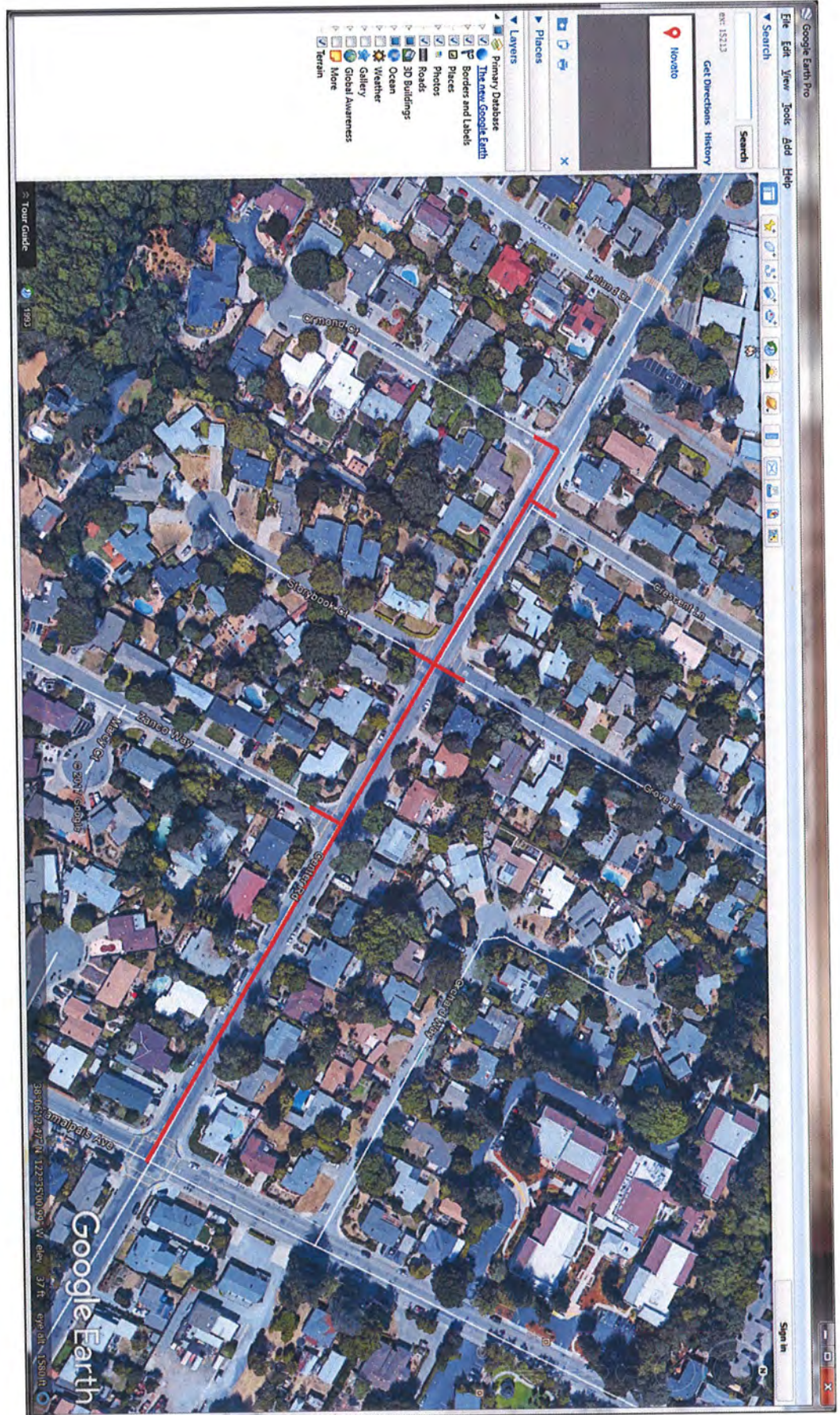
Construction of the Center Road project will be a joint effort utilizing both District construction crews and Ghilotti Construction, and is scheduled to commence the first week of October 2017. District crews will be working in parallel with Ghilotti Construction. Ghilotti will provide traffic control, sheeting/shoring, excavation, laying of new pipe, bedding, backfill, compaction and paving. District crews will be responsible for hot-tapping the 16-inch main, and will connect individual services and side street mains. The parts required for tapping the 16-inch main are custom ordered and the procedure to connect them is unique. Earlier this summer, the District ordered a used 20-foot section of pipe similar to the one in Center Road in order to practice tapping a mortar lined and coated steel pipe using specialized tools and techniques. Substantial outreach has been conducted for local residents, Lu Sutton Elementary School, the City of Novato, and project information is posted on the District's website.

The District is pre-purchasing all the pipe, valves, fittings and appurtenances to avoid contractor mark-up. These materials will be provided directly to Ghilotti Construction. Given that both District and Ghilotti crews will be constructing the work, Ghilotti will work on a time and materials basis.

Financial Impact

As design of this project progressed, the budget was updated via the Engineering Department's Mid-Year Progress Report provided to the Board on February 7, 2017. At that time, it was estimated that construction of the project would span both FY17 and FY18. Consequently, the budget was adjusted to provide \$100,000 in FY17 and \$175,000 in the adopted FY18 Novato Capital Improvement Projects budget (for a total of \$275,000). Due to the recent decision by staff to increase the project scope to include extension of new pipeline from Center Road part way into the side streets, overall project costs increased, but are projected to be less than what would be required if a new main were installed and new City paving restoration requirements were enforced.

Engineering staff have updated the total approximate estimated project costs at \$485,000. The balance of funding required to construct the project (estimated at \$210,000) will be obtained from the deferral of the "Coat Concrete Clearwells" project at the Stafford Treatment Plant.




13

MEMORANDUM

To: Board of Directors

September 29, 2017

From: Drew McIntyre, General Manager 

Subject: North Bay Water Reuse Authority Board Meeting – August 28, 2017

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RECOMMENDED ACTION: Information Only**FINANCIAL IMPACT:** None

Supplemental information is provided as follows using item numbers referenced in the attached meeting agenda and draft minutes. A complete agenda packet is available via www.nbwra.org.

2. Roll Call

NMWD Board was represented by Director Baker.

8. Proposed FY2017/18 Budget Amendment

The Board approved amendment in the amount of \$25,800 does not increase fees paid by NMWD since we are not a Phase 2 participant.

9. Proposed Revisions to the Memorandum of Understanding

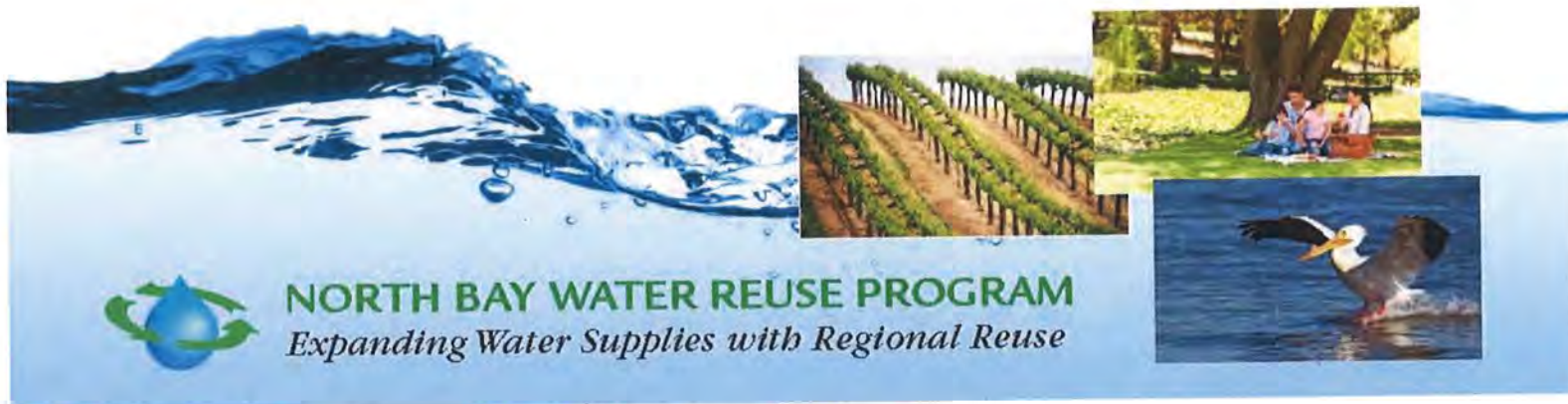
The fourth amended NBWRA Memorandum of Understanding was approved by the NMWD Board at the August 15, 2017 meeting and NBWRA at their August 28, 2017. Changes primarily center around Phase 2 related topics, however some additional changes were made in the MOU regarding exit strategy for Phase 1 member agencies.

10. Phase 1 Reconciliation and Closeout

It is important to note that all Phase 1 member agencies expect to complete their construction projects by September 2018 (NMWD is expected to complete by March, 2018). Financial project closeout with the US Bureau of Reclamation is expected to take about 6 months following the September 2018 completion date.

12. Review of New Water Management Program

SCWA, with Ginger Bryant and other consulting team members continue to move forward on a new program that is separate from Title XVI funding and focuses on regional water issues beyond recycled water (e.g., surface water supplies, storage, groundwater, storm water and habitat enhancement). Participation in this New Water Management Program by NMWD is uncertain at this time as the benefits are hard to quantify.



BOARD OF DIRECTORS MEETING

AGENDA

**Monday, August 28, 2017
9:30 AM**

**Novato City Hall Council Chambers
901 Sherman Avenue, Novato, CA 94945**

Members and Consultants unable to attend in person may call in: 1 (602) 567-4030 (Local dial in), 1 (888)227-0011 (Toll Free), Access code: **1988**
<https://Conferencing2.brwncaid.com/conference/1988>

1. Call to Order (1 minute)

2. Roll Call (1 minute)

3. Public Comment (3 minutes)

(Any member of the public may address the Board at the commencement of the meeting on any matter within the jurisdiction of the Board. This should not relate to any item on the agenda. It is the policy of the Authority that each person addressing the Board limit their presentation to three minutes. Non-English speakers using a translator will have a time limit of six minutes. Any member of the public desiring to provide comments to the Board on an agenda item should do so at the time the item is considered. It is the policy of the Authority that oral comments be limited to three minutes per individual or ten minutes for an organization. Speaker's cards will be available in the Boardroom and are to be completed prior to speaking.)

4. Introductions (2 minutes)

**Action
Pages 5 – 8**

5. Board Meeting Minutes of May 22, 2017 (2 minutes)
(The Board will consider approving the minutes from the May 22, 2107 Board meeting.)

**Information and
Discussion
Pages 12 - 26
Pages 27 - 52**

6. Report from the Chair (10 minutes)
(The Chair will report on the following items.)

- 6.a Consultant Progress Reports
- 6.b Financial Reports

**North Bay Water Reuse Authority • c/o Sonoma County Water Agency, 404 Aviation Boulevard, Santa Rosa, CA 95403
707-235-8965 • NBWRA.org**

County of Marin • Las Gallinas Valley Sanitary District • Novato Sanitary District • Marin Municipal Water District • North Marin Water District • Sonoma County Water Agency
City of Petaluma • Sonoma Valley County Sanitation District • County of Napa • Napa Sanitation District • City of American Canyon

- | | |
|---|--|
| Information and Discussion
Pages 53 – 54 | 7. Board Information Requests (2 minutes)
(The Board will be provided with a brief update on their information requests.) |
| Action
Pages 55 – 57 | 8. Proposed FY2017/18 Budget Amendment (10 minutes)
(The Board will consider and approve a budget amendment to provide funds for a second WaterSMART Construction Grant Application in FY2017/18.) |
| Action
Pages 58 – 141 | 9. Proposed Revisions to the Memorandum of Understanding (10 minutes)
(The Board will consider approving revisions to the Memorandum of Understanding and authorize its consideration and approval by the Member Agencies.) |
| Discussion
Pages 142 - 146 | 10. Phase 1 Reconciliation and Closeout (10 minutes)
(The Board will review the process and schedule for final reconciliation of Phase 1 cost sharing and closeout of WaterSMART Grants.) |
| Information
Pages 147 – 155 | 11. Program Development, Federal, and State Advocacy Update (15 minutes)
(The Board will be updated on Program Development, Federal and State Advocacy activities.) |
| Information
Pages 156 – 164 | 12. Engineering, Environmental, and Public Involvement Services Report (10 minutes)
(The Board will be updated on Engineering, Environmental, and Public Involvement Services activities) |
| Information and Discussion
Pages 165 - 171 | 13. New Water Management Program (15 minutes)
(The Board will be updated on and discuss a proposed New Water Management Program.) |
| Discussion
Pages 172 – 173 | 14. Items for Future Discussion and Action (5 minutes)
(The Board will consider items for future discussion and action.) |
| Information
Page 174 | 15. Comments from Chair and Board Members (5 minutes)
(The Chair and Board members may make brief announcements or reports on his or her own activities, pose questions for clarification, and/or request that items be placed on a future agenda. Except as authorized by law, no other discussion or action may be taken.) |
| Page 175 | 16. Adjournment (1 minute)
(The Chair and Board will adjourn the meeting in the memory of John Schoonover.) |

Next Board Meeting Monday, December 4, 2017, 9:30 A. M., Novato City Hall
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(In compliance with the Americans with Disabilities Act of 1990, if you need special assistance to participate in a Board meeting, or you need a copy of the agenda, or the agenda packet, in an appropriate alternative format, please contact the Program Manager at (510) 410-5923. Notification of at least 48 hours prior to the meeting or time when services are needed will assist in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service. A copy of all the documents constituting the agenda packet is available for public inspection prior to the meeting at 404 Aviation Boulevard, Santa Rosa, CA 95403. Any person may request that a copy of the agenda or the agenda packet be mailed to them for a fee of \$.10 per page plus actual mailing costs. If you wish to request such a mailing, please contact Chuck Weir, Weir Technical Services, 3026 Ferndale Court, Pleasanton, CA 94588, 510-410-5923, chuckweir@sbcglobal.net. The agenda for each meeting is also available on-line at www.nbwra.org and will be available at the meeting.)

North Bay Water Reuse Authority • c/o Sonoma County Water Agency, 404 Aviation Boulevard, Santa Rosa, CA 95403
707-235-8965 • NBWRA.org

**North Bay Water Reuse Authority
Board of Directors Meeting
Minutes
August 28, 2017**

1. Call to Order

Chair Rabbitt called the meeting to order at 9:46 a.m. on Monday, August 28, 2017 at the Novato City Hall Council Chambers, Novato, CA. Members, consultants, and others who were unable to attend participated via telephone, 1 (602) 567-4030 (Local dial in). 1-888-227-0011 (Toll Free), access code 1988; and the internet at: <https://Conferencing2.brwncaid.com/conference/1988>

2. Roll Call

PRESENT:	David Rabbitt, Chair	Sonoma County Water Agency
	Jill Techel, Vice Chair	Napa Sanitation District
	Mariam Aboudamous	City of American Canyon
	Jack Baker	North Marin Water District
	Rabi Elias	Las Gallinas Valley Sanitary District
	Jack Gibson	Marin Municipal Water District
	David Glass	City of Petaluma
	Susan Gorin	Sonoma Valley County Sanitation District
	Rhonda Kutter	Marin County
	Bill Long	Novato Sanitary District
	Belia Ramos	Napa County

ABSENT: None

OTHERS

PRESENT:	Chuck Weir, Program Manager	Weir Technical Services
	Kevin Booker	Sonoma County Water Agency
	Ginger Bryant	Bryant & Associates
	Anne Crealock	Sonoma County Water Agency
	Dave Davis	ESA
	Carole Dillon-Knutson	Novato Sanitary district
	Brad Elliott	Sonoma County Water Agency
	Rene Guillen	Brown and Caldwell
	Steve Hartwig	City of American Canyon
	Tim Healy	Napa Sanitation District
	Jay Jasperse	Sonoma County Water Agency
	Sandeep Karkal	Novato Sanitary District
	Leif Macrae	Kennedy Jenks Consultants
	Susan McGuire	Las Gallinas Valley Sanitary District
	Drew McIntyre	North Marin Water District
	Mark Millan	Data Instincts
	Jim O'Toole	ESA
	Pilar Oñate-Quintana	The Oñate Group (by phone)
	Larry Russell	Marin Municipal Water District

Dan St. John
Mike Savage
Brad Sherwood
Jake Spaulding
Paul Sellier
Dawn Taffler
Jeff Tucker
Rocky Vogler

City of Petaluma
Brown and Caldwell (by phone)
Sonoma County Water Agency
Sonoma County Water Agency
Marin Municipal Water District
Kennedy Jenks Consultants
Napa Sanitation District
North Marin Water District

3. Public Comments

There were no comments from the public

4. Introductions

For the benefit on new participants introductions were made.

5. Board Meeting Minutes of May 22, 2017.

A motion by Director Gorin, seconded by Director Baker, to approve the minutes of the May 22, 2017 meeting was unanimously approved, with Director Ramos abstaining.

6. Report from the Chair

a. Consultant Progress Reports

The Board reviewed the consultant progress reports for May, June, and July 2017.

b. Financial Reports

The Board reviewed the Financial Reports for the three fiscal year period ending June30, 2017 as well as for Fiscal Year 2017/18 through August 22, 2017.

Quarterly meeting dates through the rest of FY2017/18 are December 4, 2017, February 26, 2018, and May 21, 2018.

7. Board Information Requests

An update on the information packet status was provided.

8. Proposed FY2017/18 Budget Amendment

Mike Savage discussed the need for a FY2017/18 Budget amendment in the amount of \$25,800 to provide funds for a second WaterSMART Construction Grant application. The additional cost to each participating Phase 2 Member Agency is \$3,686. Following discussion, the Board agreed that the funds were necessary to keep applying for WaterSMART grant funds. A motion by Vice Chair Techel, seconded by Director Long to approve the proposed FY2017/18 Budget Amendment was unanimously approved.

9. Proposed Revisions to the Memorandum of Understanding

The Program Manager provided a summary of the recommended changes to the Memorandum of Understanding (MOU). Since the May 22, 2017 Board meeting all suggested changes and questions have been addressed. The most current version of the MOU is dated July 17, 2017. That version was sent to the Member Agencies on that date. Member Agencies were asked to submit any questions or suggested changes by August 14, 2017. No additional modifications

were made. He then noted that if the Board approved the MOU at this meeting, it would authorize consideration and signature by each of the Member Agencies. The 4th Amended MOU will become effective when 2/3 of the member agencies have approved it. The date that the seventh agency approves the MOU will become the effective date. A motion by Director Gorin, seconded by Director Gibson to approve the proposed revisions to the 4th Amended NBWRA Memorandum of Understanding as presented was unanimously approved.

10. Phase 1 Reconciliation and Closeout

The Program Manager provided a summary of the steps necessary to closeout all Phase 1 activities with the United States Bureau of Reclamation (USBR), including financial reporting and auditing. All Phase 1 Member Agencies should ensure that their financial records are in order. The audit process will include a random check of transactions. If issues are found they will request more information. All Phase 1 projects are scheduled to be completed by September 2018. It is unknown how long the closeout process will take, but 3-6 months would not be unexpected. Phase 1 Member Agencies will continue to be participants through the FY2018/19 budget cycle. This was an information item requiring no action by the Board.

11. Program Development, Federal, and State Advocacy Update

Ginger Bryant provided a summary of Program Development and Federal Advocacy, including funding for Title XVI, Title XVI Phase 2 authorization, Title XVI Phase 2 construction grants and NBWRA activities to support Title XVI. The new WIIN Water Recycling/Title XVI Program for unauthorized projects has been funded at \$10 million for FY16/17 and \$10 million for FY17/18. A June 2017 tour with new State Water Board member Joaquin Esquivel has been scheduled.

Pilar Oñate-Quintana provided a summary of State Advocacy activities. She discussed water conservation legislation and a potential 2018 Parks/Water Bond. SB5 began with \$375 million for a recycled water chapter, but that has been pared back to \$125 million. NBWRA has been working closely with WaterReuse to submit letters requesting restoration of the \$375 million. Two new bills are related to water recycling: SB 606 and AB 1668. ACWA is opposed to both bills. She also discussed other legislation, including AB 574 (Quirk), SB 231 (Hertzberg), and SB 623 (Monning).

12. Engineering, Environmental, and Public Involvement Services Report

Mike Savage provided a summary on the Phase 2 Feasibility Study Report. A final draft was submitted to USBR on May 18, 2017 and their comments were received on June 26, 2017. Minor changes were made and the final report was submitted to USBR on June 29, 2017. He noted that the NBWRP Phase 2 Program was listed as an approved Feasibility Study in the July 17, 2017 Funding Opportunity Announcement on July 17, 2017. He also discussed the Phase 2 construction grant application process. The final draft was submitted to the Water Agency on August 14, 2017. The application is specific to the Petaluma treatment plant expansion and includes a request of \$2.25 million toward a \$9 million dollar project. Lastly he discussed the process for Phase 1 construction grant closeout and listed items needed from each agency to assist with documentation to USBR.

Jim O'Toole provided a summary of the plans for completing the EIR/EIS by June 2018. EIR/EIS scoping meetings were held in late May and June in Novato, Petaluma, Sonoma, Napa, and American Canyon. Attendance was sparse. He outlined the schedule for the next three months. An administrative draft on the EIR/EIS technical analysis is scheduled for completion by the end of September 2017. The draft EIR/EIS is scheduled to be released by November 2017. In May 2018 archaeological issues were identified in projects for Petaluma and American Canyon. Lastly he discussed the key environmental issues that will be addressed through the EIR/EIS analysis.

Mark Millan discussed public outreach and communication issues. He discussed updates to the website to include the EIR/EIS and new Water Management Program. His team provided assistance with notification requirements for the scoping meetings.

13. Review of Water Management Program

Brad Sherwood discussed the New Water Management Program. He indicated that the Water Agency has issued contracts for funding for a one year period to continue services and funding opportunities. He stressed the need to continue regional collaboration on studies that are outside the Title XVI scope. Two applications have been submitted and one has been approved for funding. He further discussed how studies such as drought contingency plans, groundwater basin studies, and surface, groundwater and stormwater management studies can lead to project funding. He noted that the governance for this program will be separate from the Title XVI program and that meetings would follow the regular NBWRA meetings.

14. Items for Future Discussion and Action

Items for the next meeting include the following: regular reports, status of Phase 2 EIS/EIR, status of the Phase 2 Construction Grant application, status of the revised MOU approval, and Phase 1 Reconciliation and Closeout. The Program Manager also noted that with quarterly meetings, the Board may be required to make decisions at every meeting. Director Glass requested that the Board be informed of upcoming decisions as soon as practicable to ensure adequate time to discuss with individual boards and councils.

15. Comments from Chair and Board Members

There were no additional comments.

16. Adjournment

Chair Rabbitt adjourned the meeting at 11:37 a.m. The next meeting will be Monday, December 4, 2017, 2017 at 9:30 a.m. at Novato Sanitary District.

Minutes approved by the Board _____.

Charles V. Weir
Program Manager

14

DISBURSEMENTS - DATED SEPTEMBER 28, 2017

Date Prepared 9/26/17

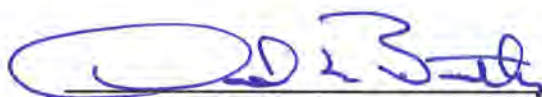
The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

Seq	Payable To	For	Amount
P/R*	Employees	Net Payroll PPE 9/15/17	\$141,069.76
EFT*	US Bank	Federal & FICA Taxes PPE 9/15/17	63,834.85
EFT*	State of California	State Taxes & SDI PPE 9/15/17	11,744.02
EFT*	CalPERS	Pension Contribution PPE 9/15/17	35,538.47
1	790 DeLong Ave G.P.	Refund Excess Advance for Construction Over Actual Job Cost (45 Leveroni Ct-Fire Svc)	3,515.16
2	Alpha Analytical Labs	Lab Testing	2,083.00
3	American Family Life Ins	September Employer Accident, Disability & Cancer Insurance	3,668.39
4	Association of State Dam Safety Officials	Membership Renewal (Vogler) (10/17-9/18) (Budget \$50)	55.00
5	Athens Administrators	Replenish Workers' Comp Checks Written (\$43,125) & August Bill Review Fees	44,892.26
6	AT&T	August Internet Service @ PRTP	80.00
7	AT&T	Leased Line	65.88
8	Bastogne	Return Payment on Water Account	45.00
9	Bay Area Barricade Service	Spray Chalk (36-17oz cans) (\$145) & Marking Paint (48-17oz cans) (\$187)	331.47
10	Baywork	Annual Membership Fee FY18 (Budget \$790) (Landeros)	765.00
11	DataTree	August Subscription to Parcel Data Information	100.00
12	Direct Line	August Telephone Answering Service	247.90
13	Ferguson Waterworks	Couplings (4)	138.88
14	GHD Engineering	Prog Pymt #3: San Mateo Tank Pipeline (Bal Remaining on Contract \$24,062)	644.00

Seq	Payable To	For	Amount
15	Golden Gate Petroleum	Gas (\$2.72/gal) & Diesel (\$2.61/gal)	1,296.62
16	Grainger	10 lb Sledge Hammer (\$149), Pressure Washer Hose & Couplings (\$254), Bird Netting for Wash Rack (\$293) & Bird Ribbon for Shop Doors, Elbows (50), Couplings (24) (\$67), Auto Wash Brushes (2), Car Wash Soap (8-100oz) (\$81) Cooling Fans for Variable Frequency Drives at RWF & STP & Bird Net Mounting Clips (\$177)	1,213.44
17	Industrial Vacuum Equipment	Vacuum Trailer Rental for Removal of Granular Activated Carbon @ STP	4,882.50
18	Kehoe, Theresa	Exp Reimb: Notary Test Fee	40.00
19	Kehoe, Chris	Exp Reimb: DMV/DOT Physical	125.00
20	Marin County Tax Collector	Supplemental Possessory Interest Property Tax Bill (25 Giacomini Rd) (3/4/16-7/1/17)	369.86
21	Marinscope	Display Ad: Board Vacancy Legal Notice (2)	92.63
22	McMaster-Carr Supply	Plug for New Welder & Equipment Cooling Fans (2) & Mount (\$147)	215.51
23	Microtech Scientific	Lauryl Sulfate Broth (Lab)	187.05
24	Mutual of Omaha	Oct Group Life Insurance Premium	900.43
25	Office Depot	File Folders (24)	11.39
26	Pace Supply	Transition Couplings (4) & Couplings (46) (\$1,204), 13" Flanged Adaptor (\$1,382), Thread Rods (60) (\$415), Washers (50), Nipple, Elbow (3), 3" Spool for New Diablo Hills Flow Meter (\$207) & Tees (3)	4,148.12
27	Pape Machinery	Window Latch	73.47
28	NMWD Petty Cash	Safety Meeting Snacks (\$41) & Reimbursement for Leadership Alumni Mixer (\$25)	66.37
29	PG&E	Engineering Advance for New Power Service at the Harbor Drive Regulator Pit (\$2,500), Energy Bill for Cathodic Protection @ Redwood Landfill & Closing Bill for 28 Ashland Drive	2,537.96
30		Cafeteria Plan: Uninsured Medical Reimbursement	140.00

Seq	Payable To	For	Amount
31	Salkhi, Ali & Fatemeh	Refund Excess Advance for Construction over Actual Job Costs (Chevron Car Wash on Redwood & Olive)	1,448.36
32	Sebastopol Bearing & Hydraulic	Hose Fitting, Clamp & Assembly Charge for Hose Repair & Back Wash Blower Drive Couplings for STP (\$172)	190.27
33	Soiland	Asphalt Recycling (17 tons)	455.80
34	Sonoma County Water Agency	August Contract Water	508,999.11
35	Township Building Services	August Janitorial Services	1,822.84
36	T & T Valve & Instrument	Motorized Operated Valve for PRTP to be Used for Gallagher Well	2,279.03
37	Ward, Brian	Prog Pymt#2: Norman Tank & San Mateo Tank Structural Engineering Consultation (Balance Remaining on Contract \$835)	1,400.00
38	Waste Management	Misc Debris (7 yds)	124.64
39	Young, Katie	Exp Reimb: Airfare for Board Secretary Conference in Anaheim 10/22-10/24/17	304.96
TOTAL DISBURSEMENTS			<u>\$842,144.40</u>

The foregoing payroll and accounts payable vouchers totaling \$842,144.40 are hereby approved and authorized for payment.



Auditor-Controller

9/26/17
Date



General Manager

9/25/17
Date

DISBURSEMENTS - DATED SEPTEMBER 21, 2017

Date Prepared 9/19/17

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

Seq	Payable To	For	Amount
1	Able Tire & Brake	Tires (2) (Hyster Forklift)	1,587.04
2	Alliance for Water Efficiency	Membership Dues (Grisso) (9/17-9/30/18) (Budget \$520)	500.00
3	Alpha Analytical Labs	Lab Testing	131.00
4	Bank of Marin	Bank of Marin Loan Principal & Interest (Pymt 71 of 240)	46,066.67
5	Bennett Trenchless Engineers	Progress Pymt#15: RW Central Hwy 101 Crossing (Balance Remaining on Contract \$1,947)	4,680.00
6	Boynton, Brenda	Refund Overpayment on Closed Account	40.15
7	Buck's Saw Service	Spark Plug Spring, Spark Plug Boot, 50/50 Fuel (16 qts) (\$121) & Smallcap Short String	147.01
8	California Water Service	July-August Water Service for O.M. Tahiti Way Lift Station	33.15
9	Clipper Direct	October Commuter Benefit Program	66.00
10	Collins, John & Ruth	Refund Overpayment on Closed Account	762.64
11	Comcast	September Internet Connection	151.12
12	DeGabriele, Chris	Retiree Exp Reimb (Sept Health Ins)	927.54
13	Dell Computers	Dual Monitors for Consumer Services for Viewing CORE & Bill Pay & Accounting for Reconciling Accounts in Different Modules (8)	1,315.37
14	Derrough, J	Refund Overpayment on Closed Account	458.85
15	Diggs, James	Retiree Exp Reimb (Sept Health Ins)	340.83
16	Electrical Equipment	Circuit Breakers for 12" & 24" Valves	49.14
17	Eurofins Eaton Analytical	Lab Testing	400.00

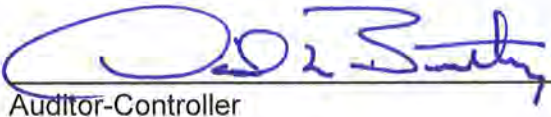
Seq	Payable To	For	Amount
18	Farwest Corrosion Control	Refund of Recycled Water Load Security Deposit Less Charge for 2 Water Loads @ \$5 per Load	90.00
19	Fastenal	Utility Knife Blades (6) & Adjustable Wrench	50.82
20	Frontier Communications	Leased Lines	1,429.46
21	G3 Engineering	Mechanical Seal & Upper Bushing for San Marin P/S P2	1,948.60
22	GHD Engineering	Prog Pymt#3: Engineering Services-PRE Water Tank 4A Replacement (Balance Remaining on Contract \$74,312)	2,417.25
23	Golden Gate Petroleum	Gasoline (\$2.52/gal) & Diesel (\$2.46/gal)	2,062.12
24	Grainger	Mig Welding Wire (\$63), Welding Helmet (\$94), Angle Grinder (\$146), Security Cameras Mounting Box (\$256), Screwdriver Acetate Handle, Brake Cylinder Hones (2), Sump Pump for Kastania 42" Motor-Operated Valve (\$264) & Hedge Shear	968.94
25	Hansel Auto Group	A/C Service ('05 Honda Civic Hybrid)	195.00
26	Hardy Diagnostics	Medium (Lab)	361.07
27	Industrial Scientific	Replacement Gas Monitor (STP)	631.74
28		Vision & Cafeteria Plan: Uninsured Medical Reimbursement	122.69
29		Vision Reimbursement	314.96
30	Lincoln Life	Deferred Compensation PPE 9/15/17	16,053.75
31	Manor, Tiffany	Refund Overpayment on Closed Account	376.79
32	Marin Landscape Materials	Concrete (42 sacks) (\$264), Mason Mix & Crushed Rock (2 yds) (\$115)	388.99
33	Marin County Treasurer	Semi-Annual Bond Service PRE-1 Revenue	950.00
34	Marin County Ford	Windshield Washer Nozzle Kit & Diagnose & Repair A/C System ('08 F250)	2,456.05
35	Martrel Business Printing	Payment Receipts (1,000) (Front Counter)	274.13
36	McCabe, P	Novato "Toilet Rebate" Program	300.00


Seq	Payable To	For	Amount
37	McLellan, WK	Misc Paving	4,903.92
38	Miller, Tina	Novato "Toilet Rebate" Program	100.00
39	Miller Pacific Engineering	Prog Pymt#12: Summit Lane Water Line Break (Balance Remaining on Contract \$12,676)	608.00
40	Moore, Doug	Retiree Exp Reimb (Sept Health Ins)	927.54
41	MSC Industrial Supply	Utility Pumps (2) (STP)	332.05
42	Nationwide Retirement Solution	Deferred Compensation PPE 9/15/17	3,000.00
43	North Marin Auto Parts	Brake Cylinder Hose, Air Filters (4) Oil Filters (2), Motor Oil (12 qts) (\$69), Grease Gun, Grease, Wiper Blades (5 sets) (\$150), Parking Brake Shoe (\$81), Latex Gloves (50), Wire Brushes, Diesel Engine Oil (6 gal) (\$85) & Shop Rags (10 lbs)	694.71
44	Northwest General Eng	Refund Security Deposit on Hydrant Meter Less Final Bill	322.45
45	Novato Builders Supply	Hole Saw Blades (3), Drill Bit, Concrete (4 loads) (\$864), Metal Braces & Lumber to Rebuild Air Compressor Shed (\$249), 12" Reciprocal Saw Blade & PVC Pipe & Stakes (6) (\$102)	1,313.87
46	O'Reilly Auto Parts	Car Wash (84oz) (\$33), Tire Cleaner, Interior Protectant & Multi-Purpose Cleaner	91.01
47	Pace Supply	Repair Clamps (3) (\$187), Dual Armor Wrap Clamps (4), Brass Couplings (6) (\$138), Head Bolts (8), Dual Wedge (\$80), Cap (\$80) & 6" Double Detection Check Valve (\$2,309)	2,877.29
48	Pacific Coast Cutters	Saw Cut Asphalt for Excavation (200') (Grant Avenue Bridge Pipeline Project)	847.70
49	Pape Machinery	Stabilizer Repair & Diagnose Hydraulic Performance ('04 Backhoe)	1,491.07
50	Patrakis, Nick	Novato "Toilet Rebate" Program	100.00
51	Peterson Trucks	Spot Side Mirror ('02 Int'l 5 Yd Dump Truck)	182.62
52	PG&E	Power: Bldgs/Yard (\$5,084), Rectifier/Controls (\$855), Pumping (\$41,799), Treatment (\$164) & Other (\$106)	48,010.16

Seq	Payable To	For	Amount
53	Pini Hardware	Conduit Fittings (3), Super Glue, Zip Ties, Copper Tubing, Screws, Calibrated Containers, Hardware, Spare Keys (2), Plumbing Supplies (\$78), Circuit Breaker, Offset Screwdriver Set, Screws, Conduit, PVC Pipe (\$58), Electrical Fittings, Cable Ties, Screws, Propane, Hex Plug & BBQ Tools for Patio Picnic	480.53
54	PipeMan Products	Parts for Freeze Tool	127.45
55	Point Reyes Prop Mgmt Assn	Sept HOA Fees (25 Giacomini Road)	75.05
56	Preferred Alliance	Pre-Employment Drug Screen (Dove)	42.00
57	Reed, Corey	Childcare Reimbursement	208.33
58		Cafeteria Plan: Uninsured Medical Reimbursement	75.00
59	Schultz, Jennifer	Novato "Washer Rebate" Program	50.00
60	Shamrock Material	Refund Overpayment on Closed Account	86.68
61	Sierra Chemical	Chlorine (2,000 lbs) (STP)	1,304.52
62	Soiland	Asphalt Recycling (5 tons)	16.08
63	Solenis	Praestol (4,290 lbs) (STP)	6,337.30
64	Stafford, Vernon	Retiree Exp Reimb (Sept Health Ins)	304.16
65	State Water Resources Control	D2 Operator Certification Renewal (2/18-2/21) (Budget \$80) (Latanyszyn)	80.00
66	State Water Resources Control	Clean Drinking Water State Revolving Fund Loan Principal & Interest RW N-Segment 2	116,128.88
67	Syar Industries	Asphalt (5 tons)	833.73
68	Telstar Instruments	Flow Meter Electronics Calibration Verification @ Hwy 37 RWF Plant & O.M. Tahiti Way Lift Station	1,254.99
69	TPx Communications	August Telephone Charges	626.83
70	Ueda, James	Novato "Cash for Grass" Program	200.00
71	US Bank	August Safekeeping Fee Treasury Securities	110.25

Seq	Payable To	For	Amount
72	U.S. Bank Card	Cupcakes for Grossi Induction (\$32), Display Ad-Craigslist for Accounting Sup/HR Position (\$75), Shuterfly Retirement Book for Arthur Cantiller (\$55), Icecream for Patio Picnic (\$33) & iAnnotate app (Grossi)	130.02
73	Van Bebber Bros	Form Rod Beam Attachment (Grant Ave Bridge)	1,507.33
74	Vogler, Rocky	Exp Reimb: Pipe Hangers for Grant Avenue Bridge Pipeline Repair	845.35
75	VWR International	Starch Indicator, Filters (100) & Probe (STP) (\$257)	482.61
76	Watersavers Irrigation	Irrigation Valve, Filter & PVC Bushing for Back Patio Shrubs	91.52
77	Wilson Bohannon	Brass Padlocks (50) (\$433) & Deadbolt Tail	455.50
		TOTAL DISBURSEMENTS	<u>\$286,705.37</u>

The foregoing payroll and accounts payable vouchers totaling \$286,705.37 are hereby approved and authorized for payment.


9/19/17
 Auditor-Controller
 Date


9/19/17
 General Manager
 Date

PROOF OF PUBLICATION (2015.5 CCP)

STATE OF CALIFORNIA County of Marin


I am a citizen of the United States and a resident of the county aforesaid. I am over the age of eighteen years, and not a party to or interest in the above-entitled matter. I am the publisher of the Point Reyes Light, a newspaper of general circulation, printed and published in the town of Point Reyes Station, County of Marin and which newspaper has been adjudged a newspaper for general circulation by the Superior Court of the County of Marin, State of California, under the date April 26, 1949, Case Number 183007; that the notice of which annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates to wit:

9/21/17

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Date at Inverness, California, this

9/21/17


Signature

This space is for the County Clerk's Filing Stamp

Proof of Publication

Notice:

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

Date	Chloride	Sodium	Units
9/12/17	--	92	mg/L
9/19/17	--	118	mg/L

*milligrams per liter

Drew McIntyre, General Manager
North Marin Water District



**NORTH MARIN
WATER DISTRICT**

NOTICE OF PUBLIC SCOPING SESSION

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INITIAL STUDY FOR PARADISE RANCH ESTATES TANK 4A REPLACEMENT PROJECT

Thursday November 02, 2017

6:00 p.m. to 7:30 p.m.

**The Dance Palace Community Center Church Space
Corner of 5th and B Streets, Point Reyes Station, California**

North Marin Water District (NMWD) will be preparing an Initial Study (IS) under the California Environmental Quality Act (CEQA) for the District's Paradise Ranch Estates Tank 4A Replacement Project. The area encompassed by the project includes a 0.126-acre site (AP No. 114-120-09) owned by NMWD at the west end of Drakes View Road on the Paradise Ranch Estates (PRE) subdivision in Inverness, CA.

The proposed project includes construction of a 125,000-gallon concrete water storage tank that will provide expanded water storage capacity required to eliminate storage deficiencies in the PRE system. The tank site historically had two wooden tanks, one of which was destroyed in the 1995 Mt. Vision Fire. The proposed new tank would restore the storage lost when that tank was burned, plus add sufficient water storage to meet current fireflow storage requirements. The 125,000-gallon new tank would also replace the capacity provided by the remaining wooden tank (4B), since that tank is approaching the end of its useful life span. Tank 4B would remain operational until construction of the new tank is complete, and then be decommissioned and removed from the site.

The proposed tank would be an above-ground concrete tank in approximately the same location as the destroyed PRE Tank 4A. The exterior dimensions are 25 feet high by 34 feet diameter. The tank exterior will be patterned with vertical board forms made with colored concrete designed to match the existing redwood tank color and patina and to blend in with the surrounding area. The pad for the tank would be developed by clearing and re-grading the existing PRE Tank 4A pad. The existing level tank pad area would be widened several feet to accommodate the larger footprint of the replacement tank. The new tank floor would be constructed 3 feet below the elevation of the existing tank floor to minimize the height of the tank above the surrounding ground level. This grading would require maximum cuts and fills of three to four feet. It is estimated that up to 100 cubic yards of material would be cut and filled on the site. The grading design would attempt to balance the amount of cut and fill to minimize the need to transport material to or from the site.

DIRECTORS: JACK BAKER • RICK FRAITES • MICHAEL JÓLY • STEPHEN PETERLE • JOHN SCHOONOVER

OFFICERS: DREW MCINTYRE, General Manager • KATIE YOUNG, District Secretary • DAVID L. BENTLEY, Auditor-Controller • ROCKY VOGIER, Chief Engineer

Pursuant to state and local guidelines implementing the California Environmental Quality Act (CEQA), please be advised that the North Marin Water District will be the lead agency for the project. Once the IS is completed the District will make a determination as to whether it will seek approval of a Mitigated Negative Declaration or prepare an EIR for the project.

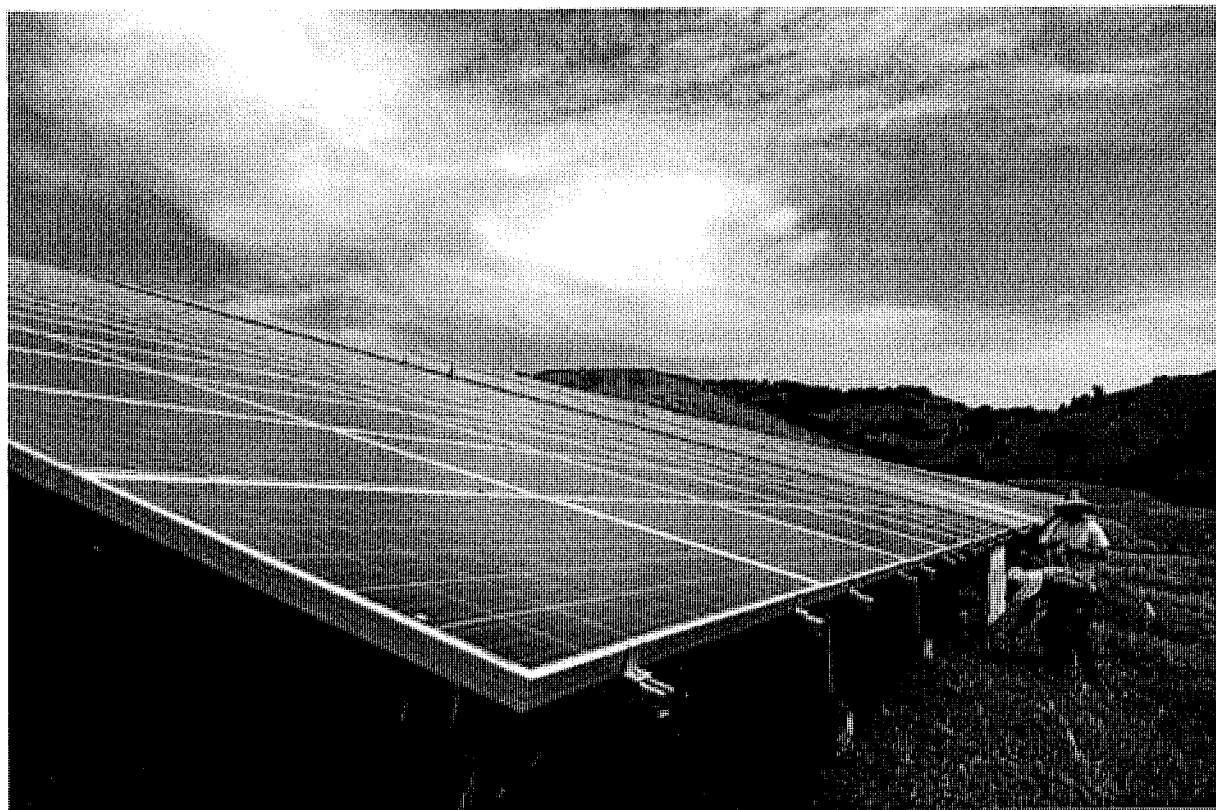
To date, possible impacts that have been identified include visual resource impacts, construction noise impacts on project neighbors and northern spotted owls, and construction traffic impacts. Impacts to other resources appear to be less than significant or could be reduced to a less than significant level by standard mitigation measures. A primary purpose of this scoping meeting is for members of the public and responsible agencies to identify any other areas of potential impact that should be specifically addressed in the Initial Study.

Interested members of the public are invited to attend this meeting to ask questions and share any environmental concerns they may have on this proposed project. If you would prefer to submit your comments in writing, or cannot attend the scoping meeting, NMWD will accept written comments about the scope of the environmental report until 4:00 p.m. on December 02, 2017. If you have any questions, or want additional information concerning the scoping meeting, please contact Carmela Chandrasekera at 415-761-8903 or cchandra@nmwd.com. Please direct questions about the project, the project application and design, or processing of the application to Rocky Vogler, Chief Engineer, North Marin Water District, P.O. Box 146, Novato, CA 94948; (415) 761-8945 or rvogler@nmwd.com.

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THE CHINESE ECONOMY IN THE 1990s

Novato pledges to switch to 100 percent clean energy by 2050



Novato pledges to switch to 100 percent clean energy by 2050. (Alan Dep/Marin Independent Journal)

By **Stephanie Weldy**, *Marin Independent Journal*

POSTED: 09/22/17, 3:38 PM PDT | UPDATED: 2 DAYS AGO 8 COMMENTS

Novato has pledged to help its residents and businesses transition to 100 percent clean energy by 2050.

“We’re putting a stake in the ground, saying we believe this is going to be our future,” said Gretchen Schubeck, the city’s sustainability coordinator.

The city recently became Marin’s first jurisdiction to take on the lofty goal of fully transitioning to renewable energy when it opted to join “Mayors for 100 Percent Clean Energy,” an initiative of the Sierra Club. The enterprise calls on mayors across the nation to support wind, solar and other clean energy approaches.

Mayor Densie Athas said the transition to renewable sources has multiple benefits for all.

“It will make us stronger, healthier and more resilient,” she said. “It will create jobs and new business opportunities, and it will help all of us to become a more equitable society where everyone has the opportunity in a thriving local economy. I am proud that Novato can be a leader in this worldwide effort.”

Council members unanimously voted earlier this month to join the nationwide initiative that has been endorsed by more than 150 mayors, including mayors of Richmond, Berkeley, Emeryville, Daly City, Palo Alto and other Bay Area cities. San Jose, Palo Alto and other cities have adopted goals to switch fully to clean energy no later than 2035.

“We have an obligation to our children to take action on climate and ensure we have a healthy community and a sustainable economy,” Councilman Josh Fryday said in a written response. “Novato will show the benefits of leading on climate policy and taking local action and committing to 100 percent clean energy as an important step for our whole community.”

Athas initially brought the initiative to the city's attention, Schubeck said. With the City Council voting in May to sign the city up for MCE's "Deep Green" 100 percent renewable energy power option, it seemed like the next logical step, Schubeck said.

"And now the big task is, how do we get there?" she said. "But we've got time."

There are no penalties for cities that do not reach their goal by the set date. Schubeck said it is a community-wide target that sets sustainability efforts in motion.

"This is an internal goal that we've set an intention to achieve that will help guide our work programs, particularly mine," she said. "We're looking for opportunities for projects like the Cooley Quarry (solar farm) in Novato, or the amazing solar array at the Buck Institute (for Research on Aging)."

Schubeck said the first steps in encouraging residents and business owners to adopt clean energy measures is suggesting a switch to MCE's power options. "Deep Green" uses wind- and solar-powered energy. "Light Green" uses a combination of wind, biomass, biowaste and solar. "Local Sol" uses supplies 300 customers with energy from the Cooley Quarry solar farm just outside northwest Novato.

"Even for the 'Light Green' option, I think, or 'Deep Green,' it's only \$4 more a month for the average family household. And the thing about MCE is that they're committed to building and reinvesting in the community and looking for more sites like the Cooley Quarry and partnering with places like the Buck Institute to get more renewable sources online. That's something people can do right now, is opt up or in."

Marin IJ Editorial: Novato is right to take a look at hotel limits

POSTED: 09/24/17, 2:22 PM PDT | 1 COMMENT

For Novato's City Council, some decisions are easier than others.

At its Sept. 12 meeting, the council voted 3-2 to consider — just consider — allowing hotels to be built at a greater density than other commercial development.

The concern, voiced by city staff, was density limits proposed, for example, in the much-debated North Redwood Boulevard Corridor — a commercial area stretching along the east side of Redwood Boulevard from Grant Avenue to San Marin Drive — could eliminate construction of a hotel. That's because the density limit would be too restrictive, limiting the size of the number of rooms or other accommodations that could be built.

The staff had proposed that consideration of a higher density for hotels be evaluated as part of the city's update of its general plan. Not that the higher density be written into the update, but that it be evaluated as a possible option in the plan's environmental review.

While a zoning limit requiring a lower density could be a deal-breaker for hotel developers, it could also be a financial loss for the city, especially Novato which is always facing budget struggles.

For instance, city taxes on local lodging generates an average of \$3,400 per room annually, according to city staff. For a 100-room hotel, that's \$340,000 per year, a sum that, for example, could help cover the salary, benefits and training for a police officer, plus some.

In addition, visitors help the economy by shopping and dining locally — also bolstering city tax revenue. Hotels also don't generate much commute-period traffic.

City Hall is considering a proposed 103-room hotel for the North Redwood area, but a limitation built into the city's plan for the area could be a legal hurdle for the project.

The higher density limit the city would look at is similar to the size of two Novato hotels, the Marriott Courtyard at Hamilton Field or America's Best Value hotel, at the north end of the North Redwood area. Planning staff pointed out in its report to the council that other North Bay cities — such as Petaluma and Rohnert Park — allow even greater densities.

An analysis, which should be part of the general plan review, would consider issues such as traffic and visual impacts.

These days, as the state Legislature focuses on changing the planning process and pushing for construction of more housing, it is becoming more and more important to have specificity in cities' general plans.

But Councilwomen Pat Eklund and Pam Drew were reluctant to proceed. Eklund voiced reservations about the review coming after the city had approved a plan, after hearing from the community, to limit densities in the Redwood Boulevard area. Drew said the developer, not the city, should pay the cost for the extra analysis.

Councilman Josh Fryday argued the city should move forward and stressed the review is about looking at possible revisions, not making any decisions.

Those decisions would be reached only after full public review and discussion, staff said. The City Council needs to make sure that that is a promise City Hall keeps.

Moving forward makes sense. Council members and the public deserve to have a fair and full analysis of possible impacts before deciding what should be built and where. That analysis makes sure all of the practical information, including economics, is on the table — open and public — before decisions are made.

Every council member should support that approach.

Novato residents get their hands dirty fixing up Hamilton SMART station



Donn Davy checks a watering system filter at the Hamilton SMART train station in southern Novato. He has spearheaded a volunteer landscaping effort to beautify the area near the station. (Robert Tong/Marin Independent Journal)

By Stephanie Weldy, Marin Independent Journal

POSTED: 09/18/17, 4:27 PM PDT | UPDATED: 11 MINS AGO 9 COMMENTS

On a recent afternoon, Donn Davy could be found doubled over replacing a defective valve at Hamilton's SMART station in Novato.

Under the searing midday sun, the 70-year-old, wearing boots and a wide-brimmed fedora, wrapped up a day's work on a nearly complete irrigation system he installed at the station in southern Novato near Marin Gate Road.

Davy is not a Sonoma-Marín Area Rail Transit employee. He is a volunteer who spearheaded a yearlong campaign to install trees and plants to beautify Hamilton's barren neighborhood station.

"I heard that SMART had zero budget for landscaping on this big piece of property," Davy said. "That just didn't make any sense to me, because I know what the weeds are like out here. They won't do it. I said, 'Let's see if we can do it ourselves.'"

SMART TRAIN > COMPLETE COVERAGE

SMART initially planned to landscape its stations in Marin and Sonoma counties. But beautification was deferred due to a lack of funding, said Bill Gamlen, SMART's chief engineer.

"We've been so focused on getting it up and running and getting passengers on the train, we haven't spent much time talking about landscaping," Gamlen said.

About 30 residents and the Hamilton Field Community Development Foundation have taken it upon themselves since last winter to acquire and plant 90 oak trees, shrubs, flowers and seeds in dirt plots around the station's concrete platform at the 5-acre site.

California live oaks and eastern red oaks were planted along the perimeter. The foot-tall trees were donated by Homeward Bound of Marin, a nonprofit provider of shelter and residential services for homeless people and families.

With \$2,800 chipped in from local residents, volunteers bought dozens of native and drought-tolerant plants. Residents over five days prepped the area's rocky soil, bore holes into the earth and planted the oak trees and dozens of coffeeberry, toyon and juncus, among other plants.

"So far it's been funded by those of us who have shown up for all these meetings and shown up to dig holes to put the plants in," said Paul Herrerias, 61, a Hamilton resident who has been involved in the beautification effort.

Herrerias became concerned early on when he noticed trees and other landscaping were not put in as construction on the station wrapped up.

"When they built the station, they put in medians in the parking lot, but they didn't pull any water pipe to the medians and, of course, when they floated the bonds, they had pretty pictures with landscaping to go in at Hamilton station. It never happened."

He said one of the next steps for the project is to gather more community support to continue purchasing plants. He said he would also like to see signs installed that describe the greenery and welcome people to the station.

The group is in the process of receiving a \$10,000 Marin County community service grant. But at least another \$10,000 is needed, Davy said.

Davy himself put in \$6,000, and with the help of a neighbor's tractor he personally installed an irrigation system. Since July, he has put in up to eight hours a day to trench and install the watering system. Residents have committed to paying to water the landscaping while SMART works with North Marin Water District to get recycled water for irrigation, Gamlen said. The agency secured a water meter for the project.

The goal is to transform the site in three years, Davy said.

"Anything is better than the natural, whatever would spring up there, which is star thistle," he said. "And this year it's this really pungent, oily weed."

The plan over the next two years is to continue planting more shrubs and other flora.

Residents near Novato's San Marin station also have jumped on board to beautify their neighborhood station, and have begun sketching out initial plans for how they will move forward, Gamlen said.

He said residents living near stations with space to landscape are encouraged to take a similar approach.

"It's a great way to embrace the station and make it a part of the community," Gamlen said.