



NORTH MARIN WATER DISTRICT
AGENDA - REGULAR MEETING
 October 4, 2016 – 7:00 p.m.
 District Headquarters
 999 Rush Creek Place
 Novato, California

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Est. Time	Item	Subject
7:00 p.m.		CALL TO ORDER
	1.	APPROVE MINUTES FROM REGULAR MEETING , September 20, 2016
	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 ACTION CALENDAR
	5.	Approve: Outside Auditor's 2015 Report And Management Report INFORMATION ITEMS
	6.	Fourth Quarter FY15/16 - Water Quality Quarterly Report w/Quarterly Bacteriological Monitoring Report
	7.	NBWRA Update – September 19, 2016
	8.	TAC Meeting - October 3, 2016
	9.	NBWA Meeting – October 7, 2016
	10.	MISCELLANEOUS Disbursements MPWA Trench Standards – Request for New Comment Period Implementation of GASB 68 - Pensions <u>News Articles:</u> The Price of Water Conservation – Using Less and Paying More
8:00 p.m.	11.	ADJOURNMENT

All times are approximate and for reference only.

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

1

DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
September 20, 2016

CALL TO ORDER

President Schoonover 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 Jack Baker, Rick Fraites, Stephen Petterle, and John Schoonover. Also present were General Manager Chris DeGabriele, Acting District Secretary Eileen Mulliner, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre. Director Rodoni and District Secretary Katie Young were absent.

Gary Skrell, The Covello Group, Silas Valentino from the Point Reyes Light, and District employees Robert Clark (Operations/Maintenance Superintendent) and Tony Arendell (Construction/Maintenance Superintendent) were in the audience.

MINUTES

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

AYES: Director Baker, Fraites, Petterle, and Schoonover

NOES: None

ABSENT: Director Rodoni

GENERAL MANAGER'S REPORT

Notice of From State Water Resources Control Board (SWRCB) – September 2, 2016

Mr. DeGabriele reminded the Board of the SWRCB notice of violation letter for failure to meet water conservation standard and requesting additional information. He stated that his request to the State Water Resources Control Board to rescind the notice has not yet been fulfilled. He noted that the SWRCB has advised they will keep the notice in place until the District receives more information from the meter manufacturer regarding an appropriate adjustment factor to apply to the District's June report and if it does turn out that the adjustment brings the District back into compliance, the SWRCB will rescind the notice. Mr. DeGabriele informed the Board that the District expects to get information from Sonoma County Water Agency this week and SCWA the importance of the requested knows information from the meter manufacturer.

1 Water Technology Alliance

2 Mr. DeGabriele advised the Board that District staff has been invited to meet with the Water
3 Technology Alliance consisting of three Danish Water Utilities interested in sharing knowledge on
4 integrated water resources, smart water distribution, optimizing treatment and energy efficiency. He
5 noted that they will meet with staff here in October and have previously met with Central Marin
6 Sanitation Agency staff.

7 District Headquarters Upgrade

8 Mr. DeGabriele informed the Board that District staff reviewed proposals from architects on
9 the District headquarters upgrade and have selected three to interview on October 5th.

10 Out of the Office

11 Mr. DeGabriele informed the Board that he will be out of the office and out town all next week
12 and Mr. McIntyre will be acting General Manager.

13 **OPEN TIME**

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

16 **STAFF / DIRECTORS' REPORTS**

17 President Schoonover asked if staff or Directors wished to bring up an item not on the
18 agenda and the following items were discussed:

19 Director Baker asked if there had been any feedback from Mountain Cascade on rejection of
20 their bid protest, action taken by the Board at the previous meeting. Mr. McIntyre responded that
21 nothing had been received from Mountain Cascade on that topic and that Mountain Cascade is
22 recommended for award of the Recycled Water Expansion Central Service Area - East Construction
23 Contract on tonight's agenda.

24 **MONTHLY PROGRESS REPORT**

25 Mr. DeGabriele provided the Board with the Monthly Progress Report for August. He stated
26 that water production in both Novato and West Marin is up compared to last year, but still down
27 compared to the State Board's 2013 metric, down 10% year to date in Novato and down in 17%
28 West Marin from 2013. He advised the Board that Recycled Water production is up and is on-par
29 with 2013 and up 12% compared to last year. Mr. DeGabriele informed the Board that Oceana Marin
30 storage levels are going up and explained the Capital Improvement Project of dosing siphon repairs

1 that needs to be made but informed the Board that there has been a temporary fix in place so the
2 District will be able to continue to discharge through September and into October and the project will
3 take about a week in late October to make the permanent repairs.

4 Director Baker asked if staff had to wait for the ponds to reach a certain level before
5 performing the repair. Mr. Clark responded no.

6 Mr. DeGabriele provided the Board with the Summary of Complaints and Service Orders
7 and pointed out that the service leaks are up this month compared to a year ago, as are high bill
8 complaints. He noted that the high bill complaints are resulting in a lot of customers requesting bill
9 adjustments under the Board policy. He stated that overall the complaints and service orders for the
10 month are up by 60% compared to a year ago.

11 Mr. Bentley stated that compared to a year ago for the first two month the District has given
12 \$16,900 in bill adjustments, a year ago \$8,600.

13 Mr. Bentley reported on the August 2016 Investments, where the District's portfolio holds
14 \$12,480,000 earning a 0.77% rate of return.

15 **CONSENT CALENDAR**

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

18 AYES: Director Baker, Fraites, Petterle, and Schoonover

19 NOES: None

20 ABSENT: Director Rodoni

21 **CALPERS RESOLUTION TO REDUCE DISTRICT CONTRIBUTION**

22 The Board approved Resolution 16-24 entitled: "Resolution of the Board of Directors of the
23 North Marin Water District for Employer Paid Member Contributions." The approved Resolution is to
24 reduce the District's paid employee contribution to 0.0% for Classic members effective October 1,
25 2016.

26 **ESA – GENERAL SERVICES AGREEMENT**

27 The Board approved a General Consulting Services Agreement with ESA with a not-to-
28 exceed limit of \$30,000 for the Recycled Water Central Service Area Expansion project. The first
29 task will be for pre-construction plant surveys, construction monitoring and reporting for the Central
30 Service Area project.

1 **KTA-TATOR, INC – CONSULTING SERVICE AGREEMENT**

2 The Board approved a General Consulting Services Agreement with KTA-TATOR Inc with a
3 not-to-exceed limit of \$20,000 to provide on-going professional consultation for coating/corrosion
4 engineering and inspection. The first task order amount of \$13,300 to be funded under this
5 agreement will be for coating evaluation and structural assessment services associated with the San
6 Mateo Tank Rehabilitation project.

7 **BIENNIAL REVIEW OF NMWD'S CONFLICT OF INTEREST CODE (MULTI-COUNTY)**

8 The Fair Political Practices Commission requires that the District's conflict of interest code
9 be reviewed every two years. In reviewing the District's code, District legal counsel recommended
10 including the Assistant General Manager position in the code with reportable items consistent with
11 the GM and attorney. The Board approved the submittal to the FPPC of the District's proposed non-
12 substantive changes to the conflict of interest code.

13 **ACTION ITEMS**

14 **SALARY SCHEDULE REVISION**

15 Mr. Bentley informed the Board that the San Francisco Bay Area All Urban Consumers Price
16 Index increased 3.06% over the twelve months ending August 31, 2016. He stated that in
17 accordance with the Memorandum of Understanding with the North Marin Water District Employee
18 Association, effective each October 1 of each year, though 2017, employees will receive a cost of
19 living adjustment equal to the percentage change in the CPI-U, less 0.3%. He stated that employees
20 will also receive a 1.6% salary increase as an offset to the additional 1.6% employees will contribute
21 toward the cost of the in CalPERS retirement benefit. He noted that accordingly, the total salary
22 increase effective October 1, 2016 calculates to 4.4%.

23 Mr. Bentley advised the Board that the 1.6% CalPERS retirement contribution shifted from
24 the District to employees serves to offset the 4.4% salary increase, thereby rendering a net labor cost
25 increase of 2.6%.

26 On motion of Director Baker, seconded by Director Fraites, the Board approved the updated
27 District Salary Schedule to be effective October 1, 2016 by the following vote:

28 AYES: Director Baker, Fraites, Petterle, and Schoonover

29 NOES: None

30 ABSENT: Director Rodoni

BID ADVERTISEMENT – RECYCLED WATER EXPANSION CENTRAL SERVICE AREA – NORMAN TANK REHABILITATION PROJECT

Mr. McIntyre reminded the Board that part of the Recycled Water Expansion Project in the Central Service Area is the Norman Tank Rehabilitation Project which consists of an interior/exterior recoat and seismic upgrade of a 0.5MG surplus tank to be re-purposed for Recycled Water Storage and upgrade of Plum Tank Controls. He advised the Board that the project is ready to go out for bid advertisement with a bid opening date of November 15, 2016 and estimated construction completion date of July 31, 2017. Mr. McIntyre advised the Board that the current Engineer's Estimate for the project is \$760K and includes a 10% contingency.

On motion of Director Fraites, seconded by Director Petterle, the Board authorized bid advertisement of the Recycled Water Central Service Area- Norman Tank Rehabilitation Project.

AYES: Director Baker, Fraites, Petterle, and Schoonover

NOES: None

ABSENT: Director Rodoni

RECYCLED WATER EXPANSION CENTRAL SERVICE AREA – EAST: AWARD CONSTRUCTION CONTRACT (MOUNTAIN CASCADE INC.)

Mr. McIntyre advised the Board that the East project includes construction of 1.9 miles of recycled water pipeline including approximately 7,300 ft. of 16-inch PVC pipe, 2,300ft of 12-inch PVC pipe, and approximately 750ft of 16-inch welded steel pipe. He informed the Board that the bid opening for this project was on July 7, 2016 and five bids were received ranging from \$3.5M to \$4.3M. He noted that the engineer's estimate was \$2.99M. Mr. McIntyre advised the Board that Mountain Cascade submitted the lowest responsive bid of \$3,520,219. He stated that a bid evaluation was performed by The Covello Group, the District's hired construction manager and the analysis shows that Mountain Cascade complied with the bidding requirements.

On motion of Director Baker, seconded by Director Petterle, the Board awarded the contract to Mountain Cascade Inc and authorized the General Manager to execute an agreement with Mountain Cascade Inc. by the following vote:

AYES: Director Baker, Fraites, Petterle, and Schoonover

NOES: None

ABSENT: Director Rodoni

1 **COMMENTS ON SCWA FISH HABITAT FLOWS AND WATER RIGHTS PROJECT DEIR**

2 Mr. DeGabriele informed the Board that SCWA staff has now been directed by their Board to
3 extend the public comment period and add public hearings on the Fish Habitat Flows and Water
4 Rights Project DEIR. He stated that the new comment period and additional hearing dates were
5 identified in a Press Release issued by SCWA distributed on September 16th and provided to the
6 Board at tonight's meeting. Mr. DeGabriele provided the District Board the option to hold off
7 submitting comments now until the further public hearings are held.

8 On motion of Director Fraites, seconded by Director Baker the Board authorized the District's
9 comment letter for submittal on the Fish Habitat Flows and Water Rights Project Draft
10 Environmental Impact Report by the following vote:

11 AYES: Director Baker, Fraites, Petterle, and Schoonover

12 NOES: None

13 ABSENT: Director Rodoni

14 **COMMENTS ON STAFFORD LAKE MASTER PLAN DRAFT INITIAL STUDY**

15 Director Petterle excused himself from the meeting at 7:28 p.m. due to a conflict of interest
16 with this item.

17 Mr. DeGabriele provided a review of the Stafford Lake Master Plan Initial Study and stated
18 that its most likely there will be more environmental review in the future. He advised the Board that
19 the District is asking for the County to recognize the backwater effects during peak flowing
20 conditions and is also concerned about the swimming lagoon and potential discharge to the lake. He
21 noted that the District would like the County to incorporate sediment collection if a vehicular bridge is
22 installed, install a new drinking water line to the park and also include a sewer line extension.

23 Director Fraites pointed out that the draft comment letter on the Stafford Lake Master Plan
24 Draft Initial Study had the word "potential" twice in the District's Comment #3. Mr. DeGabriele
25 advised that comment would be corrected.

26 On motion of Director Baker, seconded by Director Fraites, the Board authorized submittal of
27 the comments on the Draft Initial Study and Mitigated Negative Declaration for Marin County
28 Stafford Lake Park Master Plan by the following vote:

29 AYES: Director Baker, Fraites, and Schoonover

30 NOES: None

1 ABSTAIN: Director Petterle

2 ABSENT: Director Rodoni

3 Director Petterle returned to the meeting.

4 **INFORMATION ITEMS**

5 **FY16 – OPERATIONS/MAINTENANCE YEAR END REPORT**

6 Mr. Clark provided the Board with the Operations/Maintenance Year End Report.

7 **TAC MEETING- SEPTEMBER 12, 2016**

8 Mr. DeGabriele provided a brief summary of the September 12, 2016 Technical Advisory
9 Committee Meeting. He advised the Board that Mr. Bentley did a great job with his presentation to
10 the TAC on the District's tier rates effectiveness in reducing consumption.

11 **MISCELLANEOUS**

12 The Board received the following miscellaneous information: Disbursements.

13 **ADJOURNMENT**

14 President Schoonover adjourned the meeting at 7:53 p.m.

15 Submitted by
16
17

18 Eileen Mulliner
19 Acting District Secretary
20


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MEMORANDUM

To: Board of Directors
From: Dianne Landeros, Accounting/HR Supervisor 
Subject: Accept – Outside Auditor's 2016 Report and Management Report
t:\finance\audit\audit15\bod accept outside auditor's 2016 report.doc

September 30, 2016

RECOMMENDED ACTION: Accept FY16 Financial Report and Management Letter

FINANCIAL IMPACT: None with this Review. Annual Audit Cost is \$16,220.

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

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, 2016 and 2015, 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. The auditor did not have any comments or recommendations regarding internal controls. This is the eighth year running that the auditor made no internal control recommendation.

This year the Management Report includes a new section entitled: "Current Year Observations, Comments and Recommendations." In it, the outside auditor notes "that the District capitalized portions of the employer's contribution to the CalPERS Pension Plan into the District's capital assets." They recommend that to be in compliance with Governmental Accounting Standards Board Statement Number 68 (GASB 68), the District remove the pension contribution component, which is equal to 20% of salary, so that it is no longer included as a cost of the capital assets. Staff finds this recommendation unsatisfactory, particularly as regards work done for 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. Staff will continue to work with the outside auditor going forward to comply with the new pronouncement with an eye toward fairness to both developers and rate payers.

Four accounting adjustments were made by staff after submitting the ledger to the outside auditor and are disclosed on the last four pages of the Management Report. These adjustments resulted in an increase of accrued water sales of \$442,438.

The other entries made after submitting the ledger to the outside auditor were the adjustments required to comply with GASB 68 which requires all local governments to report their unfunded pension obligations (Net Pension Liability) on their Statement of Net Position. In summary, these entries increase the District's Net Pension Liability by \$1,918,573 to \$8,619,837.

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

RECOMMENDATION

Accept the Outside Auditor's FY15/16 Financial Report and Management Letter.



NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report For the Fiscal Years Ended June 30, 2016 and 2015





NORTH MARIN WATER DISTRICT

Name	Title	Elected/ Appointed	Current Term
John C. Schoonover	President	Elected	12/13 - 12/17
Stephen Petterle	Vice-President	Elected	12/15 - 12/19
Jack Baker	Director	Elected	12/15 - 12/19
Rick Fraites	Director	Elected	12/13 - 12/17
Dennis J. Rodoni	Director	Elected	12/15 - 12/19

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

North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2016 and 2015

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, 2016 and 2015**

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Introductory Section



999 Rush Creek Place
P.O. Box 146
Novato, CA 94948

PHONE
415.897.4133

FAX
415.892.8043

EMAIL
info@nmwd.com

WEB
www.nmwd.com

September 30, 2016

Board of Directors
North Marin Water District

It is our pleasure to submit the Annual Financial Report for the North Marin Water District for the fiscal years ended June 30, 2016 and 2015, 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 immediately after the Independent Auditors' Report.

District Structure and Leadership

The North Marin Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The North Marin Water District has been providing water service to its customers since 1948. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The North Marin Water District employs 51 (50.7 full-time equivalent) employees, some of whom are part-time, plus a small cadre of temporary and seasonal employees as the workload dictates. There are currently 21 office positions and 30 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 20,535 potable water service connections and 44 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 230 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 1.6 billion gallons and 1.9 billion gallons of water in fiscal years 2016 and 2015, respectively, from the Agency.

Economic Condition, Outlook and Major Initiatives

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

The Russian River water delivery system operated by the Agency typically provides 80% of Novato's water supply. Novato Rainfall in FY 2016 totaled 21.5", which was about 80% of the historical average annual rainfall. On April 1, 2015, the Governor imposed water use restrictions to achieve a 25% statewide reduction in California potable urban water use through February 28, 2016. On May 19, 2015, the North Marin Board of Directors implemented the State mandate to activate mandatory restrictions on water use to achieve a 24% reduction compared to the same billing periods in 2013. In 2016, 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 601 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 139 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. North Marin has already achieved the SB7X-7 goal, but will continue to strive to achieve more water conservation and development of recycled water to further stretch its local source of supply in future years.

A commodity rate increase averaging 7% for customers in the Novato service area was authorized by the Board of Director's effective June 1, 2016. No increase in the bimonthly service charge was implemented. At \$672 per year, the cost of water service for a typical Novato detached single-family home using 100,500 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 2016 and 2015, 1,844 AF (601 MG) and 1,759 AF (573 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). The Coyote Dam and Lake Mendocino impound the Eel River diversions and winter runoff from the local watershed. Warm Springs Dam and Lake Sonoma impound winter runoff from the Dry Creek and Warm Springs local watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet the regions' water supply needs, which totaled 40,477 acre feet in fiscal year 2016. 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 2016 and 2015, the District received 4,893 AF (1,624 MG) and 5,916 AF (1,928 MG), respectively, of Russian River water. The District has an agreement in place with the Agency to provide sufficient supply to meet the District's current and future water supply needs. There continues to be competing interests for Russian River water, principally to protect steelhead and salmon listed as threatened species under the Endangered Species Act. The 2008 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 & 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 seventh 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 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.

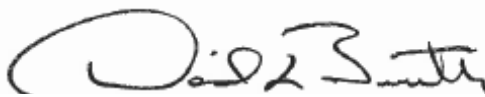
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for 2016.

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

Respectfully submitted,



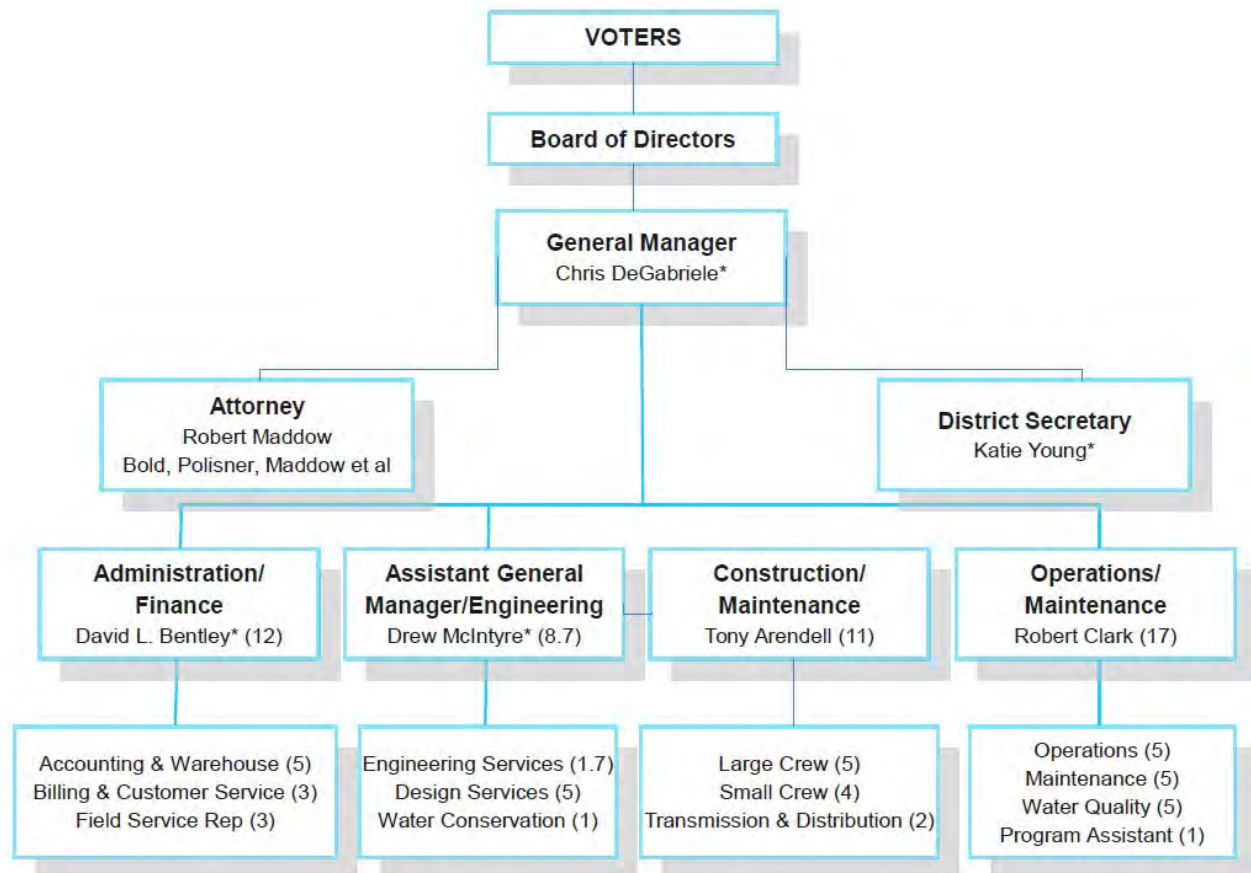
Chris DeGabriele
General Manager



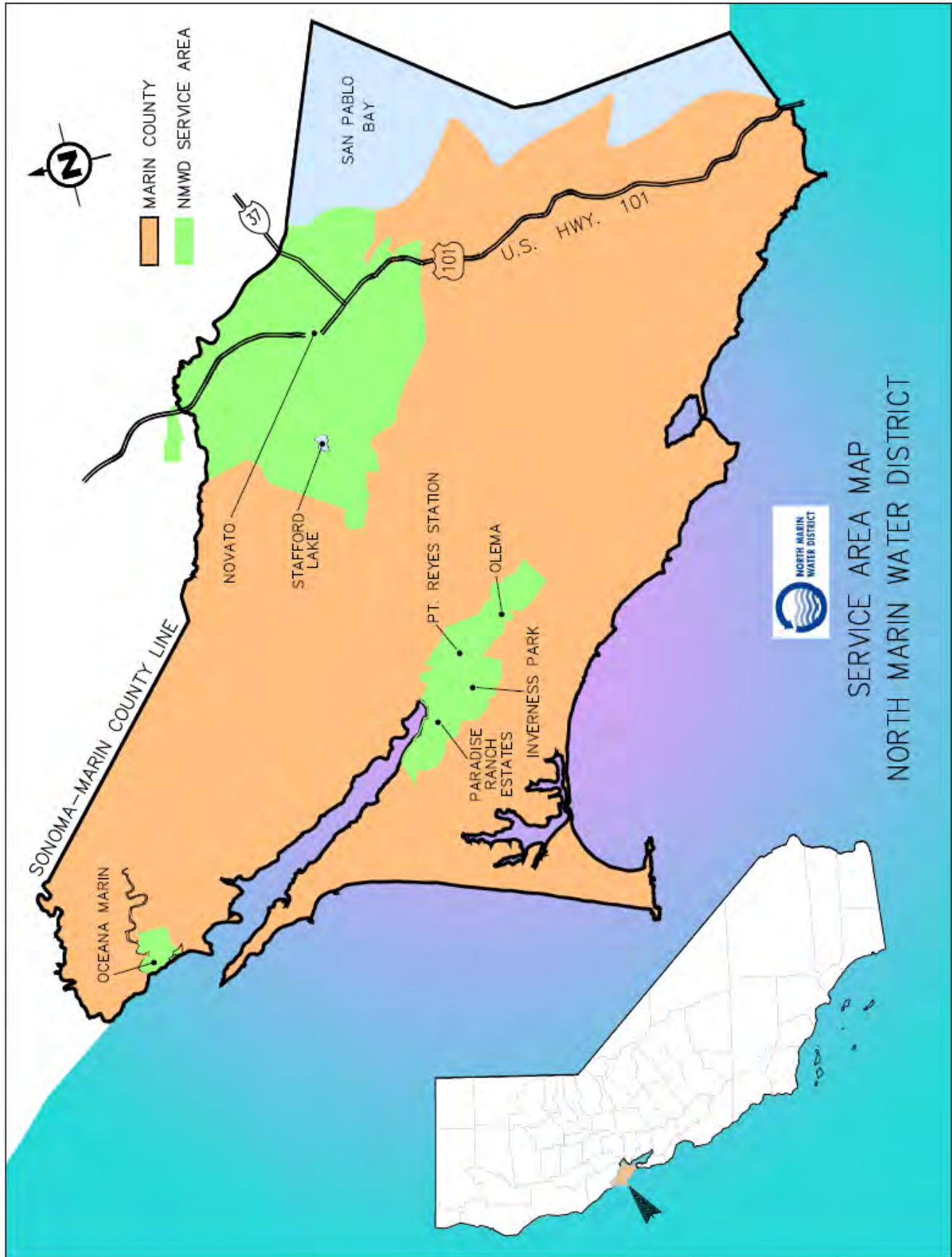
David L. Bentley
Auditor-Controller

North Marin Water District Organizational Chart

As of
June 30, 2016



* 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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Enen". The signature is written in a cursive, flowing style.

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, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2016 and 2015, 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 51 through 53 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.

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 54 through 57, and the statistical section on pages 58 through 73 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.

Emphasis of Matter

As described in note 1 to the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application* and early implementation of Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016, and GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

Prior Period Restatement

As part of our audits of the June 30, 2016 and 2015 financial statements, we also audited the adjustments described in Note 14 that were applied to restate the June 30, 2014 financial statements. In our opinion, the adjustments are appropriate and have been properly applied.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2016, 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 74 and 75.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2016 and 2015

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, 2016 and 2015. 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 2016, the District's net position increased 5.1% or \$4,517,514 to \$92,672,784. In fiscal year 2015, the District's net position increased 3.1% or \$2,671,715 to \$88,155,270.
- In 2016, the District's operating revenues decreased 3.8% or \$669,774 to \$17,411,543. In 2015, the District's operating revenues decreased 14.9% or \$2,691,112 to \$18,081,317.
- In 2016, the District's operating expenses before depreciation increased 0.7% or \$92,330. In 2015, the District's operating expenses before depreciation decreased 6.3% or \$843,198.

Required Financial Statements

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

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

Financial Analysis of the District

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

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, 2016 and 2015

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 50.

Statements of Net Position

Condensed Statements of Net Position					
	2016	2015	Change	As Restated* 2014	Change
Assets:					
Current assets	\$ 11,293,730	10,041,136	1,252,594	14,752,587	(4,711,451)
Non-current assets	10,073,764	12,208,592	(2,134,828)	9,429,420	2,779,172
Capital assets, net	114,175,642	111,476,381	2,699,261	98,696,826	12,779,555
Deferred outflows of resources:	1,354,255	757,200	597,055	-	757,200
Total assets and deferred outflows of resources	\$ 136,897,391	134,483,309	2,414,082	122,878,833	11,604,476
Liabilities:					
Current liabilities	\$ 4,760,009	6,152,006	(1,391,997)	4,724,639	1,427,367
Non-current liabilities	38,657,854	37,994,023	663,831	32,670,639	5,323,384
Deferred inflows of resources:	806,744	2,182,010	(1,375,266)	-	2,182,010
Total liabilities and deferred inflows of resources	\$ 44,224,607	46,328,039	(2,103,432)	37,395,278	8,932,761
Net position:					
Net investment in capital assets	\$ 85,542,035	82,037,287	3,504,748	71,538,168	10,499,119
Restricted for capital projects and debt	2,122,980	2,170,429	(47,449)	2,156,020	14,409
Unrestricted	5,007,769	3,947,554	1,060,215	11,789,367	(7,841,813)
Total net position	92,672,784	88,155,270	4,517,514	85,483,555	2,671,715
Total liabilities, deferred inflows of resources and net position	\$ 136,897,391	134,483,309	2,414,082	122,878,833	11,604,476

* As Restated is as a result of prior period adjustments recognized. See Note 14 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 \$92,672,784 and \$88,155,270 as of June 30, 2016 and 2015, respectively.

By far the largest portion of the District's net position (92% and 93% as of June 30, 2016 and 2015, 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 2016 and 2015, the District showed a positive balance in its unrestricted net position of \$5,007,769 and \$3,947,554 respectively. See note 13 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, 2016 and 2015

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>As Restated*</u> <u>2014</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 17,411,543	18,081,317	(669,774)	20,772,429	(2,691,112)
Non-operating revenue	501,176	425,399	75,777	549,736	(124,337)
Total revenue	<u>17,912,719</u>	<u>18,506,716</u>	<u>(593,997)</u>	<u>21,322,165</u>	<u>(2,815,449)</u>
Expense:					
Operating expense	13,417,988	13,325,658	92,330	14,168,856	(843,198)
Depreciation and amortization	3,286,353	3,183,725	102,628	3,128,302	55,423
Non-operating expense	829,911	946,811	(116,900)	3,141,911	(2,195,100)
Total expense	<u>17,534,252</u>	<u>17,456,194</u>	<u>78,058</u>	<u>20,439,069</u>	<u>(2,982,875)</u>
Net income before cap. con.	378,467	1,050,522	(672,055)	883,096	167,426
Capital contributions	4,139,047	9,714,111	(5,575,064)	3,144,256	6,569,855
Change in net position	4,517,514	10,764,633	(6,247,119)	4,027,352	6,737,281
Net position, beginning of year	<u>88,155,270</u>	<u>85,483,555</u>	<u>2,671,715</u>	<u>81,456,203</u>	<u>4,027,352</u>
Prior period adjustment	-	(8,092,918)	8,092,918	-	(8,092,918)
Net position, end of year	<u>\$ 92,672,784</u>	<u>88,155,270</u>	<u>4,517,514</u>	<u>85,483,555</u>	<u>2,671,715</u>

* As Restated is as a result of prior period adjustments recognized. See Note 14 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 5.1% or \$4,517,514 to \$92,672,784 which was due primarily to an increase from ongoing operations.. In fiscal year 2015, the District's net position increased 3.1% or \$2,671,715 to \$88,155,270 which was due primarily to a \$10,764,633 increase from operations, which was offset by an \$8,092,918 decrease related to a prior period adjustment. (See Note 14 for further information).

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

In 2016, the District's operating revenues decreased 3.8% or \$669,774 to \$17,411,543 due primarily to a decrease in water consumption sales affected by drought restrictions. In 2015, the District's operating revenues decreased 14.9% or \$2,691,112 to \$18,081,308 due primarily to a decrease in water consumption sales affected by drought restrictions.

In 2016, the District's operating expenses before depreciation increased 0.7% or \$92,330 due primarily to a increases of \$260,855 in general and administrative, \$144,122 in transmission and distribution and \$79,022 in water treatment, which was offset by decreases of \$345,571 in source of supply, \$86,879 in water conservation, and \$70,752 in pumping expense. In 2015, the District's operating expenses before depreciation decreased 6.3% or \$843,198 due primarily to a decrease of \$1,601,595 in source of supply which was offset by increases of \$372,017 in general and administrative, \$310,800 in transmission and distribution, and \$90,755 in water treatment expense.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2016 and 2015

Total District Revenues

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>As Restated*</u> <u>2014</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 12,508,912	13,180,015	(671,103)	15,480,438	(2,300,423)
Monthly meter service charge	4,331,899	4,312,108	19,791	4,308,584	3,524
Sewer service charges	195,461	186,864	8,597	177,970	8,894
Other charges and services	375,271	402,330	(27,059)	805,437	(403,107)
Total operating revenues	<u>17,411,543</u>	<u>18,081,317</u>	<u>(669,774)</u>	<u>20,772,429</u>	<u>(2,691,112)</u>
Non-operating revenues:					
Property tax revenue	102,259	94,391	7,868	90,071	4,320
Investment earnings	80,661	86,011	(5,350)	66,612	19,399
Interest earnings from note – BPGL	44,417	49,296	(4,879)	54,059	(4,763)
Rental revenue	68,109	89,657	(21,548)	89,593	64
Other non-operating revenues	205,730	106,044	99,686	139,401	(33,357)
Total non-operating revenues	<u>501,176</u>	<u>425,399</u>	<u>75,777</u>	<u>439,736</u>	<u>(14,337)</u>
Total revenues	<u>\$ 17,912,719</u>	<u>18,506,716</u>	<u>(593,997)</u>	<u>21,212,165</u>	<u>(2,705,449)</u>

* As Restated is as a result of prior period adjustments recognized. See Note 14 for further detail.

In 2016 and 2015, total District revenues decreased \$593,997 and \$2,705,449, respectively.

Total District Expenses

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>As Restated*</u> <u>2014</u>	<u>Change</u>
Operating expenses:					
Source of supply	\$ 4,279,084	4,624,655	(345,571)	6,226,250	(1,601,595)
Pumping	281,255	352,007	(70,752)	362,997	(10,990)
Water facilities operations	797,806	751,940	45,866	785,143	(33,203)
Water treatment	2,099,887	2,020,865	79,022	1,930,110	90,755
Transmission and distribution	2,871,290	2,727,168	144,122	2,416,368	310,800
Sewage collection and treatment	134,193	108,928	25,265	120,548	(11,620)
Customer service	628,981	588,579	40,402	587,067	1,512
General and administrative	1,934,011	1,673,156	260,855	1,301,139	372,017
Water conservation	391,481	478,360	(86,879)	439,234	39,126
Depreciation and amortization	3,286,353	3,183,725	102,628	3,128,302	55,423
Total operating expenses	<u>16,704,341</u>	<u>16,509,383</u>	<u>194,958</u>	<u>17,297,158</u>	<u>(787,775)</u>
Non-operating expenses:					
Interest expense – long-term debt	807,034	847,950	(40,916)	830,830	17,120
Allowance for impairment of emp. loans	-	-	-	(110,000)	110,000
Other non-operating expenses	22,877	98,861	(75,984)	2,311,081	(2,212,220)
Total non-operating expenses	<u>829,911</u>	<u>946,811</u>	<u>(116,900)</u>	<u>3,031,911</u>	<u>(2,085,100)</u>
Total expenses	<u>\$ 17,534,252</u>	<u>17,456,194</u>	<u>78,058</u>	<u>20,329,069</u>	<u>(2,872,875)</u>

* As Restated is as a result of prior period adjustments recognized. See Note 14 for further detail.

In 2016 and 2015, total District expenses increased by \$78,058 and decreased by \$2,872,875, respectively.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2016 and 2015

Capital Asset Administration

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>

Changes in capital asset amounts for 2015 were as follows:

	Balance 2014	Additions	Transfers/ Deletions	Balance 2015
Capital assets:				
Non-depreciable assets	\$ 6,922,245	16,499,988	(4,893,378)	18,528,855
Depreciable assets	136,363,804	5,063,459	(758,376)	140,668,887
Accumulated depreciation	<u>(44,589,223)</u>	<u>(3,183,725)</u>	<u>51,587</u>	<u>(47,721,361)</u>
Total capital assets, net	<u>\$ 98,696,826</u>	<u>18,379,722</u>	<u>(5,600,167)</u>	<u>111,476,381</u>

At the end of fiscal year 2016 and 2015, the District's investment in capital assets amounted to \$114,175,642 and \$111,476,381, 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 7 for further information)

Debt Administration

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>(1,701,904)</u>	<u>29,823,693</u>
Total long-term debt	<u>\$ 31,373,391</u>	<u>288,206</u>	<u>(1,721,904)</u>	<u>29,939,693</u>

Changes in long-term debt amounts for 2015 were as follows:

	Balance 2014	Additions	Principal Payments	Balance 2015
Long-term debt:				
Bonds payable	\$ 159,916	-	(23,916)	136,000
Loans payable	<u>32,687,391</u>	<u>212,607</u>	<u>(1,662,607)</u>	<u>31,237,391</u>
Total long-term debt	<u>\$ 32,847,307</u>	<u>212,607</u>	<u>(1,686,523)</u>	<u>31,373,391</u>

(See Note 11 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, 2016 and 2015

<i>Assets and Deferred Outflows of Resources</i>	2016	2015
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,011,059	1,139,225
Restricted – cash and cash equivalents (note 2)	4,400,367	3,804,189
Accrued interest receivable	18,021	18,767
Accounts receivable – water and sewer sales and services	3,260,957	2,994,131
Accounts receivable – governmental agencies	899,467	1,000,009
Accounts receivable – other	474,958	33,255
Capital grants and loan proceeds receivable	500,813	213,409
Note receivable – Black Point Golf Links – current portion (note 3)	211,153	206,155
Notes receivable – employee computer loans (note 4)	-	445
Materials and supplies inventory	454,062	556,658
Prepaid expenses and deposits	62,873	74,893
Total current assets	<u>11,293,730</u>	<u>10,041,136</u>
Non-current assets:		
Restricted – investments (note 2)	7,620,676	9,244,351
Note receivable – Black Point Golf Links (note 3)	1,518,888	1,730,041
Notes receivable – employee housing assistance loans, net (note 5)	934,200	1,234,200
Capital assets, not being depreciated (note 7)	4,231,436	18,528,855
Depreciable capital assets, net (note 7)	109,944,206	92,947,526
Total non-current assets	<u>124,249,406</u>	<u>123,684,973</u>
Deferred outflows of resources:		
Deferred pension outflows (note 12)	1,354,255	757,200
Total assets and deferred outflows of resources	\$ 136,897,391	134,483,309
<i>Liabilities, Deferred Inflows of Resources and Net Position</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,063,597	3,554,475
Accrued wages and related payables	258,611	265,707
Accrued claims payable (note 8)	95,244	58,720
Customer advances and deposits	689,151	659,502
Accrued interest payable – long-term debt	113,238	116,943
Long-term liabilities – due within one year:		
Compensated absences (note 9)	158,981	153,698
Bonds payable (note 11)	22,000	20,000
Loans payable (note 11)	1,359,187	1,322,961
Total current liabilities	<u>4,760,009</u>	<u>6,152,006</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 9)	476,942	461,093
Other post-employment benefits payable (note 10)	1,002,569	801,236
Bonds payable (note 11)	94,000	116,000
Loans payable (note 11)	28,464,506	29,914,430
Net pension liability (note 12)	8,619,837	6,701,264
Total non-current liabilities	<u>38,657,854</u>	<u>37,994,023</u>
Deferred inflows of resources:		
Deferred pension inflows (note 12)	806,744	2,182,010
Total liabilities and deferred inflows of resources	\$ 44,224,607	46,328,039
Net position: (note 13, 14)		
Net investment in capital assets	\$ 85,542,035	82,037,287
Restricted for capital projects and debt service	2,122,980	2,170,429
Unrestricted	5,007,769	3,947,554
Total net position	<u>92,672,784</u>	<u>88,155,270</u>
Total liabilities, deferred inflows of resources and net position	\$ 136,897,391	134,483,309

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, 2016 and 2015

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North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 17,077,395	19,549,198
Cash paid to employees for salaries and wages	(4,936,473)	(4,701,050)
Cash paid to vendors and suppliers for materials and services	(6,908,928)	(7,183,437)
Net cash provided by operating activities	<u>5,231,994</u>	<u>7,664,711</u>
Cash flows from non-capital financing activities:		
Property tax revenue	102,259	94,391
Net cash provided by non-capital financing activities	<u>102,259</u>	<u>94,391</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,006,150)	(15,989,420)
Proceeds from capital contributions and connection fees	3,851,643	9,565,861
Proceeds from principal issued on long-term debt	288,206	212,607
Principal paid on long-term debt	(1,721,904)	(1,686,521)
Interest paid on long-term debt	(810,739)	(849,131)
Net cash used in capital and related financing activities	<u>(4,398,944)</u>	<u>(8,746,604)</u>
Cash flows from investing activities:		
Purchases of investments	(807,170)	(2,951,499)
Principal received on notes receivable	206,155	201,274
Principal received(issued) on employee computer loans, net	445	145
Investment earnings	133,273	129,013
Net cash used in investing activities	<u>(467,297)</u>	<u>(2,621,067)</u>
Net increase (decrease) in cash and cash equivalents	468,012	(3,608,569)
Cash and cash equivalents, beginning of year	<u>4,943,414</u>	<u>8,551,983</u>
Cash and cash equivalents, end of year	\$ <u><u>5,411,426</u></u>	<u><u>4,943,414</u></u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 1,011,059	1,139,225
Restricted assets – cash and cash equivalents	<u>4,400,367</u>	<u>3,804,189</u>
Total cash and cash equivalents	\$ <u><u>5,411,426</u></u>	<u><u>4,943,414</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 707,202	1,571,934
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense – capital recovery	3,286,353	3,183,725
Rental revenue	68,109	89,657
Other non-operating revenue	213,179	106,044
Other non-operating expenses	(22,877)	(98,861)
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	(266,826)	618,010
Accounts receivable – governmental agencies	100,542	649,213
Accounts receivable – other	(441,703)	4,957
Materials and supplies inventory	95,996	19,579
Prepaid expenses and other deposits	12,020	(37,287)
(Increase)Decrease in deferred outflows of resources:	(597,055)	2,175,524
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(1,490,878)	1,228,575
Accrued wages and related payables	(7,096)	41,550
Accrued claims payable	36,524	33,764
Customer advances and deposits	29,649	92,946
Compensated absences	21,132	20,160
Other post-employment retirement benefits	201,333	107,589
Net pension liability	1,918,573	(4,324,378)
Increase(Decrease) in deferred inflows of resources:	1,375,266	2,182,010
Total adjustments	4,532,241	6,092,777
Net cash provided by operating activities	\$ 5,239,443	7,664,711
Non-cash investing, capital and financing transactions:		
Change in fair value of investments	\$ (7,449)	1,088

See accompanying notes to the basic financial statements

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(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, 2016 and 2015

(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 February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for periods beginning after June 15, 2015. This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015. This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

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

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

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.

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

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

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

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 three 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 second and third item is a deferred outflow related to pensions for the changes in proportion and differences between expected and actual experience and the adjustment due to differences in proportions of the net pension liability. 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 date June 30, 2015, which is a 3.8 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.

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

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

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

12. Pensions, continued

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 (VD): June 30, 2014
- Measurement Date (MD): June 30, 2015
- Measurement Period (MP): July 1, 2014 to June 30, 2015

13. Deferred Inflows of Resources

The statement of net position reports 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 District has three items which qualify for reporting in this category. The first and second items are deferred inflows related to pensions for the changes in assumptions and differences between the actual employer contributions and the proportionate share of contributions. This amount 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 date June 30, 2015, which is 3.8 year period. The third 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.

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, 2016 and 2015

(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>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,011,059	1,139,225
Restricted – cash and cash equivalents	4,400,367	3,804,189
Restricted – investments	<u>7,620,676</u>	<u>9,244,351</u>
Total cash and investments	<u>\$ 13,032,102</u>	<u>14,187,765</u>

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

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 350	350
Deposits with financial institutions	779,646	423,665
Deposits with County of Marin Treasury	735,570	630,138
Investments	<u>11,516,536</u>	<u>13,133,612</u>
Total cash and investments	<u>\$ 13,032,102</u>	<u>14,187,765</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(2) Cash and Investments, continued

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

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

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

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

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

Custodial Credit Risk

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

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(2) Cash and Investments, continued

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.

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, 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	-	-

Investments at June 30, 2015, 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	\$ 3,890,723	3,890,723	-	-	-
Certificates-of-deposit	4,223,000	1,986,000	2,237,000	-	-
Corporate medium-term notes	2,001,510	2,001,510	-	-	-
U.S. Treasury note	2,009,609	1,002,031	1,007,578	-	-
U.S. Agency securities	1,008,770	-	1,008,770	-	-
Total	\$ 13,133,612	8,880,264	4,253,348	-	-

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(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, 2016, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings	
				AA+ to AA-	AA+ to A-
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	AA+	-	2,003,523	-
Total	\$ 11,516,536		7,869,722	3,646,814	-

Credit ratings at June 30, 2015, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings	
				AA+ to AA-	AA+ to A-
Local Agency Investment Fund	\$ 3,890,723	N/A	3,890,723	-	-
Certificates-of-deposit	4,223,000	N/A	4,223,000	-	-
Corporate medium-term notes	2,001,510	A-	-	2,001,510	-
U.S. Treasury note	2,009,609	AA+	-	2,009,609	-
U.S. Agency securities	1,008,770	A+	-	1,008,770	-
Total	\$ 13,133,612		8,113,723	5,019,889	-

Fair Value Measurements

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

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			

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(2) Cash and Investments, continued

Fair Value Measurements, continued

Investments at June 30, 2015:

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	\$ 4,223,000	-	4,223,000	-
Corporate medium-term notes	2,001,510	2,001,510	-	-
U.S. Treasury note	2,009,609	2,009,609	-	-
U.S. Agency securities	1,008,770	1,008,770	-	-
Total investments measured at fair value	9,242,889	5,019,889	4,223,000	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	3,890,723			
Total	\$ 13,133,612			

(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:

	2016	2015
Note receivable – Black Point Golf Links – current portion	\$ 211,153	206,155
Note receivable – Black Point Golf Links	1,518,888	1,730,041
Note receivable – Black Point Golf Links	\$ 1,730,041	1,936,196

(4) Notes Receivable – Employee Computer Loans

The District allows employees to purchase personal computers and to secure a loan from the District to pay for the purchase of the computer up to \$3,500 per employee. These employee computer loans are repaid to the District over a period of up to 36 months through payroll deduction with interest rates applied that are based on the District's investment portfolio return rate at the origination of the loan plus one percent. As of June 30, 2016 and 2015 the District had various outstanding loans totaling \$0 and \$445, respectively. As of June 30, 2016, the notes receivable, employee computer loans balance was paid-in-full.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(5) 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:

<u>Origination</u>	<u>2016</u>	<u>2015</u>
August 2004	\$ 250,000	250,000
Sept. 2004	39,200	39,200
October 2006	-	300,000
Nov. 2007	150,000	150,000
June 2010	245,000	245,000
March 2015	250,000	250,000
Total	<u>\$ 934,200</u>	<u>1,234,200</u>

(6) Internal Balances

Due To/From Other Funds and Transfers

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>

Transfers between funds as of June 30, 2015 was as follows:

<u>Purpose</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Contribution	Novato Water	Novato Recycled	\$ <u>688,916</u>

In 2016 and 2015, the Novato Water system transferred \$806,664 and \$688,916, 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 54 through 57 for further information)

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(7) 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>2014</u>	<u>2015</u>	<u>2016</u>
Developer construction – Novato Water	\$ 641,858	422,113	503,308
Developer construction – West Marin Water	5,239	25,540	12,096
Other construction – Novato Water	4,280,383	16,048,994	870,862
Other construction – Novato Recycled	4,024	251,219	1,130,190
Other construction – West Marin Water	497,995	297,599	229,506
Other construction – Oceana Marin Sewer	19,655	10,299	12,383
Total construction-in-progress per year	<u>\$ 5,449,154</u>	<u>17,055,764</u>	<u>2,758,345</u>

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	17,055,764	5,973,904	(20,271,323)	2,758,345
Total non-depreciable assets	18,528,855	5,973,904	(20,271,323)	4,231,436
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	3,224,561	100,427	(130,259)	3,194,729
Total depreciable assets	140,668,887	20,283,033	(130,259)	160,821,661
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	(2,463,149)	(233,843)	130,259	(2,566,733)
Total accumulated depreciation	(47,721,361)	(3,286,353)	130,259	(50,877,455)
Total depreciable assets, net	92,947,526	16,996,680	-	109,944,206
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, 2016 and 2015

(7) Capital Assets, continued

Changes in capital assets for the year were as follows:

	Balance 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	5,449,154	16,499,988	(4,893,378)	17,055,764
Total non-depreciable assets	6,922,245	16,499,988	(4,893,378)	18,528,855
Depreciable assets:				
Distribution system	78,604,783	3,086,559	-	81,691,342
Treatment plant	21,060,231	22,214	-	21,082,445
Storage facilities	18,872,517	1,736,532	(22,328)	20,586,721
Transmission system	5,489,830	-	-	5,489,830
Source facilities	5,632,131	-	(117,495)	5,514,636
Sewer facilities	1,154,525	21,934	-	1,176,459
Structures and improvements	2,485,107	-	(582,214)	1,902,893
Other plant and equipment	3,064,680	196,220	(36,339)	3,224,561
Total depreciable assets	136,363,804	5,063,459	(758,376)	140,668,887
Accumulated depreciation:				
Distribution system	(24,047,885)	(1,590,402)	-	(25,638,287)
Treatment plant	(6,191,347)	(698,072)	-	(6,889,419)
Storage facilities	(5,347,407)	(388,246)	-	(5,735,653)
Transmission system	(3,342,608)	(87,288)	-	(3,429,896)
Source facilities	(1,742,807)	(105,152)	-	(1,847,959)
Sewer facilities	(500,466)	(36,995)	-	(537,461)
Structures and improvements	(1,140,870)	(53,915)	15,248	(1,179,537)
Other plant and equipment	(2,275,833)	(223,655)	36,339	(2,463,149)
Total accumulated depreciation	(44,589,223)	(3,183,725)	51,587	(47,721,361)
Total depreciable assets, net	91,774,581	1,879,734	(706,789)	92,947,526
Total capital assets, net	\$ 98,696,826	18,379,722	(5,600,167)	111,476,381

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(8) 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>2016</u>	<u>2015</u>
Accrued claims payable, beginning of year	\$ 58,720	24,956
Current year claims recognized	20,045	2,256
Current year claims paid	(4,751)	(247)
Prior year claims incurred	53,511	97,442
Prior year claims paid	<u>(32,281)</u>	<u>(65,687)</u>
Accrued claims payable, end of year	<u>\$ 95,244</u>	<u>58,720</u>

(9) Compensated Absences

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

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

Changes to compensated absences for 2015, were as follows:

<u>Balance</u> <u>2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2015</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 591,509	1,043,079	(1,019,797)	614,791	153,698	461,093

(10) 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, 2016 and 2015

(10) 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>2016</u>	<u>2015</u>	<u>2014</u>
Active plan members	51	52	51
Retirees and beneficiaries receiving benefits	35	33	32
Separated plan members entitled to but not yet receiving benefits	<u>3</u>	<u>3</u>	<u>3</u>
Total plan membership	<u>89</u>	<u>86</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 6.1% 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, 2016 and 2015, the District's annual ARC cost after adjustments were \$384,395 and \$286,640, respectively. The District's net other post employment benefits payable obligation amounted to \$1,002,569 and \$801,236 for the years ended June 30, 2016 and 2015, respectively. The District contributed \$168,938 and \$166,521 in retiree benefit contributions for current retiree OPEB premiums for the years ended June 30, 2016 and 2015, respectively.

The balance at June 30, consists of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 384,395	286,640	286,640
Interest on net OPEB obligation	31,694	28,108	23,448
Interest earnings on irrevocable trust balance	-	-	-
Adjustment to annual required contribution	<u>(45,821)</u>	<u>(40,638)</u>	<u>(33,900)</u>
Total annual OPEB expense	<u>370,268</u>	<u>274,110</u>	<u>276,188</u>
Contributions made:			
Contributions made to irrevocable trust	-	-	-
Retiree benefit payments paid outside of a trust	<u>(168,935)</u>	<u>(166,521)</u>	<u>(168,750)</u>
Total contributions made	<u>(168,935)</u>	<u>(166,521)</u>	<u>(168,750)</u>
Total change in net OPEB payable obligation	201,333	107,589	107,438
OPEB payable - beginning of year	<u>801,236</u>	<u>693,647</u>	<u>586,209</u>
OPEB payable - end of year	\$ <u>1,002,569</u>	\$ <u>801,236</u>	<u>693,647</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(10) 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 2016 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
2016	\$	370,268	-	168,935	45.63%	\$ 1,002,569
2015		274,110	-	166,521	60.75%	801,236
2014		276,188	-	168,750	61.10%	693,647

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 \$3,680,017 and \$3,444,888, as of June 30, 2016 and 2015, 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, 2016 was \$4,936,473. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 82.76%.

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											
	<table> <tr> <th>Fiscal Year</th><th>Percentage</th></tr> <tr> <td>2015</td><td>8.0%</td></tr> <tr> <td>2016</td><td>7.0%</td></tr> <tr> <td>2017</td><td>6.0%</td></tr> <tr> <td>2018+</td><td>5.0%</td></tr> </table>	Fiscal Year	Percentage	2015	8.0%	2016	7.0%	2017	6.0%	2018+	5.0%
Fiscal Year	Percentage										
2015	8.0%										
2016	7.0%										
2017	6.0%										
2018+	5.0%										

See Page 53 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, 2016 and 2015

(11) Long-term Debt

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

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

Changes in long-term debt amounts for 2015 were as follows:

	Balance 2014	Additions	Principal Payments	Balance 2015	Current Portion
Long-term debt:					
Bonds payable:					
1975 General obligation bonds – OL-2	\$ 3,916	-	(3,916)	-	-
1980 Revenue bonds – PRE-1	72,000	-	(11,000)	61,000	11,000
1981 Revenue bonds – PR-6	84,000	-	(9,000)	75,000	9,000
Total bonds payable	159,916	-	(23,916)	136,000	20,000
Loans payable:					
1977 U.S. EDA loan – Novato Water	65,445	-	(15,152)	50,293	15,909
1977 U.S. EDA loan – West Marin Water	9,057	-	(2,250)	6,807	2,363
2005 DWR loan – Novato Water	13,101,375	-	(735,720)	12,365,655	374,468
2005 SWRCB loan – Novato Recycled	3,022,026	-	(200,839)	2,821,187	205,658
2011-2012 SWRCB loans – Novato Recycled N & S	9,267,978	-	(397,768)	8,870,210	403,526
2011 B of M loan – Novato Water	6,297,090	-	(271,020)	6,026,070	279,944
2011 B of M loan – West Marin Water	924,420	-	(39,859)	884,561	41,093
2016 SWRCB Loan – Novato Recycled Central	-	212,607	-	212,607	-
Total loans payable	32,687,391	212,607	(1,662,608)	31,237,390	1,322,961
Total long-term debt	\$ 32,847,307	212,607	(1,686,524)	31,373,390	1,342,961

Bonds Payable

1975 General Obligation Bonds – Issue OL-2

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

At June 30, 2015 the bonds matured and were paid-in-full.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(11) Long-Term Debt, continued

Bonds Payable, continued

1980 Revenue Bonds – Issue PRE-1

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,000	2,500	14,500
2018	12,000	1,900	13,900
2019	13,000	1,300	14,300
2020	13,000	650	13,650
Total	50,000	6,350	56,350
Less current portion	(12,000)		
Total non-current	\$ 38,000		

1981 Revenue Bonds – Issue PR-6

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

The bonds are scheduled to mature in 2022. Principal is payable annually on July 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>
2017	\$ 10,000	3,050	13,050
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	66,000	10,300	76,300
Less current portion	(10,000)		
Total non-current	\$ 56,000		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(11) Long-Term Debt, continued

Loans Payable

1977 U.S. EDA Loan – Novato Water segment

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 16,705	1,708	18,413
2018	17,679	787	18,466
Total	34,384	2,495	36,879
Less current portion	(16,705)		
Total non-current	\$ 17,679		

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,481	220	2,701
2018	1,963	145	2,108
Total	4,444	365	4,809
Less current portion	(2,481)		
Total non-current	\$ 1,963		

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>
2017	\$ 383,471	138,767	522,238
2018	780,744	263,730	1,044,474
2019	799,515	244,959	1,044,474
2020	818,737	225,738	1,044,475
2021	838,422	206,052	1,044,474
2022-2026	4,504,352	718,020	5,222,372
2027-2030	3,487,003	168,659	3,655,662
Total	11,612,244	1,965,925	13,578,169
Less current portion	(383,471)		
Total non-current	\$ 11,228,773		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(11) Long-Term Debt, continued

Loans Payable

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>
2017	\$ 210,594	62,773	273,367
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
2022-2026	1,243,828	123,007	1,366,835
2027	266,959	6,407	273,366
Total	2,615,528	391,508	3,007,036
Less current portion	(210,594)		
Total non-current	\$ 2,404,934		

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>
2017	\$ 413,125	201,174	614,299
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
2022-2026	2,436,733	634,762	3,071,495
2027-2031	2,741,190	330,305	3,071,495
2032-2034	1,122,465	40,600	1,163,065
Total	8,466,684	1,910,866	10,377,550
Less current portion	(413,125)		
Total non-current	\$ 8,053,559		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(11) Long-Term Debt, continued

Loans Payable, continued

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>
2017	\$ 332,811	219,989	552,800
2018	344,363	208,437	552,800
2019	356,315	196,485	552,800
2020	368,180	184,620	552,800
2021	381,461	171,339	552,800
2021-2025	2,114,958	649,042	2,764,000
2026-2030	2,508,545	255,455	2,764,000
2031-2032	<u>182,962</u>	<u>1,306</u>	<u>184,268</u>
Total	6,589,595	<u>1,886,673</u>	<u>8,476,268</u>
Less current portion	<u>(332,811)</u>		
Total non-current	\$ <u>6,256,784</u>		

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 a loan in an amount not-to-exceed \$9,900,000 for the construction of the Recycled Water Expansion project – Central Service Area. As of June 30, 2016, eligible costs for reimbursement were \$500,813. 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.

(12) 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(12) Defined Benefit Pension Plan, continued

Benefits Provided, continued

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, 2016 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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 compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates FY16	8.000%	6.250%
Required employer contribution rates FY16	19.195%	6.237%

At June 30, 2015, an actuarial report was not prepared by CalPERS for the District's PEPRA tier. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

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, 2016 and 2015, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous Plan	
	2016	2015
Contributions – employer	\$ 828,792	669,066
Contributions – employee (paid by employer)	83,806	167,080
Total employer paid contributions	<u>\$ 912,598</u>	<u>836,146</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(12) Defined Benefit Pension Plan, continued

Net Pension Liability

As of June 30, 2016 and 2015, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
	2016	2015
Miscellaneous Plan	\$ <u>8,619,837</u>	<u>6,701,264</u>

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, 2015 and 2014, 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, 2014 and 2013, rolled forward to June 30, 2015 and 2014, 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, 2015, was as follows:

	Miscellaneous
Proportion – June 30, 2014	0.10769%
Proportion – June 30, 2015	<u>0.31420%</u>
Change – Increase (Decrease)	<u>0.20651%</u>

The District's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2014, was as follows:

	Miscellaneous
Proportion – June 30, 2013	0.13678%
Proportion – June 30, 2014	<u>0.10769%</u>
Change – Increase (Decrease)	<u>-0.02909%</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2016 and 2015, the District recognized pension expense of \$775,044 and \$702,222, respectively.

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)
Adjustment due to differences in proportion of net pension liability	482,581	-
Total	\$ <u>1,354,255</u>	<u>(806,744)</u>

At June 30, 2015, 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 June 30, 2014	\$ 669,066	-
Net differences between projected and actual earnings on plan investments	-	(2,182,010)
Adjustment due to differences in proportion of net pension liability	88,134	-
Total	\$ <u>757,200</u>	<u>(2,182,010)</u>

As of June 30 2016 and 2015, employer pension contributions of \$828,792 and \$669,066, 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, 2017 and 2016, respectively.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

At June 30, 2016, 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:	Differences between Expected and Actual Experience	Changes in Assumptions	Net Difference between Projected and Actual Earnings Pension Plan Investments	Difference between Actual Contribution and Proportionate Share of Contribution	Adjustment Due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
2017	\$ 15,315	(144,894)	(187,221)	(70,592)	183,593	\$ (203,799)
2018	15,315	(144,894)	(187,221)	(70,592)	177,296	(210,096)
2019	12,252	(115,916)	(187,223)	(56,472)	121,692	(225,667)
2020	-	-	358,281	-	-	358,281
2021	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	\$ 42,882	(405,704)	(203,384)	(197,656)	482,581	\$ (281,281)

Actuarial Assumptions

The total pension liability in the June 30, 2015 and 2014 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, 2014 and 2013
Measurement Date	June 30, 2015 and 2014
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50% Net of Administrative Expenses for 2015 and 2014
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

For the June 30, 2015 and 2014 valuation reports the Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determine 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 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(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:

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(12) Defined Benefit Pension Plan, continued

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

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
District's Net Pension Liability \$	14,579,649	8,619,837	3,833,847

At June 30, 2015, the discount rate comparison was the following:

	Discount Rate - 1% (6.50%)	Prior Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
District's Net Pension Liability \$	12,079,630	6,701,264	2,237,730

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 51-52 for Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2016 and 2015, the District reported no payables for the outstanding amount of contribution to the pension plan

(13) Net Position

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

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 2,743,042	1,130,190	345,014	13,191	4,231,437
Depreciable capital assets, net	85,565,884	18,115,052	5,470,137	793,132	109,944,205
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	(16,702,367)	(10,959,307)	(802,832)	-	(28,464,506)
Total net investment in capital assets	70,954,800	8,276,515	5,504,397	806,323	85,542,035
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	1,984,178	-	138,802	-	2,122,980
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	1,435,958	1,518,888	14,353	824	2,970,023
Spendable net position are designated as follows:					
Other post-employment benefits reserve	3,680,017	-	-	-	3,680,017
Operating reserve	(3,936,572)	1,456,709	388,187	449,405	(1,642,271)
Total spendable net position	(256,555)	1,456,709	388,187	449,405	2,037,746
Total unrestricted net position	1,179,403	2,975,597	402,540	450,229	5,007,769
Total net position	\$ 74,118,381	11,252,112	6,045,739	1,256,552	92,672,784

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(13) Net Position, continued

Calculation of net position per fund as of June 30, 2015, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 17,839,979	251,219	426,550	11,107	18,528,855
Depreciable capital assets, net	68,183,356	18,587,093	5,346,050	831,027	92,947,526
Capital project loan proceeds unused	956,017	614,299	646,876	-	2,217,192
Current:					
Bonds payable	-	-	(20,000)	-	(20,000)
Loans payable	(670,321)	(609,184)	(43,456)	-	(1,322,961)
Non-current:					
Bonds payable	-	-	(116,000)	(282,895)	(398,895)
Loans payable	(17,771,697)	(11,294,821)	(847,912)	-	(29,914,430)
Total net investment in capital assets	68,537,334	7,548,606	5,392,108	559,239	82,037,287
Restricted net position:					
Connection fee reserve	-	-	176,345	-	176,345
Wohler pipeline reserve	398,456	-	-	-	398,456
Collector No. 6 reserve	1,566,630	-	-	-	1,566,630
Cash reserve for debt service	-	-	30,101	-	30,101
Accrued interest for debt service	-	-	(1,103)	-	(1,103)
Total restricted net position	1,965,086	-	205,343	-	2,170,429
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	556,658	-	-	-	556,658
Prepaid expenses and deposits	73,830	-	-	1,063	74,893
Non-current:					
Note receivable – Black Point Golf Links	-	1,730,041	-	-	1,730,041
Notes receivable – employee housing loans, net	1,234,200	-	-	-	1,234,200
Total non-spendable net position	1,864,688	1,730,041	-	1,063	3,595,792
Spendable net position are designated as follows:					
Other post-employment benefits reserve	3,444,888	-	-	-	3,444,888
Operating reserve	(5,088,208)	1,044,477	336,140	614,465	(3,093,126)
Total spendable net position	(1,643,320)	1,044,477	336,140	614,465	351,762
Total unrestricted net position	221,368	2,774,518	336,140	615,528	3,947,554
Total net position	\$ 70,723,788	10,323,124	5,933,591	1,174,767	88,155,270

(14) Adjustment to Net Position

Accounts Receivable – Unbilled Receivable

In fiscal year 2015, the District determined that the prior year calculation of unbilled accounts receivable related to the 2014 fiscal year under accrued what should have been reported as unbilled receivables. Accordingly, the District has recorded a prior period adjustment to net position in the amount of \$394,808 at June 30, 2014.

Capital Contributions

In fiscal year 2014, the District determined that capital contributions related to the Caltrans Aqueduct Energy Efficiency and Marin-Sonoma Narrows capital construction projects which had accumulated in advances for construction which should have been recognized as capital contribution income at June 30, 2014 and 2013. Accordingly, the District recorded prior period adjustments of \$1,625,948 at June 30, 2014 and \$358,925 at June 30, 2013, the most recent prior period presented.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(14) Adjustment to Net Position

Net Pension Liability – GASB 68 Implementation

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. Following the implementation the District recognized the pension liability and recorded a prior period adjustment of \$11,025,642 at June 30, 2015, the most recent period presented. The District recorded a prior period adjustment to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension contribution, including the District's side fund payoff, totaling \$2,932,724 at June 30, 2015.

Previously recorded net position of \$83,103,874 and \$81,097,278 has been adjusted to \$85,483,555 and \$81,456,203 as of June 30, 2014 and 2013, respectively. In addition, the effect of the implementation of GASB 68 is recorded as an adjustment to the beginning net position of June 30, 2015. The effect of the above adjustment is summarized as follows:

The adjustment to net position is as follows:

Net position at July 1, 2012, as previously stated	\$ 76,061,390
Effect of adjustment to record capital contributions	358,925
Change in net position at June 30, 2013, as previously stated	<u>5,035,888</u>
Net position at June 30, 2013, as restated	<u>81,456,203</u>
Effect of adjustment to record unbilled receivables	394,808
Effect of adjustment to record capital contributions	1,625,948
Change in net position at June 30, 2014, as previously stated	<u>2,006,596</u>
Total change in net position at June 30, 2014, as restated	<u>4,027,352</u>
Net position at June 30, 2014, as restated	<u>\$ 85,483,555</u>
Effect of adjustment to record net pension liability	\$ (11,025,642)
Effect of adjustment to record deferred pension outflows	<u>2,932,724</u>
Total adjustment to net position	<u>(8,092,918)</u>
Change in net position at June 30, 2015	<u>10,764,633</u>
Net position at June 30, 2015	<u>\$ 88,155,270</u>

(15) 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, 2016 and 2015 was \$5,172,659 and \$4,852,525, 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(16) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance policies with a variety of coverage including a \$10.0 million excess general liability policy with a \$1.0 million self-insured retention limit, a \$58,872,000 property and equipment policy, a \$1.0 million public official's liability policy and a \$500,000 employee fidelity bond.

(17) Commitments and Contingencies

Wohler/Collector No. 6 Agreement

The District is party to an agreement with the Sonoma County Water Agency (SCWA) that provides, among other matters, that the District is obligated to pay for a prorated share of certain 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, 2016, the District's reserve balances for these obligations were \$402,328 (Wohler Pipeline) and \$1,581,850 (Collector #6).

Novato Sanitary District

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

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 \$386,640 in remaining costs of existing District capital projects as of June 30, 2016.

Grant Awards

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

Litigation

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

(18) Subsequent Event

Events occurring after June 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2016, which is the date the financial statements were available to be issued.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(19) 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, 2016, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74

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. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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.

Governmental Accounting Standards Board Statement No. 77

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. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2016 and 2015

(19) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 80

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*. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

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. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 82

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. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Required Supplementary Information

North Marin Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2016
Last Ten Years*

	Measurement Date 6/30/2015	Measurement Date 6/30/2014
District's Proportion of the Net Pension Liability/(Asset)	0.31420%	0.10769%
District's Proportionate Share of the Net Pension Liability/(Asset)	\$ 8,619,837	6,701,264
District's Covered-Employee Payroll	\$ 4,356,360	4,106,287
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	197.87%	163.20%
District's Proportionate Share of its Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.63%	83.47%
District's Proportionate Share of Aggregate Employer Contributions	\$ 1,097,040	2,932,724

* Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

**North Marin Water District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years***

<u>Schedule of Pension Plan Contributions:</u>	<u>Fiscal Year 2014-2015</u>	<u>Fiscal Year 2013-2014</u>
Actuarially Determined Contribution	\$ 836,212	900,997
Contributions in Relation to the Actuarially Determined Contribution	<u>(828,792)</u>	<u>(2,974,698)</u>
Contribution Deficiency (Excess)	\$ <u>7,420</u>	<u>(2,073,701)</u>
Covered Payroll	\$ <u>4,356,360</u>	<u>4,106,287</u>
Contribution's as a percentage of Covered-employee Payroll	<u>19.02%</u>	<u>72.44%</u>

* Fiscal Year 2015 was the first year of implementation, therefore only two year show are shown.

**North Marin Water District
Schedule of Funding Status
For the Years Ended June 30, 2016 and 2015**

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%	\$ 4,936,473	82.76%
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 10 and 12 for District other post-employment benefits reserve designations)

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Supplemental Information

Combining Schedules

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

<i>Assets and Deferred Outflows of Resources</i>	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	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
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	7,326,061	2,248,197	1,253,170	466,302	11,293,730
Non-current assets:					
Restricted – investments	7,620,676	-	-	-	7,620,676
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	96,863,802	20,764,130	5,815,151	806,323	124,249,406
Deferred outflows of resources:					
Deferred pension outflows	1,354,255	-	-	-	1,354,255
Total assets and deferred outflows of resources	\$ 105,544,118	23,012,327	7,068,321	1,272,625	136,897,391
<i>Liabilities, Deferred Outflows of Resources and Net Position</i>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,030,135	32,046	-	1,416	2,063,597
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	3,817,278	800,908	125,750	16,073	4,760,009
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	16,702,367	10,959,307	802,832	-	28,464,506
Net pension liability	8,619,837	-	-	-	8,619,837
Total non-current liabilities	26,801,715	10,959,307	896,832	-	38,657,854
Deferred inflows of resources:					
Deferred pension inflows	806,744	-	-	-	806,744
Total liabilities and deferred inflows of resources	\$ 31,425,737	11,760,215	1,022,582	16,073	44,224,607
Net position:					
Net investment in capital assets	\$ 70,954,800	8,276,515	5,504,397	806,323	85,542,035
Restricted for capital projects and debt service	1,984,178	-	138,802	-	2,122,980
Unrestricted	1,179,403	2,975,597	402,540	450,229	5,007,769
Total net position	74,118,381	11,252,112	6,045,739	1,256,552	92,672,784
Total liabilities, deferred inflows of resources and net position	\$ 105,544,118	23,012,327	7,068,321	1,272,625	136,897,391

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2015

<i>Assets and Deferred Outflows of Resources</i>	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	\$ -	507,885	287,140	344,200	1,139,225
Restricted – cash and cash equivalents	2,336,568	614,299	853,322	-	3,804,189
Accrued interest receivable	18,767	-	-	-	18,767
Accounts receivable – water and sewer sales	2,583,756	301,044	107,901	1,430	2,994,131
Accounts receivable – governmental agencies	1,000,009	-	-	-	1,000,009
Accounts receivable – other	33,255	-	-	-	33,255
Capital grants and loan proceeds receivable	-	212,607	802	-	213,409
Note receivable – Black Point Golf Links	-	206,155	-	-	206,155
Notes receivable – employee computer loans	445	-	-	-	445
Materials and supplies inventory	556,658	-	-	-	556,658
Prepaid expenses and deposits	73,830	-	-	1,063	74,893
Total current assets	6,603,288	1,841,990	1,249,165	346,693	10,041,136
Non-current assets:					
Restricted – investments	9,244,351	-	-	-	9,244,351
Note receivable – Black Point Golf Links	-	1,730,041	-	-	1,730,041
Notes receivable – employee housing loans, net	1,234,200	-	-	-	1,234,200
Capital assets, not being depreciated	17,839,979	251,219	426,550	11,107	18,528,855
Depreciable capital assets, net	68,183,356	18,587,093	5,346,050	831,027	92,947,526
Total non-current assets	96,501,886	20,568,353	5,772,600	842,134	123,684,973
Deferred outflows of resources:					
Deferred pension outflows	757,200	-	-	-	757,200
Total assets and deferred outflows of resources	\$ 103,862,374	22,410,343	7,021,765	1,188,827	134,483,309
<i>Liabilities, Deferred Outflows of Resources and Net Position</i>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 3,505,157	48,547	-	771	3,554,475
Accrued wages and related payables	205,121	21,745	28,250	10,591	265,707
Accrued claims payable	54,796	1,472	1,783	669	58,720
Customer advances and deposits	629,678	-	27,795	2,029	659,502
Accrued interest payable – long-term debt	2,515	111,450	2,978	-	116,943
Long-term liabilities – due within one year:					
Compensated absences	153,698	-	-	-	153,698
Bonds payable	-	-	20,000	-	20,000
Loans payable	670,321	609,184	43,456	-	1,322,961
Total current liabilities	5,221,286	792,398	124,262	14,060	6,152,006
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	461,093	-	-	-	461,093
Other post-employment benefits payable	801,236	-	-	-	801,236
Bonds payable	-	-	116,000	-	116,000
Loans payable	17,771,697	11,294,821	847,912	-	29,914,430
Net pension liability	6,701,264	-	-	-	6,701,264
Total non-current liabilities	25,735,290	11,294,821	963,912	-	37,994,023
Deferred inflows of resources:					
Deferred pension inflows	2,182,010	-	-	-	2,182,010
Total liabilities and deferred inflows of resources	\$ 33,138,586	12,087,219	1,088,174	14,060	46,328,039
Net position:					
Net investment in capital assets	\$ 68,537,334	7,548,606	5,392,108	559,239	82,037,287
Restricted for capital projects and debt service	1,965,086	-	205,343	-	2,170,429
Unrestricted	221,368	2,774,518	336,140	615,528	3,947,554
Total net position	70,723,788	10,323,124	5,933,591	1,174,767	88,155,270
Total liabilities, deferred inflows of resources and net position	\$ 103,862,374	22,410,343	7,021,765	1,188,827	134,483,309

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	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	4,069,101	192,693	17,290	-	4,279,084
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	12,424,421	372,193	462,243	159,131	13,417,988
Operating income before depreciation	3,368,717	329,710	258,338	36,790	3,993,555
Depreciation	(2,577,081)	(472,040)	(189,039)	(48,193)	(3,286,353)
Operating income(loss)	791,636	(142,330)	69,299	(11,403)	707,202
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(loss) 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	(21,645)	-	(596)	(636)	(22,877)
Total non-operating revenues, net	(222,771)	(197,635)	27,008	64,663	(328,735)
Net income(loss) before capital contributions	568,865	(339,965)	96,307	53,260	378,467
Capital contributions:					
State of California – Caltrans	2,649,186	-	-	-	2,649,186
Developers and others	413,248	-	15,841	4,835	433,924
Connection fees	255,000	-	-	23,690	278,690
Capital grants – state and local	314,958	462,289	-	-	777,247
Capital contributions	3,632,392	462,289	15,841	28,525	4,139,047
Change in net position	4,201,257	122,324	112,148	81,785	4,517,514
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	\$ 74,118,381	11,252,112	6,045,739	1,256,552	92,672,784

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, 2015

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 11,902,357	715,462	562,196	-	13,180,015
Bi-monthly meter service charge	4,116,559	28,611	166,938	-	4,312,108
Sewer service charges	-	-	-	186,864	186,864
Other charges and services	395,531	20	6,639	140	402,330
Total operating revenues	16,414,447	744,093	735,773	187,004	18,081,317
Operating expenses:					
Source of supply	4,390,548	212,245	21,862	-	4,624,655
Pumping	316,702	4,648	30,657	-	352,007
Water facilities operations	628,362	64,048	59,530	-	751,940
Water treatment	1,873,680	6,053	141,132	-	2,020,865
Transmission and distribution	2,528,492	68,939	129,737	-	2,727,168
Sewage collection and treatment	-	-	-	108,928	108,928
Customer service	562,254	777	23,457	2,091	588,579
General and administrative	1,557,530	42,559	51,463	21,604	1,673,156
Water conservation projects	460,400	-	17,960	-	478,360
Total operating expenses	12,317,968	399,269	475,798	132,623	13,325,658
Operating income before depreciation	4,096,479	344,824	259,975	54,381	4,755,659
Depreciation	(2,507,124)	(471,674)	(155,067)	(49,860)	(3,183,725)
Operating income(loss)	1,589,355	(126,850)	104,908	4,521	1,571,934
Non-operating revenues(expenses):					
Property tax revenue	-	-	46,032	48,359	94,391
Investment earnings	73,066	5,840	5,027	2,323	86,011
Interest earnings from note receivable – BPGL	-	49,296	-	-	49,296
Rental revenue	85,216	-	3,941	500	89,657
Interest expense – long-term debt	(522,290)	(287,110)	(38,795)	-	(847,950)
Other non-operating revenues	100,901	5,143	-	-	106,044
Other non-operating expenses	(49,902)	(17,169)	(3,119)	(28,671)	(98,861)
Total non-operating revenues, net	(313,009)	(244,000)	13,086	22,511	(521,412)
Net income(loss) before capital contributions	1,276,346	(370,850)	117,994	27,032	1,050,522
Capital contributions:					
State of California – Caltrans	7,070,554	-	-	-	7,070,554
Developers and others	317,030	-	20,302	-	337,332
Connection fees	763,600	-	22,800	15,200	801,600
Capital grants – state and local	326,713	-	1,177,912	-	1,504,625
Capital contributions	8,477,897	-	1,221,014	15,200	9,714,111
Change in net position	9,754,243	(370,850)	1,339,008	42,232	10,764,633
Net position transfer	(688,916)	688,916	-	-	-
Net position, beginning of year - as restated	69,751,379	10,005,058	4,594,583	1,132,535	85,483,555
Prior period adjustment	(8,092,918)	-	-	-	(8,092,918)
Net position, end of year	\$ 70,723,788	10,323,124	5,933,591	1,174,767	88,155,270

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.

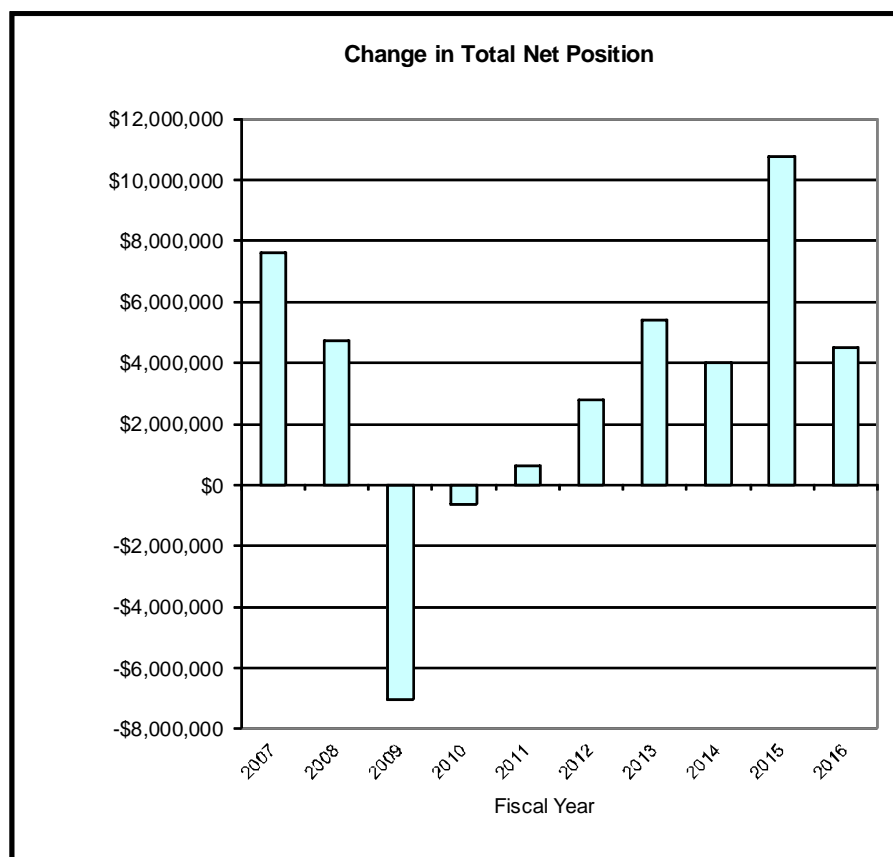
Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	59-63
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	64-67
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.	68-69
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	70-71
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.	72-73

North Marin Water District

Changes in Net Position and Net Position by Component Last Ten Fiscal Years

	Fiscal Year		
	2007	2008	2009
Change in net assets:			
Operating revenues (see schedule 2)	\$11,848,037	\$11,779,157	\$12,526,294
Operating expenses (see schedule 3)	(12,555,989)	(12,538,993)	(13,257,125)
Depreciation and amortization	(1,490,077)	(1,761,673)	(10,091,139) ⁽¹⁾
Operating income(loss)	(\$2,198,029)	(\$2,521,509)	(\$10,821,970)
Net non-op revenue(expense) (see schedule 4)	1,178,739	197,211	8,954
Net income(loss) before capital contributions	(\$1,019,290)	(\$2,324,298)	(\$10,813,016)
Capital contributions	8,639,031	7,061,891	3,776,402
Change in net position	\$7,619,741	\$4,737,593	(\$7,036,614)
Net position by component:			
Net investment in capital assets	\$59,290,284	\$65,099,863	\$61,057,551
Restricted	4,994,444	4,743,194	4,304,331
Unrestricted	11,179,233	10,476,733	7,921,294
Total net position	\$75,463,961	\$80,319,790	\$73,283,176



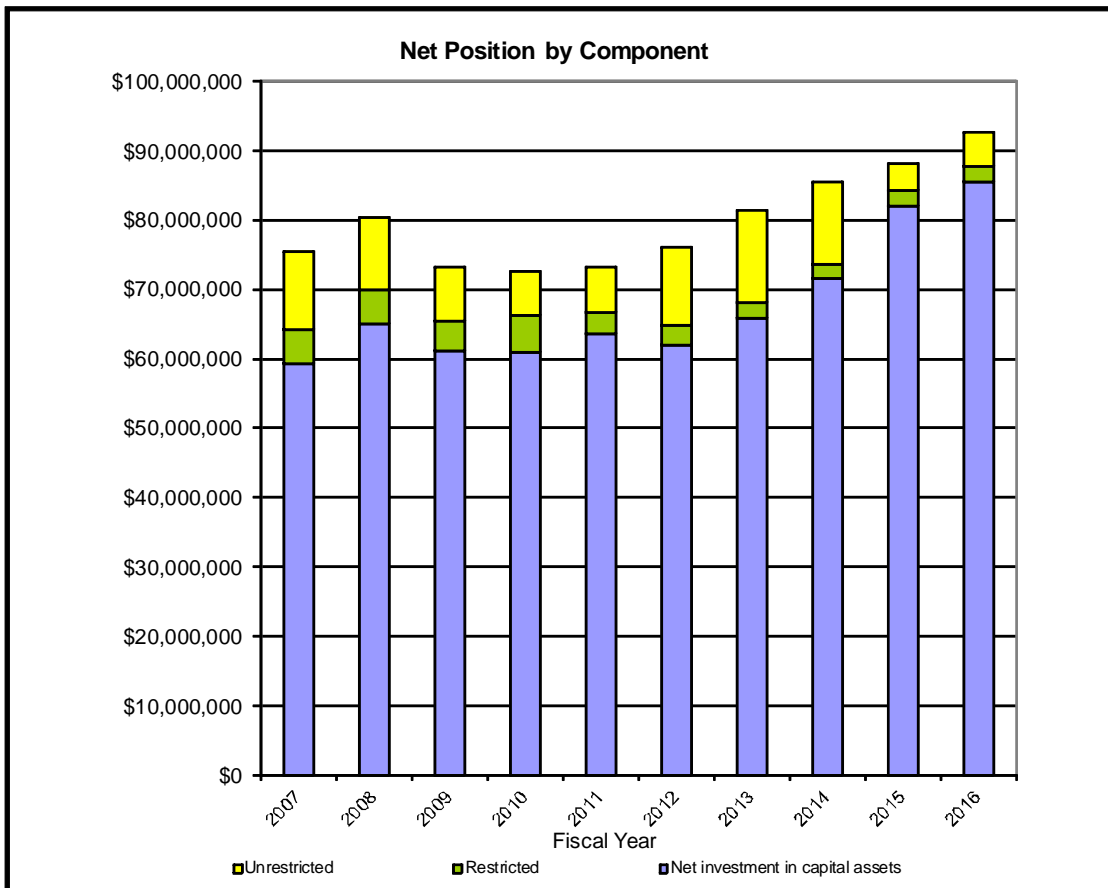
Source: North Marin Water District Audited Financial Statements

⁽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

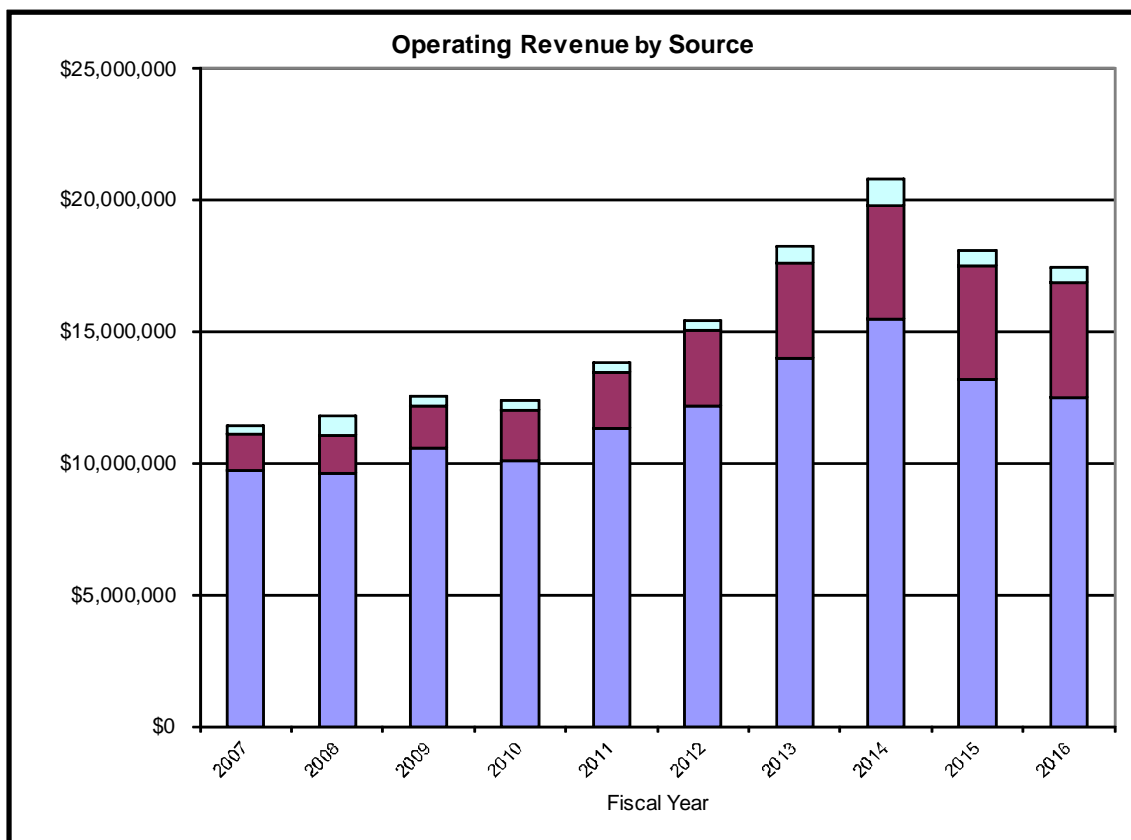
Fiscal Year						
2010	2011	2012	Restated* 2013	Restated* 2014	2015	2016
\$12,381,493	\$13,797,012	\$15,435,733	\$18,256,638	\$20,772,429	\$18,081,317	\$17,411,543
(13,083,372)	(11,878,612)	(12,610,862)	(13,140,845)	(14,168,856)	(13,325,658)	(13,417,988)
<u>(2,659,883)</u>	<u>(2,660,418)</u>	<u>(2,726,598)</u>	<u>(2,793,360)</u>	<u>(3,128,302)</u>	<u>(3,183,725)</u>	<u>(3,286,353)</u>
(\$3,361,762)	(\$742,018)	\$98,273	\$2,322,433	\$3,475,271	\$1,571,934	\$707,202
<u>(255,218)</u>	<u>(414,563)</u>	<u>(531,318)</u>	<u>(285,490)</u>	<u>(2,592,175)</u>	<u>(521,412)</u>	<u>(328,735)</u>
(\$3,616,980)	(\$1,156,581)	(\$433,045)	\$2,036,943	\$883,096	\$1,050,522	\$378,467
2,998,366	1,785,475	3,200,979	3,357,870	3,144,256	9,714,111	4,139,047
<u>(\$618,614)</u>	<u>\$628,894</u>	<u>\$2,767,934</u>	<u>\$5,394,813</u>	<u>\$4,027,352</u>	<u>\$10,764,633</u>	<u>\$4,517,514</u>
\$60,880,162	\$63,542,479	\$61,882,478	\$65,839,724	\$71,538,168	\$82,037,287	\$85,542,035
5,321,639	3,171,305	2,993,055	2,186,452	2,156,020	2,170,429	2,122,980
<u>6,462,761</u>	<u>6,579,672</u>	<u>11,185,857</u>	<u>13,430,027</u>	<u>11,789,367</u>	<u>3,947,554</u>	<u>5,007,769</u>
<u>\$72,664,562</u>	<u>\$73,293,456</u>	<u>\$76,061,390</u>	<u>\$81,456,203</u>	<u>\$85,483,555</u>	<u>\$88,155,270</u>	<u>\$92,672,784</u>



**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
2007	\$9,693,104	\$1,412,428	\$335,692	\$11,441,224
2008	9,607,490	1,424,628	747,039	11,779,157
2009	10,573,368	1,581,407	371,519	12,526,294
2010	10,086,100	1,913,170	382,223	12,381,493
2011	11,334,728	2,109,255	353,029	13,797,012
2012	12,156,765	2,860,630	418,338	15,435,733
2013	13,987,034	3,630,425	639,178	18,256,638
2014	15,480,438	4,308,584	983,407	20,772,429
2015	13,180,015	4,312,108	589,194	18,081,317
2016	12,508,912	4,331,899	570,732	17,411,543

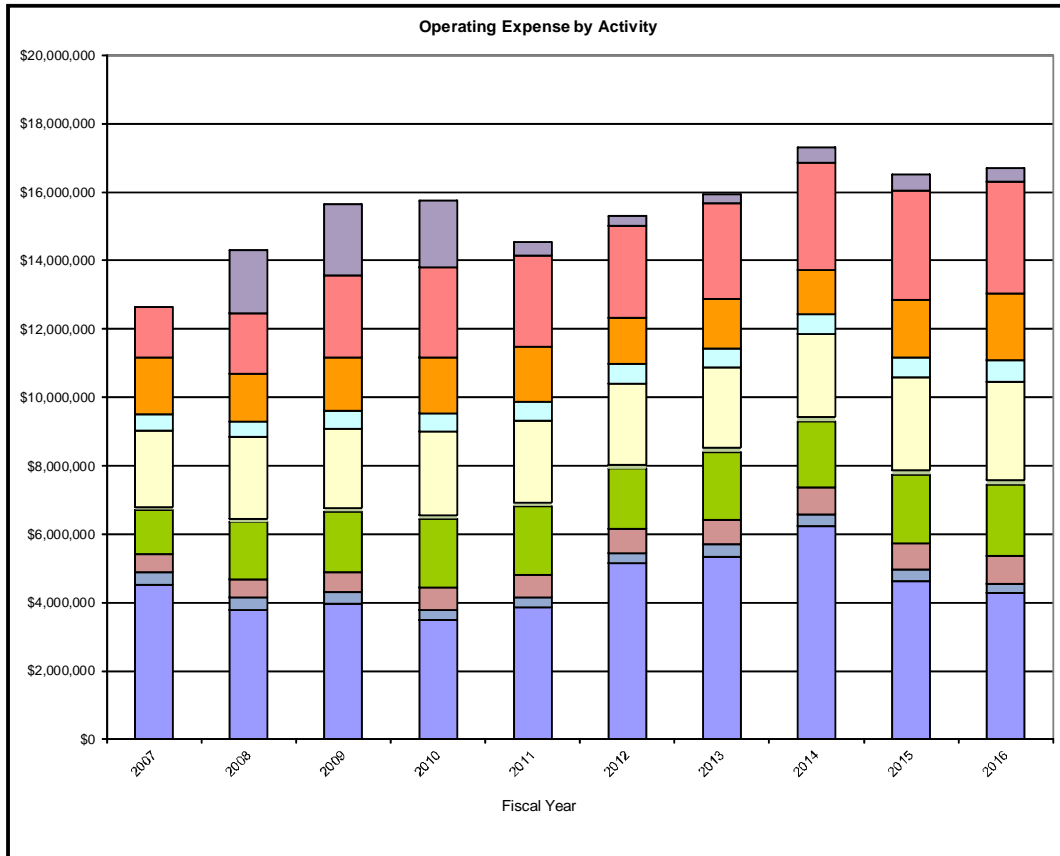


Source: North Marin Water District Audited Financial Statements

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
2007	\$4,513,365	\$381,723	\$518,996	\$1,303,084	\$78,331	\$2,222,327	\$474,082	\$1,663,330	\$0	\$1,490,077	\$12,645,315
2008	3,782,414	379,341	506,287	1,698,781	84,418	2,385,742	466,301	1,400,768	1,834,941	1,761,673	14,300,666
2009	3,960,788	339,236	578,868	1,781,516	98,715	2,335,067	505,218	1,561,044	2,096,673	2,400,106	15,657,231
2010	3,497,565	298,583	633,259	2,027,052	95,116	2,450,765	535,401	1,616,317	1,929,314	2,659,883	15,743,255
2011	3,856,027	299,462	648,743	2,012,125	103,054	2,400,638	564,940	1,605,455	388,168	2,660,418	14,539,030
2012	5,150,183	304,075	708,570	1,747,166	112,801	2,373,132	580,534	1,358,682	275,719	2,690,535	15,301,397
2013	5,342,988	351,816	716,780	1,986,926	127,903	2,340,330	552,202	1,449,793	272,107	2,793,360	15,934,205
2014	6,226,250	362,997	785,143	1,930,110	120,548	2,416,368	587,067	1,301,139	439,234	3,128,302	17,297,158
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	4,279,084	281,255	797,806	2,099,887	134,193	2,871,290	628,981	1,934,011	391,481	3,286,353	16,704,341



Source: North Marin Water District Audited Financial Statements

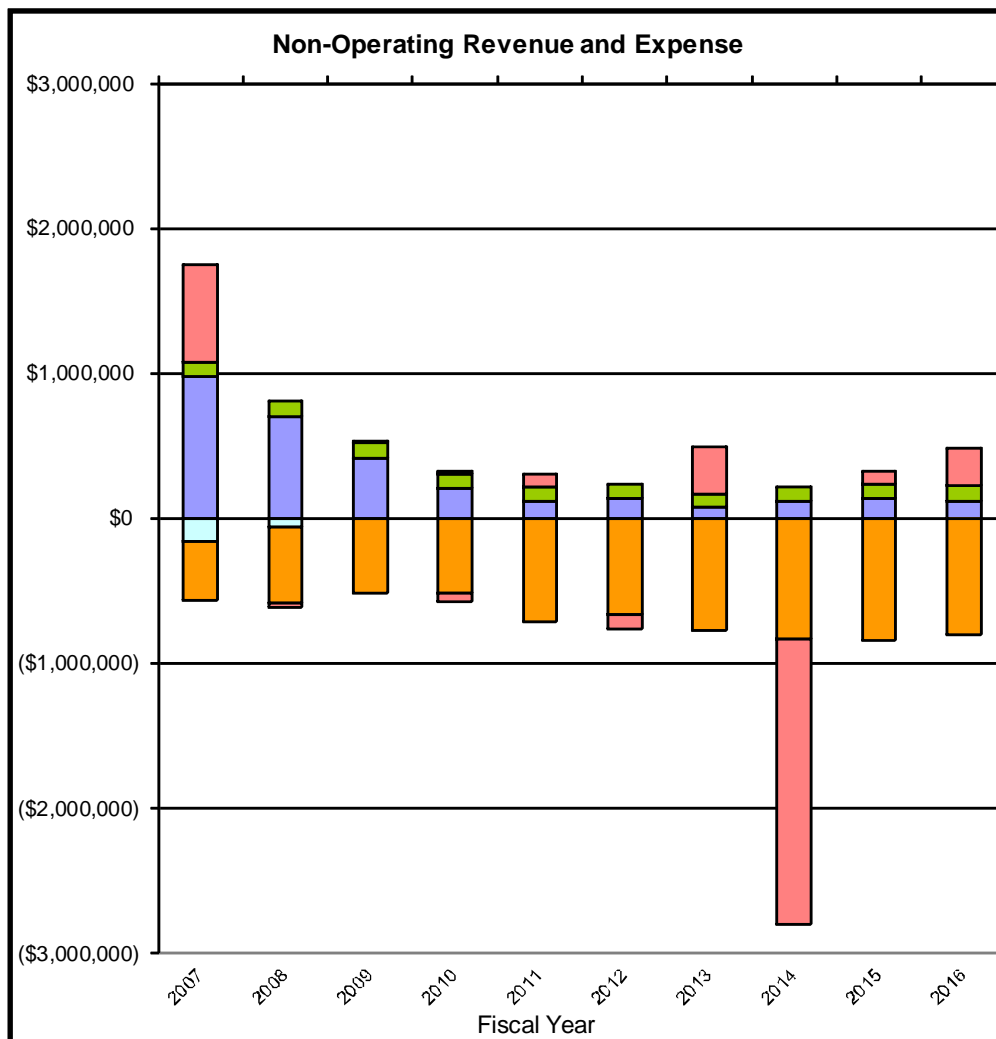
(1) FY09 Excludes \$7,691,033 depreciation due to change in asset lives

(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)
2007	\$978,923	\$97,919	(\$157,126)	(\$411,543)	\$670,566	\$1,178,739
2008	699,107	110,129	(64,347)	(519,484)	(28,194)	197,211
2009	413,681	103,630	-	(513,314)	4,957	8,954
2010	202,459	100,220	17,796	(513,763)	(61,930)	(255,218)
2011	118,410	96,768	-	(715,491)	85,750	(414,563)
2012	130,974	101,559	-	(665,713)	(98,138)	(531,318)
2013	80,713	88,088	-	(778,763)	324,472	(285,490)
2014	120,671	90,071	-	(830,830)	(1,972,087) ⁽²⁾	(2,592,175)
2015	135,307	94,391	-	(847,950)	96,840	(521,412)
2016	117,629	102,259	-	(807,034)	258,411	(328,735)



Notes:

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

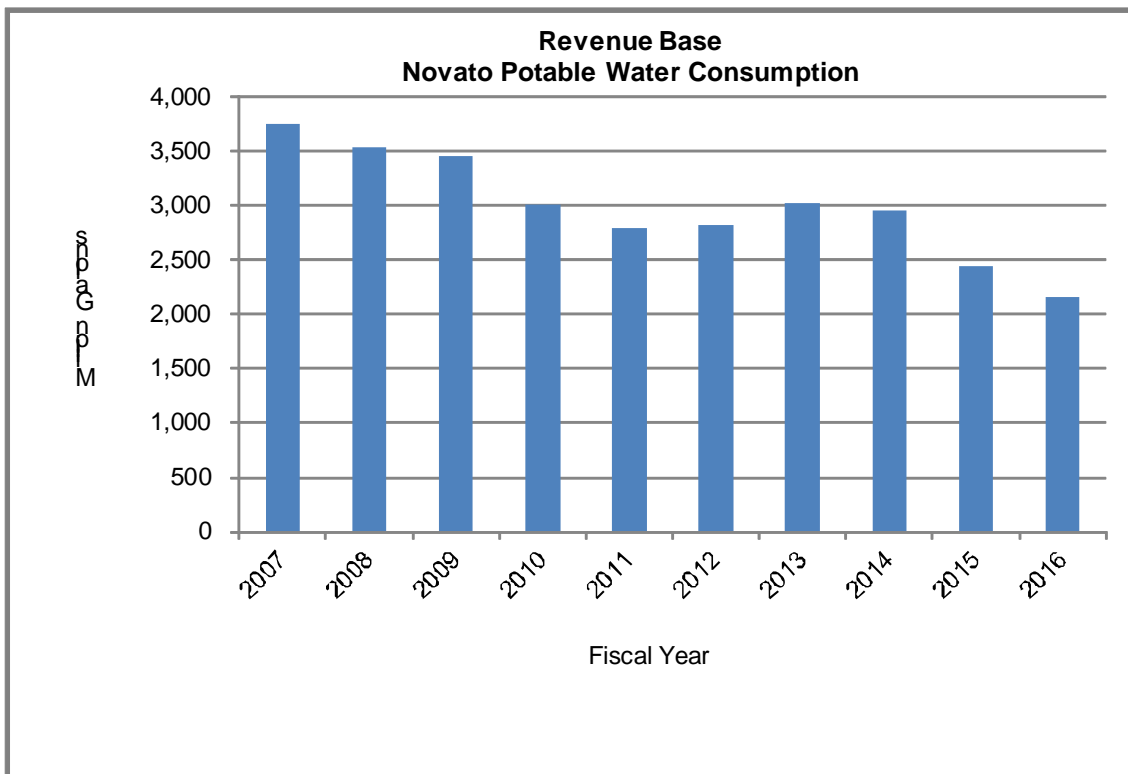
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

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)
2007	3,743
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



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			
2007	18,146	712	1,253	214	-	765	220	21,310
2008	18,157	717	1,278	214	-	758	223	21,347
2009	18,197	720	1,280	219	-	760	225	21,401
2010	18,208	730	1,280	220	3	769	225	21,435
2011	18,239	715	1,280	230	3	770	227	21,464
2012	18,298	720	1,246	226	2	777	227	21,496
2013	18,350	687	1,222	233	17	776	227	21,512
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

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	6/30/07	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
5/8" & 3/4"	\$10.00	\$10.00	\$13.20	\$14.40	\$20.00	\$25.00	\$30.00	\$30.00	\$30.00	\$30.00
1"	\$20.00	\$20.00	\$26.40	\$28.80	\$40.00	\$50.00	\$60.00	\$60.00	\$60.00	\$60.00
1 1/2"	\$24.00	\$24.00	\$32.40	\$35.30	\$49.00	\$61.00	\$73.00	\$73.00	\$73.00	\$73.00
2"	\$38.00	\$38.00	\$50.40	\$54.95	\$76.00	\$95.00	\$114.00	\$114.00	\$114.00	\$114.00
3"	\$75.00	\$75.00	\$99.60	\$108.55	\$151.00	\$189.00	\$227.00	\$227.00	\$227.00	\$227.00
4"	\$120.00	\$120.00	\$159.60	\$173.95	\$242.00	\$303.00	\$364.00	\$364.00	\$364.00	\$364.00
6"	\$251.00	\$251.00	\$334.80	\$364.95	\$507.00	\$634.00	\$761.00	\$761.00	\$761.00	\$761.00
8"	\$375.00	\$375.00	\$499.20	\$544.15	\$756.00	\$945.00	\$1,134.00	\$1,134.00	\$1,134.00	\$1,134.00

Water Use Rate (per 1,000 Gallons)										
User Type	6/30/07	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
<u>Residential Zone A</u>										
Base Rate ⁽¹⁾	\$2.27	\$2.27	\$3.02	\$3.29	\$3.49	\$3.73	\$4.03	\$4.29	\$4.46	\$4.77
Tier 1: 616-1845 gpd	\$3.61	\$3.61	\$4.81	\$5.24	\$5.55	\$5.94	\$6.42	\$6.84	\$7.11	\$7.61
Tier 2: >1845 gpd	\$6.28	\$6.28	\$8.36	\$9.11	\$9.66	\$10.34	\$11.17	\$11.90	\$12.38	\$13.25
<u>Non-Residential Zone A</u>										
Base Rate ⁽¹⁾	\$2.41	\$2.61	\$3.48	\$3.62	\$3.84	\$4.11	\$4.44	\$4.73	\$4.92	\$5.26
Seasonal Rate	-	-	-	\$3.90	\$4.13	\$4.42	\$4.77	\$5.08	\$5.28	\$5.65

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

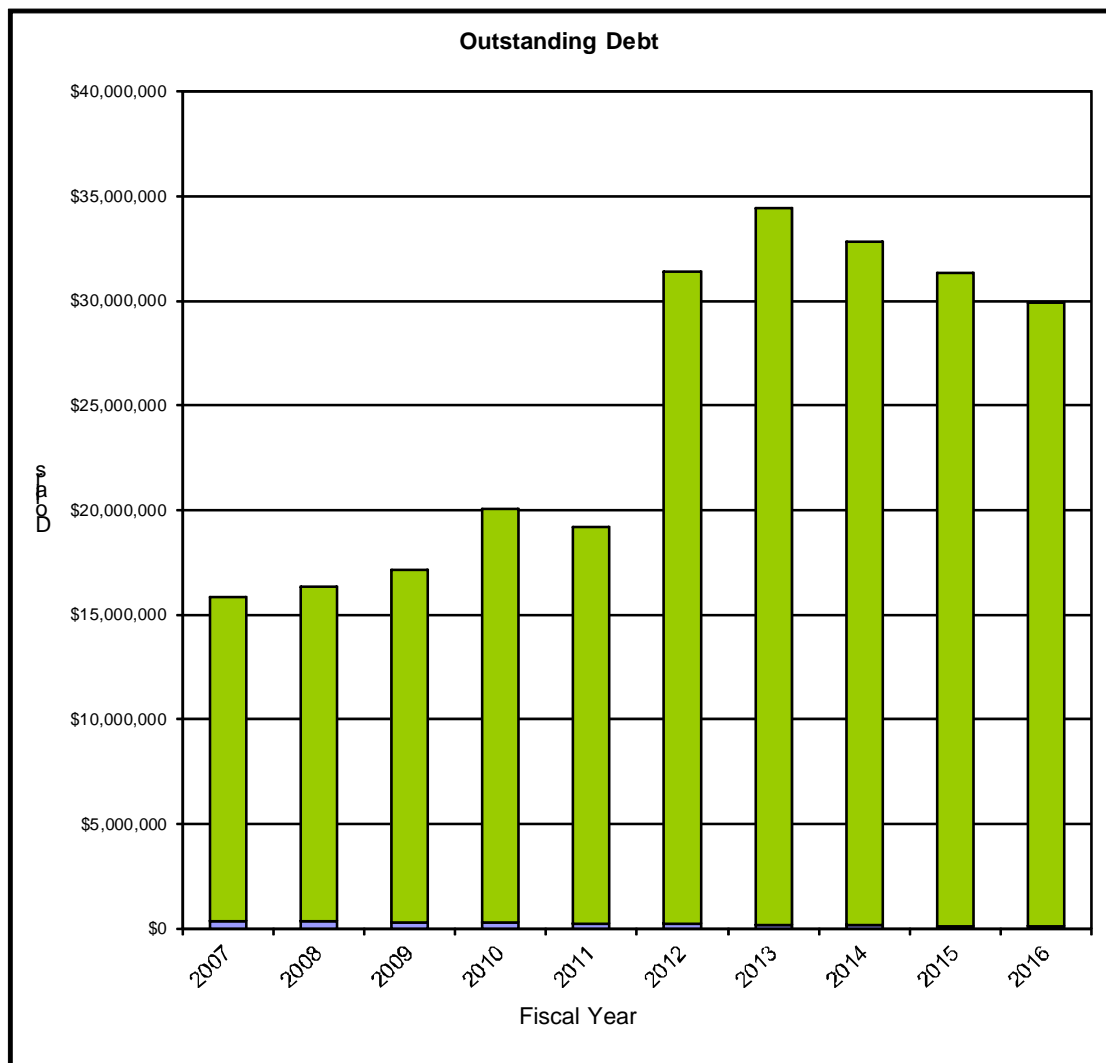
	FY 2015/16	% of Total	FY 2005/06	% of Total
1	City of Novato	2.1%	Coast Guard Spanish Housing	2.0%
2	StoneTree Golf Course	1.8%	StoneTree Golf Course	1.9%
3	Novato Unified School District	1.6%	City of Novato	1.6%
4	Biomarin Pharmaceutical	1.1%	Novato Unified School District	1.4%
5	Fireman's Fund	0.8%	Fireman's Fund	0.8%
6	Indian Valley Golf Course	0.6%	Indian Valley Golf Course	0.5%
7	Meadow Park HOA	0.6%	Meadow Park HOA	0.5%
8	Bay Vista Apartments	0.6%	Marion Park Apartments	0.5%
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%
		<u>10.2%</u>		<u>10.0%</u>
	Total Water Service Revenue	\$16,370,000		\$9,750,000

Source: NMWD CORE billing system (t:\ac\excel\wtr use\[top revenue 2006_2016.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⁾
2007	\$363,593	\$15,458,618	\$15,822,211	259.38	0.26%
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	31,237,391	31,373,391	514.32	0.52%
2016	116,000	29,823,693	29,939,693	490.81	0.48%



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		
2007	\$14,460,109	(\$13,149,592)	\$1,310,517	\$226,423	\$413,111	\$639,534	2.05
2008	14,214,682	(12,627,537)	1,587,145	171,909	519,485	691,394	2.30
2009	14,131,892	(13,257,125)	874,767	319,248	513,314	832,562	1.05
2010	14,635,090	(13,102,113)	1,532,977	690,462	694,044	1,384,506	1.11
2011	14,506,888	(11,905,026)	2,601,862	644,740	740,416	1,385,156	1.88
2012	16,789,744	(12,610,862)	4,178,882	1,116,410	654,484	1,770,894	2.35
2013	19,761,431	(13,284,727)	6,476,704	1,337,041	778,762	2,115,803	3.06
2014	21,364,965	(14,296,236)	7,068,729	1,618,138	830,830	2,448,968	2.89
2015	19,308,316	(13,424,517)	5,883,799	1,686,524	847,950	2,534,474	2.32
2016	17,912,721	(17,534,253)	378,468	1,721,904	807,034	2,528,938	0.15

Notes:

(1) Revenues includes Connection Fee Revenue, Interest Revenue,
Rent & Lease Revenue, other non-operating revenue

(2) Expense excludes depreciation expense.

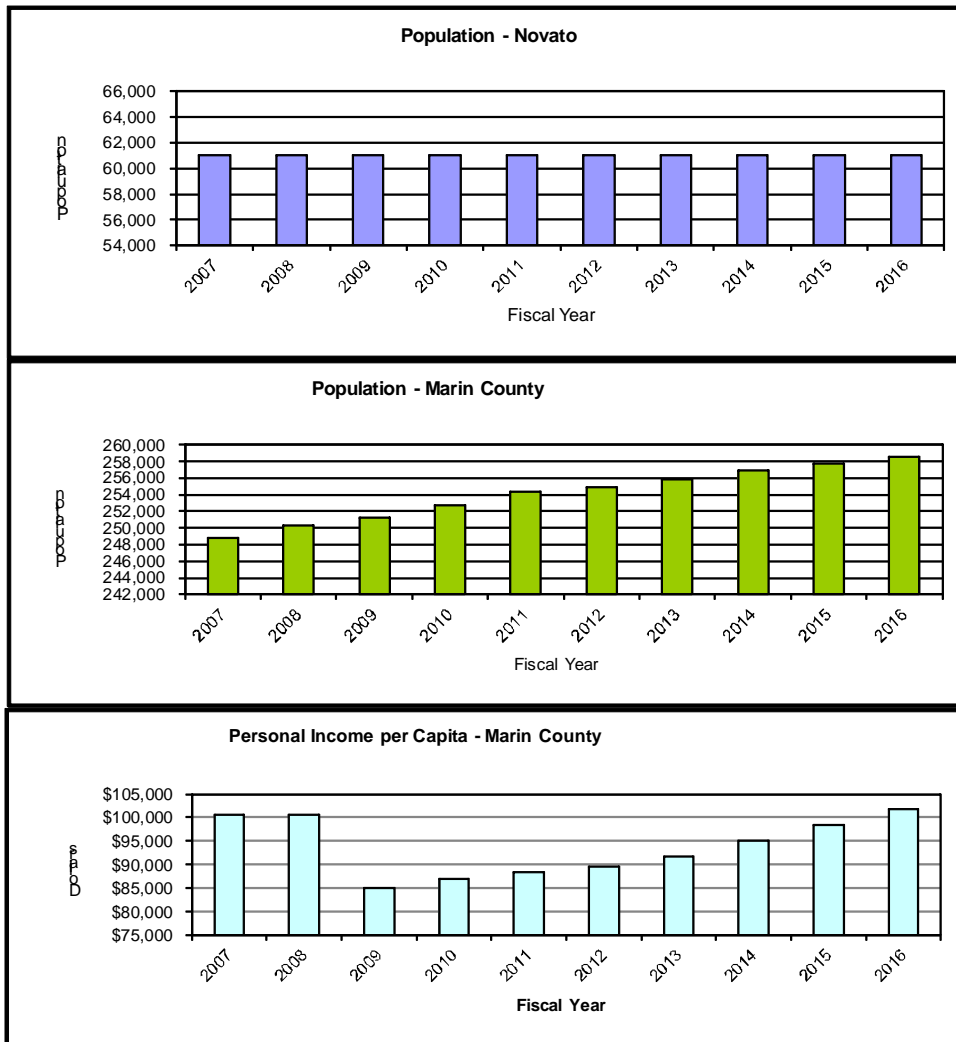
Source: North Marin Water District Audited Financial Statements

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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
2007	61,000	4.4%	248,802	\$25,043,165	\$100,655
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



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**

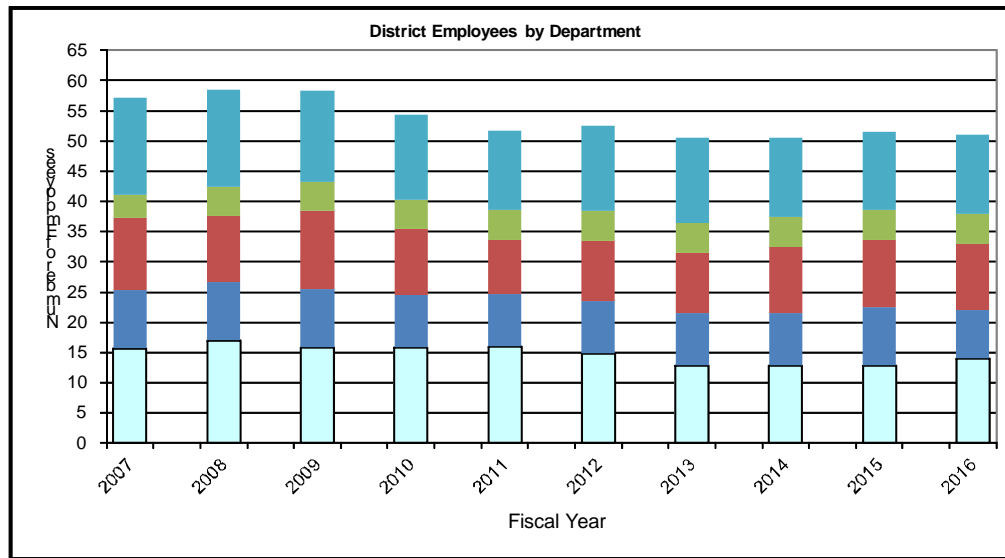
FY 2015/2016			FY 2005/2006		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 Novato Unified School District	838	2.90%	Fireman's Fund	1,100	4.53%
2 BioMarin Pharamaceutical	765	2.65%	Novato Unified School District	761	3.13%
3 2K/Visual Concepts Entertainment	600	2.08%	Greenpoint Mortgage	508	2.09%
4 Novato Community Hospital	333	1.15%	Cagwin & Dorward	406	1.67%
5 Safeway Stores	298	1.03%	Novato Community Hospital	358	1.47%
6 Costco Wholesale	297	1.03%	BioMarin Pharamaceutical	310	1.28%
7 City of Novato	291	1.01%	Brayton & Associates	274	1.13%
8 Bradley Electric	255	0.88%	Costco Wholesale	261	1.07%
9 Brayton Purcell	225	0.78%	Safeway Stores	252	1.04%
10 Novato Healthcare Center	209	0.72%	Target Store	251	1.03%
	4,111	14.22%		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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administrative Services	16	17	16	16	16	15	13	13	13	14
Engineering Services	10	10	10	9	9	9	9	9	10	8
Construction /Maintenance	12	11	13	11	9	10	10	11	11	11
Water Quality	4	5	5	5	5	5	5	5	5	5
Operations / Maintenance	16	16	15	14	13	14	14	13	13	13
	57	58	58	54	52	53	51	51	52	51



Source: North Marin Water District Overhead Payroll Worksheets for Pay Periods Ending June 30

Note: Excludes temporary employees

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

Schedule 14

Other Operating and Capacity Indicators				
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Number of Fire Hydrants	System Storage Capacity (MG)
2007	100	337	2,713	35
2008	100	341	2,749	35
2009	100	343	2,762	38
2010	100	345	2,773	38
2011	100	346	2,785	38
2012	100	348	2,785	38
2013	100	356	2,797	39
2014	100	356	2,805	39
2015	100	357	2,808	39
2016	100	358	2,814	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 year ended June 30, 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 September 30, 2016.

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
September 30, 2016

North Marin Water District
Management Report
June 30, 2016



Fedak & Brown LLP
Certified Public Accountants

North Marin Water District

Management Report

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Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

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

Our 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

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 this comment unsatisfactory, particularly as it relates to work done for 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. 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.

Summary of Prior Year Observations, Comments and Recommendations

None Noted

* * * * *

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

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

Fedak & Brown, LLP
Cypress, California
October 4, 2016

APPENDIX

North Marin Water District

Audit/Finance Committee Letter

June 30, 2016



Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

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, 2016 and have issued our report thereon dated October 4, 2016. 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 June 3, 2016, 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 June 3, 2016.

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 2016 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 7 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 10 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 12 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 twelve total audit adjustments to the original trial balance presented to us. Six of the adjustments related to the 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. An additional three audit adjusting entries were 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 principle 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 4, 2016.

Conclusion

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

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

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

Fedak & Brown, LLP
Cypress, California
October 4, 2016

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2016

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
AJE - To correct CalTrans Contribution of project assets until documented donation of asset contribution is received from CalTrans.			
49404.01	Caltrans Capital Contributions	3,200,000.00	
11180.01	Transmission Lines		3,200,000.00
11120.01	Land & Land Rights		
Total		<u>3,200,000.00</u>	<u>3,200,000.00</u>
Adjusting Journal Entries JE # 2			
GASB 68 Entry #1 - To reclassify 2015 contributions to NPL at June 30, 2016.			
21502.01	Net Pension Liability	669,065.99	
16100.01	Deferred Outflows:Novato:Dist		669,065.99
Total		<u>669,065.99</u>	<u>669,065.99</u>
Adjusting Journal Entries JE # 3			
GASB 68 Entry #2 - To reclassify 2016 pension contribution expense to Deferred Outflows of Resources at June 30, 2016.			
16100.01	Deferred Outflows:Novato:Dist	828,792.16	
51400.01	GASB68 Adjustment - Source		5,333.63
51400.02	GASB68 Adjustment - Source		1,034.15
52309.01	GASB68 Adjustment - Pumping		3,873.11
52309.02	GASB68 Adjustment - Pumping		571.21
52309.05	GASB68 Adjustment - Pumping		83.58
52700.01	GASB68 Adjustment - Operations		62,880.56
52700.02	GASB68 Adjustment - Operations		3,427.38
52700.05	GASB68 Adjustment - Operations		4,043.19
53800.01	GASB68 Adjustment - Water Treatment		157,373.19
53800.02	GASB68 Adjustment - Water Treatment		9,310.62
53800.05	GASB68 Adjustment - Water Treatment		207.35
54598.01	GASB68 Adjustment - T&D		250,541.90
54598.02	GASB68 Adjustment - T&D		9,552.26
54598.05	GASB68 Adjustment - T&D		1,518.83
54699.08	GASB68 Adjustment - Sewage Collection		3,727.08
54799.08	GASB68 Adjustment - Sewage Treatment		1,644.80
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		3,174.81
55999.01	GASB68 Adjustment - Consumer Accounting		58,823.51
55999.02	GASB68 Adjustment - Consumer Accounting		847.63
57000.01	GASB68 Adjustment - G&A		225,168.72
57000.02	GASB68 Adjustment - G&A		75.17
58100.01	GASB68 Adjustment - Water Conservation		24,769.51
58100.02	GASB68 Adjustment - Water Conservation		750.51
59900.01	GASB68 Adjustment - Non Operating		59.46
Total		<u>828,792.16</u>	<u>828,792.16</u>

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2016

Adjusting Journal Entries JE # 4

GASB 68 Entry #3 - To record changes in pension liability, deferred outflows, and deferred inflows during FY15/16 at June 30, 2016.

16100.01	Deferred Outflows:Novato:Dist	58,197.00	
16100.01	Deferred Outflows:Novato:Dist	578,040.00	
23100.01	Deferred Inflows	1,791,405.00	
51400.01	GASB68 Adjustment - Source	6,299.27	
51400.02	GASB68 Adjustment - Source	1,221.38	
52309.01	GASB68 Adjustment - Pumping	4,574.33	
52309.02	GASB68 Adjustment - Pumping	674.62	
52309.05	GASB68 Adjustment - Pumping	98.72	
52700.01	GASB68 Adjustment - Operations	74,264.93	
52700.02	GASB68 Adjustment - Operations	4,047.90	
52700.05	GASB68 Adjustment - Operations	4,775.20	
53800.01	GASB68 Adjustment - Water Treatment	185,865.23	
53800.02	GASB68 Adjustment - Water Treatment	10,996.29	
53800.05	GASB68 Adjustment - Water Treatment	244.89	
54598.01	GASB68 Adjustment - T&D	295,901.92	
54598.02	GASB68 Adjustment - T&D	11,281.68	
54598.05	GASB68 Adjustment - T&D	1,793.80	
54699.08	GASB68 Adjustment - Sewage Collection	4,401.86	
54799.08	GASB68 Adjustment - Sewage Treatment	1,942.58	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	3,749.60	
55999.01	GASB68 Adjustment - Consumer Accounting	69,473.37	
55999.02	GASB68 Adjustment - Consumer Accounting	1,001.09	
57000.01	GASB68 Adjustment - G&A	265,934.98	
57000.02	GASB68 Adjustment - G&A	88.78	
58100.01	GASB68 Adjustment - Water Conservation	29,253.97	
58100.02	GASB68 Adjustment - Water Conservation	886.38	
59900.01	GASB68 Adjustment - Non Operating	70.23	
21502.01	Net Pension Liability		2,587,639.00
23100.01	Deferred Inflows		550,598.00
23100.01	Deferred Inflows		268,248.00
Total		3,406,485.00	3,406,485.00

Adjusting Journal Entries JE # 5

GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY15/16 at June 30, 2016.

23100.01	Deferred Inflows	545,502.00	
16100.01	Deferred Outflows:Novato:Dist		167,431.00
16100.01	Deferred Outflows:Novato:Dist		31,477.00
23100.01	Deferred Inflows		142,795.00
51400.01	GASB68 Adjustment - Source		1,311.53
51400.02	GASB68 Adjustment - Source		254.30
52309.01	GASB68 Adjustment - Pumping		952.39
52309.02	GASB68 Adjustment - Pumping		140.46
52309.05	GASB68 Adjustment - Pumping		20.55
52700.01	GASB68 Adjustment - Operations		15,462.25
52700.02	GASB68 Adjustment - Operations		842.79
52700.05	GASB68 Adjustment - Operations		994.22
53800.01	GASB68 Adjustment - Water Treatment		38,697.88
53800.02	GASB68 Adjustment - Water Treatment		2,289.47
53800.05	GASB68 Adjustment - Water Treatment		50.99
54598.01	GASB68 Adjustment - T&D		61,607.95
54598.02	GASB68 Adjustment - T&D		2,348.89
54598.05	GASB68 Adjustment - T&D		373.48
54699.08	GASB68 Adjustment - Sewage Collection		916.49
54799.08	GASB68 Adjustment - Sewage Treatment		404.45
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		780.68
55999.01	GASB68 Adjustment - Consumer Accounting		14,464.63
55999.02	GASB68 Adjustment - Consumer Accounting		208.43
57000.01	GASB68 Adjustment - G&A		55,368.73
57000.02	GASB68 Adjustment - G&A		18.48
58100.01	GASB68 Adjustment - Water Conservation		6,090.79
58100.02	GASB68 Adjustment - Water Conservation		184.55
59900.01	GASB68 Adjustment - Non Operating		14.62
Total		545,502.00	545,502.00

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2016

Adjusting Journal Entries JE # 6

GASB 68 Entry #5 - To balance cash between funds 01,02,05,08 for GASB Entries #1-4 at June 30, 2016.

12634.05	Capital Replacement & Expansion Fund	4,357.00	
12650.01	Restricted Cash - Maintenance Accrual Fund	1,769.84	
13509.01	Unrestricted Cash	4,361.87	
13509.01	Unrestricted Cash	3,977.42	
13509.02	Unrestricted Cash	1,653.09	
13509.02	Unrestricted Cash	4.87	
13509.08	Unrestricted Cash	554.49	
12634.05	Capital Replacement & Expansion Fund		3,977.42
12650.01	Restricted Cash - Maintenance Accrual Fund		4,361.87
13509.01	Unrestricted Cash		4,357.00
13509.01	Unrestricted Cash		1,769.84
13509.01	Unrestricted Cash		4.87
13509.01	Unrestricted Cash		554.49
13509.01	Unrestricted Cash		1,653.09
Total		16,678.58	16,678.58

Adjusting Journal Entries JE # 7

AJE - To remove District share of contribution capitalized in construction in progress and CIP assets transferred to depreciable assets, included in deferred contribution outflows in GASB 68 Entry #2 at June 30, 2016.

12634.05	Capital Replacement & Expansion Fund	40,347.82	
13509.02	Unrestricted Cash	5,987.42	
13509.08	Unrestricted Cash	8.56	
51400.01	GASB68 Adjustment - Source	681.15	
51400.02	GASB68 Adjustment - Source	132.07	
52309.01	GASB68 Adjustment - Pumping	494.63	
52309.02	GASB68 Adjustment - Pumping	72.95	
52309.05	GASB68 Adjustment - Pumping	10.67	
52700.01	GASB68 Adjustment - Operations	8,030.43	
52700.02	GASB68 Adjustment - Operations	437.71	
52700.05	GASB68 Adjustment - Operations	516.35	
53800.01	GASB68 Adjustment - Water Treatment	20,098.01	
53800.02	GASB68 Adjustment - Water Treatment	1,189.05	
53800.05	GASB68 Adjustment - Water Treatment	26.48	
54598.01	GASB68 Adjustment - T&D	31,996.51	
54598.02	GASB68 Adjustment - T&D	1,219.91	
54598.05	GASB68 Adjustment - T&D	193.97	
54699.08	GASB68 Adjustment - Sewage Collection	475.98	
54799.08	GASB68 Adjustment - Sewage Treatment	210.11	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	405.45	
55999.01	GASB68 Adjustment - Consumer Accounting	7,512.31	
55999.02	GASB68 Adjustment - Consumer Accounting	108.25	
57000.01	GASB68 Adjustment - G&A	28,756.12	
57000.02	GASB68 Adjustment - G&A	9.60	
58100.01	GASB68 Adjustment - Water Conservation	3,163.29	
58100.02	GASB68 Adjustment - Water Conservation	95.85	
59900.01	GASB68 Adjustment - Non Operating	7.59	
11140.01	Source Facilities		26.96
11170.01	Storage Facilities		2,894.99
11170.02	Storage Facilities		6,622.84
11180.01	Transmission Lines		12,569.74
11181.01	Distribution Lines		18,358.90
11181.02	Distribution Lines:West Marin:Eng		1,421.29
11201.01	Work In Progress - Developer		12,716.42
11201.02	Work In Progress - Developer		616.26
11201.08	Work In Progress - Developer		433.36
11202.01	Work In Progress - District		7,829.23
11202.02	Work In Progress - District		592.42
11202.05	Work In Progress - District		41,095.29
11202.08	Work In Progress - OM Sewer:Ops		666.74
13509.01	Unrestricted Cash		40,347.82
13509.01	Unrestricted Cash		8.56
13509.01	Unrestricted Cash		5,987.42
Total		152,188.24	152,188.24

**North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2016**

Adjusting Journal Entries JE # 8

CPE - To adjust AR unbilled receivable to actual following prior years accrual methodology at June 30, 2016.

13741.01	Accrued Water Revenue	415,148.00	
13741.02	Accrued Water Revenue	28,418.00	
41100.05	Water Sales:NovRecycl:GM	1,128.00	
13741.05	Accrued Water Revenue		1,128.00
41100.01	Water Sales		415,148.00
41100.02	Water Sales		28,418.00
Total		444,694.00	444,694.00

Adjusting Journal Entries JE # 9

CPE - Correct Batch 7327 - Entry to relieve FRC Expenditures 616 RW Central Area Local Share.

12622.01	Restricted Cash - FRC Fund	66,729.12	
13509.05	Unrestricted Cash	66,729.12	
30120.01	Facilities Reserve Fees	66,729.12	
49308.01	FRC Transfer to Recycled Water	66,729.12	
12622.01	Restricted Cash - FRC Fund		66,729.12
13509.01	Unrestricted Cash		66,729.12
25502.01	Reserve For Capital Improvements - FRC		66,729.12
49308.05	FRC Transfer from Novato		66,729.12
Total		266,916.48	266,916.48

Adjusting Journal Entries JE # 10

CPE - To recorde JE 020309 Batch 07422 to adjust amount borrowed June 2016.

12634.05	Capital Replacement & Expansion Fund	66,729.12	
13509.01	Unrestricted Cash	66,729.12	
12650.01	Restricted Cash - Maintenance Accrual Fund		66,729.12
13509.05	Unrestricted Cash		66,729.12
Total		133,458.24	133,458.24

Adjusting Journal Entries JE # 11

CPE - To reclassify cash from RW Capital Replacement & Expansion Fund to Deer Island RWF Replacement Fund at June 30, 2016.

12630.05	Restricted Cash - RWF Replacement Fund	195,226.55	
12634.05	Capital Replacement & Expansion Fund		195,226.55
Total		195,226.55	195,226.55

Adjusting Journal Entries JE # 12

CPE - To adjust amount borrowed. JE-020317 Batch 7427

13509.01	Unrestricted Cash	46,343.80	
12650.01	Restricted Cash - Maintenance Accrual Fund		46,343.80
Total		46,343.80	46,343.80

Total Adjusting Journal Entries

9,905,351.04 9,905,351.04

Proposed Journal Entries

Proposed Journal Entries JE # 20

PAJE#1 - To accrue for project related expenses incurred prior to year end but not accrued for at 6/30/16.

11202.01	Work In Progress - District	46,704.23	
22200.01	Accounts Payable - Accrued		46,704.23
Total		46,704.23	46,704.23

Total Proposed Journal Entries

46,704.23 46,704.23

Total All Journal Entries

9,952,055.27 9,952,055.27

6

MEMORANDUM

To: Board of Directors
From: Pablo Ramudo, Water Quality Supervisor *PR*
Subject: Fourth Quarter FY 15/16 – Water Quality Report
P:\LAB\WQ Supv\WQ Reports\2016\4rd Qtr FY16 WQ Rpt.doc

September 30, 2016

RECOMMENDED ACTION: Information**FINANCIAL IMPACT:** \$0

The water served to the communities of Novato and Point Reyes met federal and state primary and secondary water quality standards during the fourth quarter of fiscal year 2015-2016.

Following is a review of the activities and water quality issues in regards to:

- Source Water
- Treatment Performance
- Distribution System Water Quality
- Novato Recycled Water

NOVATO SYSTEM**Source Water: Stafford Lake**

The Stafford Lake Water Treatment Plant started its production for the year on April 8th. Water quality was monitored on a weekly basis for chemical and mineral components as well as microbiological activity.

Algae and plankton from the raw water intake were identified and enumerated. Total algae numbers were consistent the same period in other years- with a few moderate blooms. Of the 13 species present in significant numbers, five cyanobacteria, a few of which are capable of producing taste and odor compounds, and one green algae made up the bulk of the biomass.

Treatment Performance: Stafford Treatment Plant

Total organic carbon (TOC) removal remained well above the 35% requirement of the Enhanced Surface Water Treatment Rule. Operators were able to achieve around 58 - 68% removal throughout the quarter. Finished water TOC concentration was above the District's goal of 2.0 mg/L, ranging between 2.1 and 3.8 mg/L. The majority of TOC removal was accomplished through optimized coagulation and filtration.

Distribution System: Novato

Of the 243 routine samples collected for compliance with the Total Coliform Rule, there were no coliform positive samples this quarter. Chlorine residual concentrations throughout our distribution system were good.

Average disinfection by-product concentrations were moderate and within standards.

POINT REYES SYSTEM

Source Water:

Coast Guard Wells

Raw water quality was good throughout quarter. Levels of constituents associated with salt water intrusion were moderate and increased throughout the quarter. Chloride ranged from 29 – 51 mg/L while sodium ranged from 40 – 57 mg/L. Bromide ranged from 110 – 190 ug/L.

Gallagher Well

Raw water quality was good throughout the quarter. Tests on raw water early in the quarter showed the presence of indicator bacteria. Even though Point Reyes Treatment Plant provides full disinfection, this well was not used for production until the bacteria in the well had cleared.

Levels of constituents associated with salt water intrusion were very low as this well is located outside of the reach of tides.

Treatment Performance: Point Reyes Treatment Plant

Treatment was optimal throughout the quarter and finished water quality was excellent. Iron and manganese were not detected in treated water.

Distribution System: Point Reyes

Of 26 routine samples collected for compliance with the Total Coliform Rule, there was one coliform positive sample this quarter. The sample was collected at the sample station representing the zone fed by PRE Tank #4, three follow up samples were negative for coliforms. Chlorine residual concentrations throughout our distribution system were good.

Disinfection byproduct concentrations were moderate and well below the maximum contaminant level.

NOVATO RECYCLED WATER

Deer Island Recycled Water Facility

The Deer Island plant did not produce water during the quarter.



North Marin Water District- 4th Quarter FY2015 / 2016

Bacteriological Quality Monitoring

Novato: 243 Samples Analyzed. No samples positive for coliform bacteria
 Point Reyes: 26 Samples analyzed. 1 sample positive for coliform bacteria.

Chemical Quality Monitoring

Constituent	Units	Maximum Contaminant level	SCWA North Marin Aqueduct	Stafford Treatment Plant	Point Reyes Treatment Plant
Conductivity	umhos/cm	900 *	306	346	318
TDS	mg/L	500 *	208	181	193
Hardness	mg/L	-	132	96.0	143
Alkalinity	mg/L	-	150.5	82.9	126.3
Calcium	mg/L	-	25.9	18.7	20.5
Magnesium	mg/L	-	16	12	21
Copper	mg/L	1.0*	0.15	ND	ND
Iron	mg/L	0.3*	ND	ND	ND
Manganese	mg/L	0.05 *	ND	ND	ND
Zinc	mg/L	5.0 *	0.059	ND	ND
Sodium	mg/L	-	23.7	29.4	14.1
Chloride	mg/L	250 *	8.54	50.2	15.9
Sulfate	mg/L	250 *	16.0	10.5	9.63
Fluoride	mg/L	2.0 (1.4-2.4)	0.100	0.123	0.103
Nitrite as N	mg/L	1.0	ND	ND	ND
Nitrate as N	mg/L	10	ND	ND	1.22
pH	pH units	8.5 *	8.50	8.55	7.11
Turbidity	NTU	5	0.12	0.19	0.07
Color	PCU	15	<2.5	<2.5	<2.5
Free Chlorine	mg/L	4.0	0.74	1.31	0.78
Total Chlorine	mg/L	4.0	0.76	1.58	0.87
Temperature	° C	-	18.9	20.1	16.6
Odor	TON	3	<1	<1	<1

*Indicates secondary drinking water standard

ND = Not Detected
 NA = Not Analyzed

7

MEMORANDUM

To: Board of Directors
 From: Drew McIntyre, Assistant General Manager/Chief Engineer
 Subject: North Bay Water Reuse Authority Board Meeting – September 19, 2016

September 30, 2016

R:\Folders by Job No\7000 Jobs\7127\Board Memos\7127 NBRWA Update 9_19_16.doc

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 (Attachment 1). A complete agenda packet is available via www.nbwra.org.

2. Roll Call

NMWD Board was represented by Director Schoonover. Director Baker was also in attendance as NMWD's Board Alternate.

6 Report from the Chair (this is a new agenda item)

6a. FY16/17 Management Structure

The Board continues to operate under a new management structure that reduces the role of the current Program Manager, eliminates Technical Advisory Committee (TAC) meetings by member agency staff and increases direct involvement by the Board. In essence, consultants have more communication directly with the NBWRA Board when compared to the earlier governance protocol that provided more involvement at the TAC level.

6.c Financial Report

The NBWRA Board has approved a totaling \$84,272. Of this amount \$51,872 is for additional Phase 2 Engineering & Outreach, \$24,000 for federal advocacy (split 30% for Phase 1 agencies and 70% for Phase 2 agencies) and \$8,400 for state advocacy (jointly shared by all agencies). Note that this additional cost to NMWD of ~\$2,100 is more than offset by reduced Program Manager costs (which are expected to be about half of what was budgeted). Overall NMWD FY16/17 NBWRA payments are still expected to be \$57,179 or less. It is important to note that current NBWRA payments are based on an NMWD Phase 1 total project cost allocation of 17.64%. This allocation percentage is expected to increase due to additional Phase 1 grant funds allocated to NMWD in this final award of U.S. Bureau of Reclamation Water Smart grants (i.e., ~\$2.7M vs ~1.5M). The award increase to NMWD will result in the District paying a "true-up" cost based on actual grant funds received. Sonoma County Water Agency (NBWRA's administrative agent) is still working on the final grant allocations between Phase 1 member agencies. Once complete, staff will provide an updated financial accounting to the Board.

7. Board Information Requests

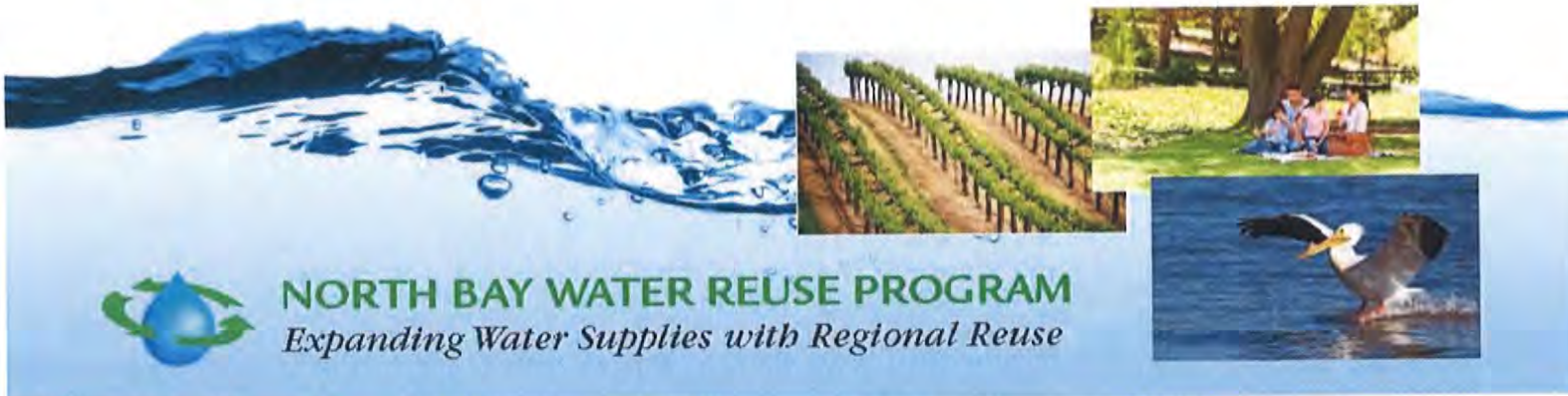
NBWRA consultants will prepare a single page insert to be added to the existing four page brochure for use in membership outreach. It was reported that NBWRA member agencies have contributed \$9.85M to support programs and studies since 2002 yielding \$38.9M in federal and state grants.

8. Proposed FY16-17 Budget Amendments

Much of the discussion on this item pertained to Phase 2 member agency participation costs and allocation methodology fairness. However, there is an effort being made by the consultants and the NBWRA Board Chair to re-visit how costs are split not only between Phase 2 member agencies but also how much Phase 1 member agencies should pay as well. Any future changes in cost allocation methodology will require close scrutiny by NMWD and other Phase 1 member agencies to ensure the proposed changes are fair and equitable. In the near term, it is anticipated that the NBWRA Board will be asked to approve the budget presented at the September 19, 2016 meeting. While changes are still possible between now and the October 24th meeting, no increases are expected in NMWD's original FY16-17 budget allocation of \$57,179.

10. Engineering, Environmental and Public Involvement Services Report

Outreach efforts continue to find more Phase 2 member agencies and associated projects. The city of American Canyon continues to be the most frequently mentioned agency with multiple near and long term pipeline and treatment plant upgrade projects.



BOARD OF DIRECTORS MEETING

AGENDA

**Monday, September 19, 2016
9:30 AM**

**Novato Sanitary District
500 Davidson Street, Novato, CA 94945**

Members and Consultants unable to attend in person may call in: Phone: +1 (602) 567-4030
Access code: 1980; <https://conferencing.brwnclld.com/conference/1980>

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. 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

5. Board Meeting Minutes of August 22, 2016

(The Board will consider approving the minutes from the August 22, 2016 Board meeting.)

Information and
Discussion

6. Report from the Chair (10 minutes)

6.a FY2016/17 Management Structure

(The Board will discuss the FY2016/17 Management Structure.)

6.b Consultant Progress Reports

(The Board will review the monthly Consultant Progress Reports.)

6.c Financial Reports

(The Board will review Financial Reports for the periods ending June 30, 2016 and August 31, 2016)

**North Bay Water Reuse Authority • c/o Sonoma County Water Agency, 303 Aviation Boulevard, Santa Rosa, CA 95403
707-235-8965 • NBWRA.org**

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

- | | |
|-----------------------------------|---|
| Information and Discussion | <p>7. Board Information Requests (5 minutes)
(The Board will be provided with a brief update on their information requests.)</p> |
| Discussion and Action | <p>8. Proposed FY2016/17 Budget Amendments (15 minutes)
(The Board will discuss the recommended amendments to the FY2016/17 Budget and will consider scheduling them for action at the October 24, 2016 meeting.)</p> |
| Information | <p>9. Program Development, Federal, and State Advocacy Update (5 minutes)
(The Board will be updated on the status of Program Development, Federal Advocacy, and State Advocacy activities.)</p> |
| Information | <p>10. Engineering, Environmental, and Public Involvement Services Report (20 minutes)
(The Board will be provided with a brief update on the status of the following activities.)</p> <ul style="list-style-type: none"> • Public Outreach • Feasibility Study Status Report • Potential New Phase 2 Project Opportunities |
| Discussion | <p>11. Items for Future Discussion and Action (10 minutes)</p> |
| Information | <p>12. 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.)</p> |
| | <p>13. Adjournment (1 minute)</p> |

Next Board Meeting
Monday, October 24, 2016, 9:30 A. M., Novato City Hall Council Chambers

(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 500 Davidson Street, Novato, CA 94945. 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, 303 Aviation Boulevard, Santa Rosa, CA 95403
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Las Gallinas Valley Sanitary District • Napa County • Napa Sanitation District • North Marin Water District
City of Petaluma • Marin County • Novato Sanitary District • Sonoma County Water Agency
Sonoma Valley County Sanitation District • Marin Municipal Water District • City of American Canyon

**North Bay Water Reuse Authority
Board of Directors Meeting
Minutes
September 19, 2016**

1. Call to Order

Chair Rabbitt called the meeting to order at 9:38 a.m. on Monday, September 19, 2016 at the Novato Sanitary District, 500 Davidson Street, Novato, CA. Consultants and others who were unable to attend participated via telephone, 1 (602) 567-4030, access code 2231;
<https://Conferencing.brwnncald.com/conference/2231>

2. Roll Call

PRESENT:	David Rabbitt, Chair	Sonoma County Water Agency
	Bill Long, Vice Chair	Novato Sanitary District
	Keith Caldwell	Napa County
	Grant Davis (TAC)	Sonoma County Water Agency
	David Glass	City of Petaluma
	Jack Gibson	Marin Municipal Water District
	Rabi Elias	Las Gallinas Valley Sanitary District
	Tim Healy (TAC)	Napa Sanitation District
	Jason Holley (TAC)	City of American Canyon
	John Schoonover	North Marin Water District

ABSENT: Marin County

OTHERS

PRESENT:	Chuck Weir, Program Manager	Weir Technical Services
	Jack Baker	North Marin Water District
	Kevin Booker	Sonoma County Water Agency
	Ginger Bryant	Bryant & Associates
	Jill Chamberlain	Brown and Caldwell
	Pam Jeane	Sonoma Valley County Sanitation District
	Sandeep Karkal	Novato Sanitary District
	Susan McGuire	Las Gallinas Valley Sanitary District
	Drew McIntyre	North Marin Water District
	Mark Millan	Data Instincts
	Phil Miller	Napa County
	Pilar Oñate-Quintana	The Oñate Group (by telephone)
	Larry Russell	Marin Municipal Water District
	Dan St. John	City of Petaluma
	Mike Savage	Brown and Caldwell (by telephone)
	Paul Sellier	Marin Municipal Water District
	Brad Sherwood	Sonoma County Water Agency
	Jake Spaulding	Sonoma County Water Agency
	Dawn Taffler	Kennedy Jenks Consultants (by telephone)

3. Public Comments

There were no comments from the public

4. Introductions

Introductions were not made.

5. Board Meeting Minutes of August 22, 2016.

The Program Manager noted an error in Item No. 12 regarding the total proposed budget amendment for FY2016/17. A motion by Director Davis, seconded by Director Gibson to approve the August 22, 2016 minutes as amended was unanimously approved.

6. Report from the Chair

a. FY2016/17 Management Structure

Chair Rabbitt reviewed the FY2016/17 Management Structure that was previously presented.

b. Consultant Progress Reports

The Board reviewed the consultant progress reports for August 2016.

c. Financial Reports

The Board reviewed the Financial Reports for the periods ending June 30, 2016 and August 31, 2016.

7. Board Information Requests

Chair Rabbitt reviewed the status of the request to develop a membership outreach brochure and information related to the return on investment for participating in NBWRA.

8. Proposed FY2016/17 Budget Amendments

Mike Savage provided a summary of proposed budget amendments that include a total increase of \$84,272. He then discussed a proposed reallocation of Phase 2 Study and Program Costs. Phase 2 Feasibility Study engineering costs would be shared on the basis of each agency's percentage of the number of projects out of the total studied at the feasibility level. Environmental and Financial Capability Analysis costs would be shared on the basis of each agency's percentage of total project costs in the final EIR/EIS. All program costs would be shared equally between the member agencies. This would include Feasibility Study meetings, public involvement, grant administration, program management, program development, federal advocacy, state advocacy, and program administration. The proposed reallocation would be retroactive to FY2014/15.

The Board discussed the merits of the proposal and was supportive of it as a way of better sharing costs among the agencies. Following additional discussion, the Board directed the consultants to being a three year budget based on the proposed reallocation to the October 24, 2016 meeting for Board approval.

9. Program Development, Federal, and State Advocacy Update

Ginger Bryant discussed plans for the upcoming trip to Washington D.C. September 20 – 22, 2016. Pilar Oñate-Quintana discussed various legislative items, including some related to greenhouse gasses. She also discussed the upcoming election in November.

10. Engineering, Environmental, and Public Involvement Services Report

Mark Millan discussed plans for preparing a one-page information sheet for potential new members. He noted that the State Water Board has released the draft feasibility report on Direct Potable Reuse and that there is a 45-day comment period. Lastly he noted that there will be an informational forum at the Santa Clara Valley Water District on September 29, 2016 and that it would likely be a webinar.

Jill Chamberlain noted that all comments on the Feasibility Study have been received as of August 31, 2016. B&C is in the process of addressing all the comments and the final report is expected to be completed on October 7, 2016.

Mike Savage provided a summary of potential new Phase 2 projects from City of American Canyon, Marin Municipal Water District, Las Gallinas Valley Sanitary District, and Novato Sanitary District. He also discussed next steps in terms of potential budget impacts and administrative issues to bring new agencies and projects into the program.

11. Items for Future Discussion and Action

Chair Rabbitt gave a brief summary of future discussion and actions, including approval of the FY2016/17 Budget and revised cost allocations, program changes, future budgets, and revisions to the MOU to coincide with the direction established by the Board.

12. Comments from Chair and Board Members

There were no additional comments from the Chair and Board Members.

13. Adjournment

Chair Rabbitt adjourned the meeting at 11:12 a.m. The next meeting will be Monday, October 24, 2016 at 9:30 a.m. at Novato City Hall Council Chambers.

Minutes approved by the Board _____.

Charles V. Weir
Program Manager

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8

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



TECHNICAL ADVISORY COMMITTEE

MONDAY, OCTOBER 3, 2016

9:00AM

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

1. Check In
2. Public Comment
3. Recap from September 12, 2016 Meeting and Approval of Minutes
4. Water Supply Conditions and Temporary Urgency Change Order
5. Sonoma Marin Saving Water Partnership
 - a. Water Production Relative to 2013 Benchmark
 - b. SWRCB Urban Water Advisory Group
6. Biological Opinion Status Update
7. Items for next agenda
8. Check Out



Russian River Biological Opinion Update – October 2016

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

Fish Flow Project

On August 19, the Water Agency released the Environmental Impact Report for the Fish Habitat Flows and Water Rights Project. Open House workshops were held on August 22 (Cloverdale) and on August 24 (Monte Rio) and public hearing was held on September 13, in Santa Rosa.

In response to public comments, Directors Carrillo and Gore proposed that the public comment period be extended and additional hearings be added. On October 4, the Board of Directors will consider an item to extend the Fish Flow hearing date to February 14, 2017 (a total of 180 days) and to add public hearings in Cloverdale (November 16) and Guerneville (November 17), both at 6 p.m.

Dry Creek Habitat Enhancement Project

- Miles 2 and 3: Construction is underway on 0.6 miles of creek downstream of the Truett Hurst Winery and on a 0.3 mile reach downstream of the Westside Road Bridge. Water Agency Staff are working with property owners to finalize designs and right-of-way agreements for remaining Mile 2 and 3 sites planned for construction in 2017.
- Miles 4-6: Planning, preliminary field investigation and design are under way for Miles 4 - 6.
- The US Army Corps is using information from Mile 2-6 to complete two feasibility studies that should pave the way for federal funding. The first Army Corps study under the Continuing Authorities Program (CAP) will help complete Miles 2 and 3. A draft CAP study was recently completed and recommends Army Corps construction of reach 4a (total length 0.4 miles) at a total federal cost of \$3.28 million. The second Army Corps effort for Mile 4-6 planning, called a General Investigation (GI) Ecosystem Restoration study, has less funding restrictions and should be completed by 2018.

Fish Monitoring

In September, Water Agency biologists sampled juvenile fish throughout Dry Creek. Video, sonar, and tag detection equipment has been installed near the mouth of Dry Creek, at the Healdsburg fish ladder, and in the new Mirabel fish ladder to count returning adult fish. To date, no upstream migrating salmon have been detected. The fall migration typical peaks between mid-October and mid-November. Monitoring also is underway in the estuary, including monthly seining.

Mirabel Screen and Fish Ladder Replacement

Major construction activities are complete. Testing is ongoing on the new screens; and interpretive signs are being designed for the viewing gallery. The project will be officially complete sometime in the fall, with an opening ceremony and tour slated for late October/early November.

Russian River Estuary Management Project

- The 2016 Lagoon Management Period began on May 15 and ends on October 15.

- So far this management season, the mouth of the Russian River has closed four times:
 - May 31: An outlet channel was implemented on June 7, but scoured open later that day.
 - June 15: An outlet channel was implemented on June 27, which scoured open that evening.
 - July 1: The estuary self-breached on July 12.
 - September 11: As of September 28, the estuary remained closed, with the jetty blocking access to possible management activities.
- During the past two years, studies were conducted to determine if and how the historic Goat Rock State Park jetty impacts the formation of the barrier beach and lagoon water surface elevation. Comments have been received on the draft report, and a final report will be released in the fall.

Interim Flow Changes

The Water Agency filed a Temporary Urgency Change Petition (TUCP) with the State Water Board in order to comply with the Biological Opinion flow requirements. The State Water Board issued a TUC order in May. The order is currently being implemented.

Public Outreach, Reporting & Legislation

- The Dry Creek Habitat Enhancement Bulletin was distributed in August.
- Outreach continues to be focused on the Fish Flow DEIR, including publicizing the availability of the document, community workshops and hearings.
- Planning is underway for the opening of the fish ladder and viewing gallery (late October/early November).



Russian River estuary with closed mouth, September 26, 2016. Note that the jetty blocks access for equipment from the Goat Rock beach State Park parking lot.

Minutes of Technical Advisory Committee
35 Stony Point Road, Santa Rosa, California
September 12, 2016

Attendees: Linda Reed, City of Santa Rosa
Jennifer Burke, City of Santa Rosa
Rocky Vogler, City of Santa Rosa
Linda Hall, City of Santa Rosa
Lauren Curiel, City of Santa Rosa
Toni Bertolero, Town of Windsor
Paul Piazza, Town of Windsor
James Smith, Town of Windsor
Garrett Broughton, Town of Windsor
Mary Grace Pawson, City of Rohnert Park
Kent Carothers, City of Petaluma
Craig Scott, City of Cotati
Dan Takasugi, City of Sonoma
Chris DeGabriele, North Marin Water District
Drew McIntyre, North Marin Water District
David Bentley, North Marin Water District
Carl Gowan, Marin Municipal Water District
Grant Davis, SCWA
Carrie Pollard, SCWA
Ann DuBay, SCWA
Brad Sherwood, SCWA
Michael Gossman, SCWA
Sophie Hallam-Eames, SCWA

Public Attendees: Brenda Adelman, RRWPC
David Keller, FOER
Margaret DiGenova, California American Water
Bob Anderson, United Winegrowers

1. Check-in
Chair Chris DeGabriele called the meeting to order at 9:13 a.m.
2. Public Comment
None
3. Water Supply Conditions and Temporary Urgency Change Order
Grant Davis, SCWA, reported that Lake Sonoma is at 89% of capacity, and Lake Mendocino is at 91% of capacity. Estuary is closed. Water Agency does not close the Estuary. Comments followed from public and the members.

Comments were made by Chris DeGabriele about the Potter Valley diversion project reduced.

4. Sonoma Marin Saving Water Partnership

a. Water Production Relative to 2013 Benchmark

Chris DeGabriele, North Marin Water District, made comments on report that was made available to the committee members.

b. SWRCB Urban Water Advisory Group

Jennifer Burke, City of Santa Rosa, Grant Davis, SCWA, and Carrie Pollard, SCWA, are participating in the state-developed Water Conservation Urban Advisory group to make recommendations for a report (due January 2017) required by the governor's May 9, 2016 executive order. Grant Davis and Jennifer Burke are requesting comments and recommendations to bring to the group. Carrie Pollard, SCWA, provided further details of the work group meetings. Comments followed from public and the members.

5. Biological Opinion Status Update

a. Ann DuBay, SCWA, reviewed the update that was made available to the committee members.

b. Fish Habitat Flows and Water Rights Project Presentation

a. Ann DuBay, SCWA, gave details regarding the fish habitat flows project. Comment period ends 10/17. Public hearing is scheduled for 9/13 3:00pm.

6. NMWD Presentation FY2016 Residential Consumption Status Report

David Bentley, NMWD, made a PowerPoint presentation regarding the effect of tier rates on residential consumption starting in 2004 to present.

7. Items for Next Agenda

Water Supply Conditions and Temporary Urgency Change Order
Sonoma Marin Saving Water Partnership
Biological Opinion Status Update

8. Check Out

Next TAC meeting scheduled for October 3, 2016
Next WAC/TAC meeting is November 7, 2016

Meeting was adjourned at 10:24 a.m.

9

NOTICE OF MEETING OF NORTH BAY WATERSHED ASSOCIATION

A meeting of the North Bay Watershed Association will be held as follows:

Date: Friday, October 7th, 2016, Time: 9:30 a.m. – 11:30 a.m.

Location: Petaluma Community Center, 320 N. McDowell Blvd., Petaluma, CA 94954-
Conference Room 2

AGENDA Item and Recommendation

- | | |
|---|-------|
| 1. Call to Order (Jack Gibson, Chair) | 9:30 |
| 2. Public Comment | |
| 3. Approval of the Agenda (1 min.) <i>Approve</i> | |
| 4. Approval of Minutes (5 min) <i>Approve</i> | |
| 5. Treasurer's Report <i>handout</i> (1 min.) <i>Accept</i> | |
| 6. Director's Report <i>information/questions</i> | |
| 7. <i>Final Report on NBWA LandSmart Project</i>
Eric McKee, Napa County RCD
Gina Graziano, Point Blue Conservation Science | 9:45 |
| 8. Proposal for Funding, <i>Recommendation/Action</i>
North Bay Shoreline Access Maps -Judy Kelly, Ex. Director | 10:30 |
| 9. Protecting Lake Sonoma from Invasive Species – Demonstration | |
| Debi Deshon, Mussel Dogs; and company | 10:45 |
| 10. Items of Interest | 11:15 |
| 11. Items for next agenda | 11:25 |
| * Conversation with Bruce Wolfe, Executive Office,
Regional Water Quality Control Board | |
| * Report out/discussion on work of NBWA Communication Committee | |

Next Meeting Information: November 4th, Novato Sanitary District, 500 Davidson Ave.,
Novato, 94945

NORTH BAY WATERSHED ASSOCIATION

Summary of the meeting of the North Bay Watershed Association (NBWA) Board of Directors

Date: September 9, 2016
Time: 9:30 a.m.
Location: Novato Sanitary District
500 Davidson St.
Novato, CA 94945

Directors Present Included:

<u>Board Member</u>	<u>Agency/Organization</u>	<u>Board Member</u>	<u>Agency/Organization</u>
Diane Furst	Central Marin Sanitation Agency	Julianna Inman	Napa County Flood Control and Water Conservation District
Pan Drew	City of Novato	Keith Caldwell	Napa Sanitation District
Madolyn Agrimonti	City of Sonoma	Jack Baker	North Marin Water District
Brad Sherwood	Sonoma County and Sonoma County Water Agency	Pam Meigs	Ross Valley Sanitary District
Judy Schriebman	Las Gallinas Valley Sanitary District	Chris Choo	Marin County
Bob Bundy	Corte Madera Flood Board	Jason Holley	City of American Canyon
Jack Gibson	Marin Municipal Water District		

Directors present represented 14 out of the 18 agencies signatory to the Association MOU.

Board Actions:

1. **Call to Order** Jack Gibson, Chair, called the meeting to order at 9:35 a.m.
2. **Public Comment**
3. **Approval of the Agenda** (See handout) The board unanimously approved the agenda.
4. **Approval of the Minutes of the Board Meeting held July 8th, 2016** (See handout) The Minutes of the Board Meeting held July 8th, 2016 were unanimously approved.
5. **Treasurer's Report** (See handout) The Treasurer's Report was accepted as presented by Judy Kelly.
6. **Director's Report** (See handout) Judy Kelly, Executive Director of the NBWA, presented the Director's report for August 2016. The board extends a particular welcome to their newest member, Jason Holley, who will represent the City of American Canyon.
7. **The 2015 State of the Estuary Report** Letitia Grenier, of the San Francisco Estuary Institute, gave a presentation overviewing the goals, data, findings, and recommendations of the 2015 State of the Estuary Report. The State of the Estuary Report's (SotER) goal is to systematically assess ecosystem health as it relates to five major components: habitat, wildlife, processes, people, and water. Each component is then examined through a variety of scientific indicators, relevant data of each indicator is given poor, fair, or good thresholds with regard to larger ecosystem health, and trends are noted. Although Letitia lamented the fact that consistent data sets pertaining to each

indicator rarely exist throughout the larger Bay and Delta, estuary health tends to be higher towards the ocean where the system is more dependent on salt water, and poorer towards the delta where the ecosystem is more dependent on freshwater. Furthermore, generally bay estuary health is improving, while delta estuary health is declining. Letitia expressed considerable concern that significant efforts must be taken to maintain estuary health as habitats migrate due to rising sea levels and changing water lines. Improvements tend to be greatest in areas where humans have worked the longest and put the most funding in – like improvements to water quality over the past 30 years.

The SotER also outlines causes of estuarine ecosystem decline, particularly noting loss of wetlands and beneficial [non-destructive] flooding; changes to sediment movement particularly due to the withholding of sediment behind dams; the loss of processes that create and maintain habitats; human-made water infrastructure limitation of inflow, particularly during times of drought; and long-term artificial creation of drought-conditions for the estuary due to the high demand and use of freshwater.

Q: How long did ecosystem decline take? Varied timeline, dependent on location and time wetland ponds were diked. Q: Can dredged sediments be placed to be beneficially used naturally by estuarine ecosystems? There are ponds where it could be placed to be used beneficially by ecosystems, but may kill macroinvertebrates underneath sites. There may also be permitting challenges. Normally dredged sediments are placed near Alcatraz to be swept out through the Golden Gate. Q: How will the Twin Tunnel project affect the estuary? This report was done without considering the specifics of the tunnel project, but could be devastating if the tunnels result in more water being taken in the future than is already taken now. Q: How does federal funding of the estuary play in? About \$5 million is available annually, however insignificant compared to other large estuaries nationally. Measure AA will provide great match for this \$5 million and hopefully additional Federal funds.

Letitia's takeaway: Conceptualization of estuary as a complex system involving many small-scale watersheds is important and local control of responsible estuary management is vital. In the future the ocean could play an increasingly significant role in the Bay ecosystem due to sea level rise. For more information please visit <http://www.sfestuary.org/about-the-estuary/soter/>.

8. **North Bay Watershed Association Board Survey Follow Up** (Agenda items 7 and 8 conducted in reverse order) During the Board Survey a recommendation arose from Brad Sherwood (SCWA) to develop a strategic communication plan for the NBWA. In order to form this plan Brad recommended that a small ad hoc committee be formed to assess the current communication needs of the NBWA and its members. Jack Gibson asked who should make up the committee, and Brad replied that the committee could be made up of a combination of board members, their employees, and the JTC. Madolyn Agrimonti expressed interest in joining the Communication Plan Committee, and Judy

Kelly asks that anyone else interested in joining the committee should contact her or Sophie Hallam-Eames.

9. **2016 Comprehensive Conservation and Management Plan Update (CCMP)** Caitlin Sweeney, Director of the San Francisco Estuary Partnership (SFEP) reported on the overhaul being performed on the comprehensive management plan for the estuary, which was originally mandated by the EPA. The goal of the SFEP and the CCMP is to examine how the San Francisco estuary should look in 2050, and the CCMP identifies actions that need to be taken in the next five years to get there. The CCMP utilizes the findings of the State of the Estuary Report, and identifies a plan for the implementation of estuary ecosystem improvements. The CCMP is divided into 32 specific actions which include necessary steps, owners, outline relevant partnerships, and describe how each action relates to watershed goals. Most actions aim to address concerns in the following areas:

- Understand watersheds, make connections between habitats
- Optimize regions investment in wetland habitats, develop a variety of habitats
- Control stresses on habitats
- Bolster the 'system' in 'ecosystem'
- Support natural solutions to protect our shores
- Plan for long-term droughts (especially including recycled water)
- Reduce pollutants
- Account for sea level rise and marsh migration, increase resiliency of land use planning

The SFEP will track management plan progress tasks and milestones and their environmental outcomes (including State of the Estuary indicators). A website will be available for additional and real time information, including funding analysis. Once the new CCMP gets it's final approvals, copies will be make available to the NBWA Board.

Q: Which actions could be relevant to the NBWA? Answer: Sewer lateral ordinances, actions on recycled water, agricultural use efficiency, off-stream storage. Q: Do some actions overlap with Measure AA? Yes.

10. **Items of Interest**

11. **Items for Next Agenda**

- Project Funding Request: North Bay Shoreline Access Maps
- Leigh Sharp, Napa RCD, Landsmart and STRAW presentation
- Going to the Dogs: Demo of how trained dogs are helping keep lakes safe

Jack Gibson, Chari, adjourned the meeting at 11:25 a.m.

SUBJECT TO BOARD APPROVAL

Submitted By: Sophie Hallam-Eames

Water Agency Programs Specialist SCWA and NBWA Staff

NEXT MEETING INFORMATION

October 7, 2016 – Petaluma (Lucchesi) Community Center, 320 N. McDowell Blvd., Petaluma, CA 94954 – Conference room 2.

10

DISBURSEMENTS - DATED SEPTEMBER 29, 2016

Date Prepared 9/27/16

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 9/15/16	\$135,671.57
EFT*	US Bank	Federal & FICA Taxes PPE 9/15/16	58,817.63
EFT*	State of California	State Taxes & SDI PPE 9/15/16	10,253.51
EFT*	CalPERS	Pension Contribution PPE 9/15/16	33,647.04
1	Alpha Analytical Labs	Lab Testing	1,115.00
2	American Family Life Insurance	Sept Employee Contribution for Accident, Disability & Cancer Insurance	3,631.86
3	Athens Administrators	July (\$272) & August Bill Review Fees	320.35
4	AT&T	Leased Lines (2)	66.58
5	Badger Meter	Cellular Monthly Meter Charge (19)	16.72
6	Borges & Mahoney	Membranes (4) (\$126) & Electrolyte Set (STP)	156.03
7	California Water Service	July-Sept Water Services (1ccf) (O.M.)	144.82
8	Calpico	2" Grounding Clamps (22)	134.85
9	Caltest Analytical Laboratory	Lab Testing	35.00
10	Campbell, Dennis	Novato "Washer Rebate" Program	50.00
11	Cel Analytical	Lab Testing	473.00
12	Chandrasekera, Carmela	Exp Reimb: Professional Engineer License Renewal (10/16-9/18) (Budget \$120)	115.00
13	Core Utilities	Consulting Services: August IT Support (\$5,000), RTU Upgrades & Radio Telemetry (\$3,575), Resolved Problems with STP Reports (\$275), Website Maintenance (\$500), Website Presentation, AML Project Bid Evaluation (\$1,500)	10,850.00

Seq	Payable To	For	Amount
14	Covello Group	Prog Pymt#1: RW Exp Project Central Service Area (Balance Remaining on Contract \$1,042,580)	6,370.00
15	DeGabriele, Chris	Exp Reimb: September Mileage	108.00
16	Fisher Scientific	Vials (1,000) (\$112) & Ethyl Alcohol (Lab)	181.03
17	Friedman's Home Improvement	"U" Bolt, Electrical Box & Cover	13.82
18	Arthur J. Gallagher	FY16 Excess Workers' Comp Insurance Final Policy Premium	839.00
19	Golden Gate Petroleum	Gas (\$2.21/gal) & Diesel (\$2.19/gal)	1,103.90
20	Goodpaster, Stacie	Exp Reimb: Registration AWWA Conference in San Diego 10/24-10/27	550.00
21	Grainger	Wire Label Tubing (3)	108.71
22		Vision Reimbursement	368.00
23	Kolnes, Amy	Novato "Toilet Rebate" Program	100.00
24	Landa, Menachem	Novato "Toilet Rebate" Program	100.00
25	LeBrun, Kent	Exp Reimb: Hotel for Electrical Safety Class in Sacramento 9/13-9/15	457.70
26	LeDonne, Pam	Novato "Hot Water Recirculation System" Rebate Program	75.00
27	Lewis, Phillip	Claim Settlement-Reimb for Plumber's Bill Allegedly incurred Due to NMWD Breaking House Valve While Performing Copper Service Line Repair on 9/20/16	489.03
28	Macdonald Architects	Progress Pymt#3: Lynwood P/S Motor Control Center Replacement (Balance Remaining on Contract \$1,808)	1,484.45
29	McLellan, WK	Flagging (9 Locations)	2,249.53
30	Mutual of Omaha	Oct Group Life Insurance Premium	856.51
31	Novato Disposal Service	August Trash Removal	438.29

Seq	Payable To	For	Amount
32	Pace Supply	2" Wedding Rings (3), Dual Socket Adjustable Ratchet Wrench (\$116), 1" & 2" Copper Pipe (800') (\$3,728) & 6" Spool Flanges (4)	4,579.91
33	Pacific Power Services	Water Pump (for back-up Generator @ Crest Tank)	659.01
34	Parkinson Accounting Systems	August Professional Services: Modify GL Posting	97.50
35	PG&E	New Service Installation Fee for 1 Frosty Lane	1,277.76
36	Point Reyes Prop Mgmt Assn	Sept HOA Fee (25 Giacomini Rd)	75.05
37	Sequoia Safety Supply	Ear Plugs (600) (\$97) & Lens Wipes (600)	142.31
38	Shamash, Elias	Novato "Toilet Rebate" Program	100.00
39	Sierra Chemical	Chlorine (2,000 lbs) (STP)	1,176.69
40		Vision & Cafeteria Plan: Uninsured Medical Reimbursement	300.00
41	Sonoma County Water Agency	August Contract Water	568,611.79
42	SPG Solar	August Energy Delivered Under Solar Services Agreement	12,927.41
43	Stonehenge Properties	Refund Deposit-New Development Water Conservation Restriction	1,000.00
44	Tamagno Green Products	Sludge Removal @ STP Sludge Removal @ STP (117 yds)	2,925.00
45	Tapanainen, Jon	Novato "Cash for Grass Rebate" Program	200.00
46	TelePacific Communications	August Telephone Charges	624.64
47	Telstar Instruments	Annual Flow Meter Calibration	1,255.00
48	Township Building Services	August Janitorial Services	1,822.84
49	Univar	Sodium Hypochlorite (8 drums) (STP)	1,507.12
50	USA BlueBook	Dispensers (8) (\$178), Replacement Electrode (\$112), Battery & Standard (STP)	373.07
51	Van Bebber Bros	Steel Plate for Tank Hatch Lid (Pacheco Tank)	199.18

Seq	Payable To	For	Amount
52	White & Prescott	Progress Pymt#20: Briarwood-Redwood Water Line Easement (Balance Remaining on Contract \$25,720)	1,760.00
		TOTAL DISBURSEMENTS	<u>\$873,006.21</u>

The foregoing payroll and accounts payable vouchers totaling \$873,006.21 are hereby approved and authorized for payment.



Auditor-Controller

9/26/16

Date



General Manager

9/26/16

Date

DISBURSEMENTS - DATED SEPTEMBER 22, 2016

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	101 Office Products	Black Toner Cartridge (Holton & Williamson)	\$98.46
2	Accurate Forklift	Air & Oil Filters ('15 Nissan Forklift)	142.52
3	Alpha Analytical Labs	Lab Testing	2,250.00
4	Bakondi, Daniel	Refund Overpayment on Closed Account	30.00
5	Bank of Marin	Bank of Marin Loan Principal & Interest (Pymt 59 of 240)	46,066.67
6	Boiger, Peter	Novato "Toilet Rebate" Program	100.00
7		Cafeteria Plan: Uninsured Medical Reimbursement	1,200.00
8	Clark, Robert E.	Exp Reimb: Registration for AWWA Conference in San Diego 10/24-27 (\$495), Contact Hours (\$20) & Tour (\$110)	625.00
9	Comcast	September Office Internet Connection	151.16
10	Dasovich, Steve	Novato "Washer Rebate" Program	50.00
11	Environmental Express	Syringe Filters (200) (Lab)	239.21
12	Fedak & Brown	Progress Pymt#3: FY15 Financial Statement Audit (Balance Remaining on Contract \$4,720)	5,000.00
13	Fisher Scientific	Petri Dishes (600) (\$243) & Red Tape Housing for UV Lamp (Lab)	570.31
14	Friary, Damian	Novato "Toilet Rebate" Program	300.00
15	Giavina, Tuti	Novato "Washer Rebate" Program	50.00
16	Gowdy, Catherine	Novato "Toilet Rebate" Program	200.00
17	Grainger	Tape Measures (8) (\$156), Multi-Purpose Lubricants (2-16oz cans), Water Nozzles (2), Phone Jack Ends & Paint Brushes (100) (\$96)	298.92

Seq	Payable To	For	Amount
18	Groeniger	Box Lids (30) (\$1,060), Bushings (3), PVC Caps (2), Nipples (30) (\$142) & Valves (4) (\$1,849)	3,111.93
19	Hach	Reagents (STP)	317.24
20	High-Purity Standards	Standards (Lab)	292.58
21	KP Promotions	Annual Uniform Order	6,017.10
22	Kropelnicki, Nicole	Novato "Washer Rebate" Program	50.00
23		Vision Reimbursement	19.56
24	Leighton Stone	Solenoid Valve (Black Pt. Tank)	84.96
25	Lincoln Life	Deferred Compensation PPE 9/15/16	13,502.78
26	Maltby Electric	Electrical Supplies	276.40
27	Marin Reprographics	Bond Paper (2-34" x 500' & 2-36" x 500')	169.65
28	McLellan, WK	Misc Paving (23 Locations)	18,223.85
29	Milton, Jim	Novato "Toilet Rebate" Program	100.00
30	Mouser Electronics	Digi-Card for SCADA	464.03
31	National Safety Council	Membership Renewal (Clark) (8/16-7/17) (Budget \$460)	450.00
32	Nationwide Retirement Solution	Deferred Compensation 9/15/16	1,250.00
33	Novato Lumber	Refund Overpayment on Closed Account	33.08
34	Olin	Sodium Hydroxide (13 tons) (STP)	4,903.92
35	Pace Supply	Couplings (11) (\$669), Valves (11), Meter Stops (11) (\$1,406), Meter Adaptors (60) (\$1,215), 1" Copper Pipe (2,940') (\$9,995), Nipples (4), Gaskets (4) & 6" Spools (2)	17,696.84
36	Peterson Trucks	Anti-Skid Braking System Valve ('02 Int'l 5yd Dump Truck)	252.74
37	PG&E	Power: Bldgs/Yard (\$5,514), Rectifier/Controls (\$783), Pumping (\$37,354), Treatment (\$114) & Other (\$76)	43,841.41
38	Phillips, Anthony	Novato "Toilet Rebate" Program	700.00

Seq	Payable To	For	Amount
39		Cafeteria Plan: Uninsured Medical Reimbursement	1,500.00
40		Cafeteria Plan: Childcare Reimbursement	208.33
41	Savidge Construction	Refund RW Load Security Deposit Less Charge for 13 RW Loads	35.00
42	Simard, Francois	Novato "Cash for Grass" Rebate	326.00
43	Solinst	Water Level Meter (STP)	431.96
44	Sonoma County Water Agency	Conservation Program Support (4/1/16-6/30/16)	9,610.43
45	State Water Resources Control	Clean Drinking Water State Revolving Fund Loan Principal & Interest RW N-Segment 2	116,128.88
46	Univar	Sodium Hypochlorite (900 gal) (STP)	685.74
47	U.S. Bank Card	Ergonomic Keyboards (2) (\$232) (Young & Kauwe), Business Lunches (\$11) (DeGabriele), Parking (\$22) (Venegas Dep), LCD Monitor (\$322) (SCADA), Birthday Breakfasts (\$177), Fastrak Deposit (\$75), Chief Engineer Job Posting (\$200), Reservoir Hill Altitude Valve (\$144) & Lab Supplies (\$28)	1,211.48
48	Watt, Douglas and Martha	Novato "Cash for Grass" Rebate	400.00
49	White, Drake	Novato "Toilet Rebate" Program	200.00
50	WQI	Distribution Certification Test Prep 3-Day Class (Reed, Bergstrom)	1,300.00
		TOTAL DISBURSEMENTS	<u>\$301,168.14</u>

The foregoing payroll and accounts payable vouchers totaling \$301,168.14 are hereby approved and authorized for payment.

 9/19/16
 Auditor-Controller Date

 9/19/2016
 General Manager Date



**NORTH MARIN
WATER DISTRICT**

Via email: pbarnes@townoftiburon.org

999 Rush Creek Place
P.O. Box 146
Novato, CA 94948

PHONE
415.897.4133

FAX
415.892.8043

EMAIL
info@nmwd.com

WEB
www.nmwd.com

September 27, 2016

Patrick Barnes P.E.
2016 Chair Marin Public Works Association
Director of Public Works/Town Engineer
Town of Tiburon

Re: MPWA Trench Standards – Request for New Comment Period

Dear Mr. Barnes:

Thank you for your September 19, 2016 response to utility managers' request for an opportunity to comment on proposed MPWA Revisions Marin County Trench Repair Standards. On behalf of the utility agencies managers which made the request that the proposed Marin County UCS revisions be circulated in draft form to local water and wastewater agencies for an opportunity to review and comment, we look forward to the further discussion at your October 19th MPWA meeting.

We do ask that any final decision on adopting the standard be deferred until such time as the utility agencies have an opportunity to fully understand the need for the recommended changes, especially those that are referenced as acceptable full lane/street width pavement patching shown on DWG.NO. 370, and to evaluate the cost impact on our operations. The utility agency managers are striving to meet in mid-October, prior to your MPWA meeting, to be prepared to comment. Please note however that discussion with our respective boards and councils cannot be undertaken until we have a better understanding of MPWA's perspective and evaluation of the cost impacts is completed. Therefore, we further request that no final determination be made until your January 2017 meeting at the earliest.

Sincerely,

Drew McIntyre
Assistant General Manager

CC:


Jason Dow, Central Marin Sanitation Agency
Mark Williams, Las Gallinas Valley Sanitary District
Michael Ban, Marin Municipal Water District
Krishna Kumar, Marin Municipal Water District
Drew McIntyre, North Marin Water District
Sandeep Karkal, Novato Sanitary District
Johnny Tucker, District Manager, Richardson Bay Sanitary District
Greg Norby, Ross Valley Sanitary District
Tony Rubio, Sanitary District #5 (Tiburon)

Doris Toy, San Rafael Sanitation District
Jeffrey Kingston, Sausalito & Marin City Sanitary District
Mark Grushayev, Sewer Agency of Southern Marin
Paul Rojas, County of Marin
Craig Tackabery, County of Marin
Andy Poster, City of Mill Valley
Johnathon Goldman, City of Sausalito
Julian Skinner, City of Larkspur
Scott Derdenger, City Belvedere
Russell Thompson, City of Novato
Sean Condry, Town of San Anselmo
Kevin McGowan, City of San Rafael

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MEMORANDUM

To: Board of Directors
From: David L. Bentley, Auditor-Controller 
Subj: Implementation of **GASB 68 - Pensions**
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September 30, 2016

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None

The Governmental Accounting Standards Board (GASB) issued Statement 68: ***Accounting and Financial Reporting for Pensions***, which became effective for FY2014/15 (FY15). GASB 68 requires government agencies to include their pension liability in their financial statement to increase awareness and transparency – both of which are commendable goals. The challenge is in the implementation.

GASB has determined that payments made to a pension fund (i.e., CalPERS) are not to be included as a labor cost component, and are therefore not to be reflected as an expense on the income statement nor included as a cost of constructing capital assets. NMWD paid over \$800,000 to the CalPERS pension fund last fiscal year. Of particular concern to the District is the GASB requirement to exclude pension cost from the cost to construct capital assets. About \$25,000 of pension cost was charged to developer funded projects last fiscal year. Removing this cost shifts \$25,000 from developers to ratepayers. Another \$40,000 of pension cost was charged to the Recycled Water Expansion project, which is funded by loan and grant monies. Excluding pension cost from the Recycled Water Expansion would reduce the District's low-interest loan and grant revenue by \$40,000. Similarly, approximately \$20,000 in pension cost was charged to the Aqueduct Energy Efficiency Project, which is primarily paid for by Caltrans.

Staff worked with the outside auditor to develop a compromise wherein the District continues to include pension cost as a component of each individual asset, then offsets the cumulative capitalized pension cost through use of a contra-asset account¹. When summing the capitalized assets with the contra-asset account the total asset value reflected is in accordance with GASB 68, while individual asset values remain as historically shown. However, the outside auditor is concerned about the challenge of reconciling the contra-asset account in future years.

The goal of GASB 68 is admirable. The execution leaves much to be desired. Staff and the outside auditor have spent many hours dealing with GASB 68 implementation, and no one is pleased with the current solution. The outside auditor suggested keeping a second set of books with different numbers for developer and loan/grant funded projects, but two sets of books brings its own set of problems. Hopefully a better solution will be forthcoming from GASB.

¹ A contra-asset account is a negative asset, such as is used to track accumulated depreciation.

The Price of Water Conservation – Using Less and Paying More

Many people have seen their water rates go up as they conserve more, but it doesn't have to be this way, writes Richard G. Luthy, a professor of civil and environmental engineering at Stanford University.

WRITTEN BY

Richard G. Luthy

PUBLISHED ON

□ Sep. 26, 2016



A basketball hoop stands in front of homes with drought-tolerant gardens on May 18, 2016, in Irvine, Calif. California water officials say they will consider dropping a mandate requiring conservation in the state's fifth year of drought. AP/Jae C. Hong

MY NEIGHBORS AND I received an attention-catching letter this summer about our water rates: Because we've done such a

great job conserving water in the past year, our water rates are going up.

California is experiencing a historic drought, and last year, for the first time in history, Gov. Jerry Brown mandated cities to reduce their water consumption by 25 percent. We all had to do our part by curtailing outdoor use of water, taking shorter showers and letting cars go with less frequent washings.

All of these actions were very successful. The cities in the state essentially achieved the 25 percent reduction goal, according to the State Water Resources Control Board's recent report. Ironically, many communities in the state have seen their water rates increase despite the reduction in water use. At Stanford, for example, our rates just increased 29 percent even as we reduced water use by 25 percent. As a neighbor of mine commented, "Is there anything else that we pay more for when we use less?"

It's an understatement to say that water pricing is complicated – because it's a social good and it's undervalued and tied to outmoded fee structures. It was public policy in the U.S. during the 20th century for federal grants and public works programs to build much of today's water infrastructure. These and other political choices led to artificially low, subsidized water rates based on water consumption – or even flat rates, regardless of how much water was used.

Payments to water utilities don't just pay for the water itself. That revenue also pays for people, technology and other infrastructure to ensure our water is available, safe to consume and delivered where – and when – we need it. Where I live, domestic water is imported from the Sierra Nevada Mountains, and only about 35 percent of my water bill goes toward purchase of the water itself. The rest covers

local operations such as maintenance and capital improvements to the reservoirs, miles of pipes and other facilities that convey drinkable water from the Sierra to my faucets.

This is the dilemma: How do utilities encourage less use of water when their fundamental operations depend on revenue from selling the very resource requiring conservation?

One answer is a two-part water bill, structured to account for the fixed cost of the water delivery system and the variable costs of water supply, while encouraging conservation without jeopardizing the utility's financial health or unduly burdening low-volume users. That's a tall order!

We can fill it by decoupling the price of water infrastructure from the price of the water itself. Also, by restructuring water rates we can account for investing in technologies to tap new sources of water – like purifying wastewater for reuse, capturing stormwater for water supply, and desalination of brackish or salty water. The cost per gallon of these new water supplies is greater than that for traditional, locally available water. That difference can serve as a basis for tiered pricing that recovers the cost of providing water to high-volume users without running afoul of “fee for service” legislation.

Most people would think that charging users more for the more water they use is a simple way to sustain revenues and achieve conservation at the same time. But that runs up against a state law that says fees cannot exceed the cost to provide the service to a property. But by grouping similar customers in classes and setting rates by customer class, high-volume users can be charged for the higher cost of accessing these new sources of water – a vital way to meet the higher demand of those users without undermining conservation needs.

Los Angeles recently moved in this direction through water rate restructuring. The lowest rate tier covers basic costs of operations, while higher tiers recognize the cost of new water supplies from nontraditional sources like treated wastewater or stormwater runoff. Termed a “water supply adjustment factor,” this aligns rates with water supply costs and level of usage. For low-volume users the rate is low and the need is met by local water, while high-volume users pay for more costly sources of supply from reuse, stormwater capture and imports.

By focusing on the cost of new water supplies and decoupling that from the base rate, it’s possible to prepare for the future in ways that encourage water conservation while enhancing water supply reliability. California is out in front of the nation in seeking reliable and resilient water supplies for the future. Our experience shows that water rates need to be restructured to further conservation efforts and expand the water supply portfolio while maintaining revenues.

The views expressed in this article belong to the author and do not necessarily reflect the editorial policy of Water Deeply.