



**NORTH MARIN WATER DISTRICT**  
**AGENDA - REGULAR MEETING**  
 October 18, 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.	<b>CALL TO ORDER</b>	
	1. <b>CLOSED SESSSION</b> Conference with Legal Counsel - Venegas Complaint (Case 1502779) in accordance with Government Code Sections 54954.5 and 54956.9(a) – Pending Litigation	
	2. <b>APPROVE MINUTES FROM REGULAR MEETING</b> , October 4, 2016	
	3. <b>GENERAL MANAGER'S REPORT</b>	
	4. <b>OPEN TIME: (Please observe a three-minute time limit)</b>	
	This section of the agenda is provided so that the public may express comments on any issues not listed on the agenda that are of interest to the public and within the jurisdiction of the North Marin Water District. When comments are made about matters not on the agenda, Board members can ask questions for clarification, respond to statements or questions from members of the public, refer a matter to staff, or direct staff to place a matter of business on a future agenda. The public may also express comments on agenda items at the time of Board consideration.	
	5. <b>STAFF/DIRECTORS REPORTS</b>	
	<b>ACTION CALENDAR</b>	
	6. <b>Consider:</b> Request For Additional Bill Adjustment – Stenberg	
	7. <b>Approve:</b> Outside Auditor's 2016 Report And Management Report	
	8. <b>Approve:</b> Statement of Investment Policy	
	9. <b>QUARTERLY FINANCIAL STATEMENT</b>	
	10. <b>MONTHLY PROGRESS REPORT w/ Customer Service Questionnaire</b>	
	<b>CONSENT CALENDAR</b> The General Manager has reviewed the following items. To his knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.	
	Water Agreement	<u>Type</u> <u>DU</u> <u>EU</u>
11.	<b>Consent – Approve:</b> 45 Leveroni Ct.	Comm.    0    0    Resolution
12.	<b>Consent – Approve:</b> Regulation 109	Resolution
13.	<b>Consent – Approve:</b> Plum Street Tank Property Exchange – Grant Deed	Resolution

All times are approximate and for reference only.

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

(Continued)

Est. Time	Item	Subject
		<b>INFORMATION ITEMS</b>
	14.	Potter Valley Hydroelectric Project Pre- Application Document Questionnaire
	15.	Excerpts from Marin LAFCO Sphere of Influence Update for MMWD
	16.	<b>MISCELLANEOUS</b> Disbursements Self-Insured Workers Compensation - 1 <sup>st</sup> Quarter Status Report FY17 1 <sup>st</sup> Quarter Labor Cost Report Trench Cut Repairs Comment Ltr  <u>News Articles:</u> Researching Dams' Effect on Eel River Salmon Submeters: A new incentive for California Tenants to Save Water Sonoma Marin Saving Water Partnership advertisement
8:30p.m.	17.	<b>ADJOURNMENT</b>

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**DRAFT**  
**NORTH MARIN WATER DISTRICT**  
**MINUTES OF REGULAR MEETING**  
**OF THE BOARD OF DIRECTORS**  
October 4, 2016

**CALL TO ORDER**

Vice President Petterle called the regular meeting of the Board of Directors of North Marin Water District to order at 7:00 p.m. at the District headquarters. Mr. DeGabriele requested that item #5 – Outside Auditor's Report and Management Report be removed from the agenda and presented at the next Board meeting. Present were Directors Jack Baker, Rick Fraites, Stephen Petterle, and Dennis Rodoni. Also present were General Manager Chris DeGabriele, Acting District Secretary Eileen Mulliner, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre. President Schoonover and District Secretary Katie Young were absent.

Novato resident, Mike Joly, District employees Pablo Ramudo (Water Quality Supervisor) and Robert Clark (Operations/Maintenance Superintendent) were in the audience.

**MINUTES**

Mr. DeGabriele pointed out grammatical errors on the draft minutes included in the agenda packet and requested the Board consider an amended version.

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

AYES: Director Baker, Fraites, and Petterle

NOES: None

ABSTAIN: Director Rodoni

ABSENT: Director Schoonover

**GENERAL MANAGER'S REPORT**

**State Water Resources Control Board (SWRCB)**

Mr. DeGabriele reported that at the September 6<sup>th</sup> and 20<sup>th</sup> meetings he apprised the Board about the Notice of Violation received from the SWRCB for failure to meet the water conservation standard received on September 2, 2016. He stated that the District has received the information from Sonoma County Water Agency on the metering adjustment and will be revising SWRCB production reports for consistency with the adjustments. He noted that at that time he is hopeful the SWRCB will rescind the Notice of Violation.

1 Marin Conservation League

2 Mr. DeGabriele advised the Board that he is speaking at the Marin Conservation League  
3 meeting next Thursday, October 13th on North Bay water issues such as the Russian River,  
4 drought, North Bay Water Reuse Authority and Bay Area Regional Reliability.

5 **OPEN TIME**

6 Vice President Petterle asked if anyone in the audience wished to bring up an item not on  
7 the agenda and the following item was discussed:

8 Mr. Joly inquired about Director Schoonover's absence from the meeting and was informed  
9 that he is under the weather.

10 **STAFF / DIRECTORS' REPORTS**

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

13 Mr. Ramudo informed the Board that the Environmental Working Group is issuing an update  
14 of their national tap water database now including recent data on water supplies with hexavalent  
15 chromium (also known as chromium-6 or Cr-6). He stated that the District test results are included  
16 with other U.S. water providers in the database. He noted that Cr-6 is included on the EPA's  
17 Unregulated Contaminant Monitoring List and samples must be tested every three years and Cr-6 is  
18 commonly found in groundwater. Mr. Ramudo informed the Board that for the District it is found in  
19 very, very low concentrations which are not believed to be a health concern. He advised the Board  
20 that one customer has inquired about the constituent and a detailed verbal explanation was  
21 provided in response.

22 **ACTION CALENDAR**

23 **OUTSIDE AUDITOR'S 2015 REPORT AND MANAGEMENT PLAN**

24 This item was removed from tonight's agenda and postponed until the following North Marin  
25 Water District Board meeting on October 18, 2016.

26 **INFORMATION ITEMS**

27 **FOURTH QUARTER FY15/16 – WATER QUALITY REPORT W/ QUARTERLY**  
28 **BACTERIOLOGICAL MONITORING REPORT**

29 Mr. Ramudo provided the Board with the FY15/16 Water Quality Report. He noted that  
30 there was some algae bloom in Stafford Lake, but no large issues and that most of the water inputs  
31 were from larger creeks due to low rainfall. He advised the Board that there were no coliform  
32 positive samples in Novato and that the Gallagher well had been shut off early in the year due to

1 bacteria detection. Mr. Ramudo stated that the District was able to shift to another source with the  
2 Coast Guard Well #4 until the bacteria was cleared in the Gallagher well. He informed the Board  
3 that there was one total coliform positive sample in PRE #4 and advised that the chlorine level may  
4 have been low and that the problem was resolved.

5 Director Rodoni asked how the bacteria got removed from the raw water well supply. Mr.  
6 Ramudo replied that the presence of coliform bacteria is an indicator of possible water quality  
7 problem in the supply which can be removed in the Point Reyes Treatment Plant process. He  
8 stated that the District has the advantage of multiple sources of supply so the well was taken off line,  
9 flushed for a period of time then allowed to rest and resampled. He noted that the process is  
10 repeated as necessary until the indicator bacteria is no longer present.

11 **NBWRA UPDATE – SEPTEMBER 19, 2016**

12 Mr. McIntyre provided a summary of the North Bay Water Reuse Authority meeting and  
13 reported that NBWRA participants have enjoyed a cost/benefit ratio of 4:1 by participating in the  
14 regional Recycled Water grant funding program and that the District's cost/benefit ratio has been  
15 6:1, thus some program contribution adjustment will be necessary in the future to maintain a level  
16 playing field of cost for all NBWRA Phase 1 participants.

17 **TAC MEETING – OCTOBER 3, 2016**

18 Mr. DeGabriele provided the Board with a report on the Technical Advisory Committee  
19 meeting held October 3rd. He stated that Lake Mendocino holds approximately 56,000AF and is at  
20 90% off the target storage curve and Lake Sonoma holds over 212,000AF at 87% of the water  
21 supply pool. He informed the Board that water production among all the Sonoma Marin Saving  
22 Water Partnership members is down 22% compared to the State's 2013 Benchmark from June  
23 2015 through August 2016.

24 **NBWA MEETING – OCTOBER 7, 2016**

25 Director Baker advised that he would attend and represent the District at the North Bay  
26 Water Advisory meeting this Friday, October 7th.

27 **MISCELLANEOUS**

28 The Board received the following miscellaneous information: Disbursements, MPWA Trench  
29 Standards – Request for New Comment Period and Implementation of GASB 68 – Pensions.

30 Mr. DeGabriele advised the Board of the response from the Town of Tiburon on the trench  
31 standards.

The Board received the following news article: The Price of Water Conservation – Using Less and Paying More.

The Board also received the following miscellaneous information item at the meeting:  
Response Letter regarding Request for Additional Time to Comment on Revised Marin County  
Trench Report Standards by MPWA.

**ADJOURNMENT**

Vice President Petterle adjourned the meeting at 7:22 p.m.

Submitted by

Eileen Mulliner  
Acting District Secretary



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## MEMORANDUM

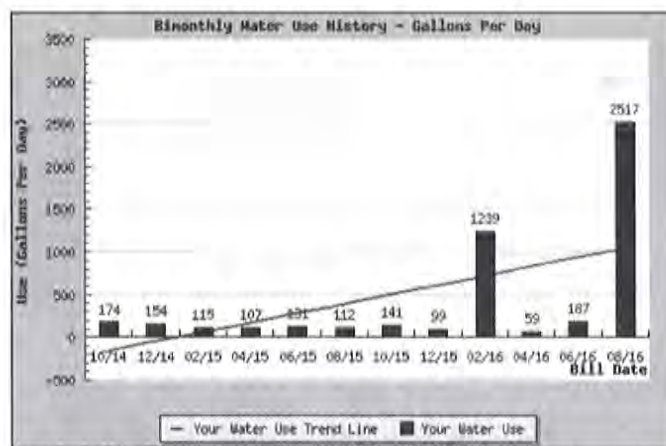
To: Board of Directors  
 From: David L. Bentley, Auditor-Controller  
 Subj: Request for Additional Bill Adjustment  
t:\aclword\memo\17\stenberg bill adjustment.docx

October 14, 2016

**RECOMMENDED ACTION: Consider****FINANCIAL IMPACT: \$0 - \$745**

Steve and Karen Stenberg, 2305 Laguna Vista Drive (Bahia), received a \$629 bill in February based on December/January water use of 1,239 gallons per day (gpd). This compares with 115 gpd used during the same period the prior year. No leak was found, but the Stenbergs did discover that their neighbor, while remodeling, had run a hose from the Stenberg's hose spigot. The Stenbergs confronted the neighbor who paid half of the \$629 bill. The District granted a \$327 Bill Adjustment, reducing their net cost to zero.

Then, in August, the Stenbergs received a \$1,376 bill for use of 2,517 gpd during June and July. Again, no leak was found. The meter was shipped to a testing facility in San Jose and found to be accurate. The District provided an additional Bill Adjustment of \$563 (\$890 based on the August bill less \$327 previously granted in February)<sup>1</sup>. The Stenbergs have paid the



\$813 balance (\$1,376 – \$563) but are requesting that the Board consider a further adjustment as, per their letter attached, “there is simply no possible way we could use 131,000 gallons of water in a two-month period.” Ms. Stenberg advised that they installed a bib lock last week.

Options for the Board to consider:

1. Reduce the \$813 bill to \$68, the amount that would have been rendered based on use during the prior year same period (June/July 2015), granting an additional \$745 credit;
2. Reduce the \$813 bill to \$364, rendering a bill based on the District's wholesale cost of water, granting an additional \$449 credit;
3. Reduce the \$813 bill to \$486, allowing a full Bill Adjustment for the August bill without deducting the Bill Adjustment rendered in February, granting an additional \$327 credit;
4. Deny any further bill adjustment.

**Recommendation:**

Staff recommends option 3, as the December/January water loss and resulting Bill Adjustment was determined to be from theft, and no fault of the Stenbergs.

<sup>1</sup> The Bill Adjustment Policy states: “an adjustment...shall be allowed only once in any consecutive 24-month period.

Steven & Karen Stenberg  
2305 Laguna Vista Dr  
Novato, CA 94945

September 30, 2016

David Bently  
North Marin Water District  
PO Box 146  
999 Rush Creek Place  
Novato, CA 94948-0146

RE: Water Usage / Billing for 2305 Laguna Vista Dr.

Dear David;

Thank you for speaking with Karen & I today. We do appreciate your time, recommendations and consideration in this matter.

Karen & I have lived at 2305 Laguna Vista Dr. since November 1996. We have always been 'thrifty' water users. Our average usage is 110+/- gallons per day. We do not have a pool, hot tub or outdoor shower. During the recent draught, we did everything we could to minimize our water usage, including reducing irrigation watering and even kept a bucket in our shower to catch the excess water, to water our indoor plants.

This past year (2016) we have had two extraordinary bills from NMWD for water usage we can't explain. NMWD personnel have been to our home on numerous occasions, as well as Sonoma Water Authority personnel to attempt to uncover this 'mystery' water usage. Both NMWD and Sonoma Water Authority personnel have performed some level of water audit to determine if we have any leak(s)...none were uncovered.

We live on a ½ acre, and irrigate only the front yard. There are approximately 65 plants which receive drip irrigation through our system. Most of these plants are watered by ½ to 1 gallon per hour drip irrigation lines; and are watered less than an hour 3-4 times weekly, for an hour each time. NMWD personnel have walked our yard, as Sonoma Water Authority and was no signs of excess watering.

As I mentioned above, my wife & I live alone and are not BIG water users. There is simply no possible way we could use 131,000 gallons of water in a two-month period of time. Something is wrong...equipment...meter readings...other??

We wish to appeal our recent billing with the NMWD board and request they consider our case. We would like to have an opportunity to meet with the NMWD board at your October 18<sup>th</sup> board meeting. Please let us know if this is possible.

Very truly yours,

  
Steven & Karen Stenberg

RECEIVED  
OCT 01 2016  
North Marin Water District

## **NORTH MARIN WATER DISTRICT**

**POLICY: BILL ADJUSTMENT POLICY**  
**POLICY NUMBER: 2**

Original Date: February 7, 1967  
Last Reviewed: 04/02/13  
Last Revised: 04/02/13

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In the event water use (measured in 1,000 (thousand) gallon units) for the disputed bill is in excess of one and one-half times the normal seasonal bimonthly use as solely determined by the District, and there is no evidence that the excess water use was due to the willful act or negligence of the consumer or the consumer's agent(s), the District will credit the consumer's account for one half of the difference between the dollar amount of the normal bill (calculated as normal seasonal bimonthly use at current commodity rates) and the dollar amount of the disputed bill, plus, to the extent the excess use was subject to a tier rate, half the use in excess of normal will be credited to the customer's account at the tier rate. In the event the excess use encompasses two consecutive bimonthly billing periods, such bi-period rate adjustment will be separately applied to each such billing period provided the water use in each bimonthly period exceeds one and one-half times the normal seasonal bimonthly use for said period as determined by the District. Consideration of an adjustment pursuant to this policy shall be allowed only once in any consecutive 24-month period. Consumers requesting a bill adjustment must allow District staff to complete a residential water use survey before any bill adjustment is given. The District General Manager, or designee, may grant exemptions to this requirement should staff be unavailable to perform the survey in a timely manner.


04/13

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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

October 14, 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**

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

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

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







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October 18, 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.

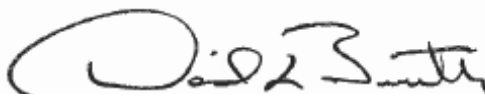
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for 2016.

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,



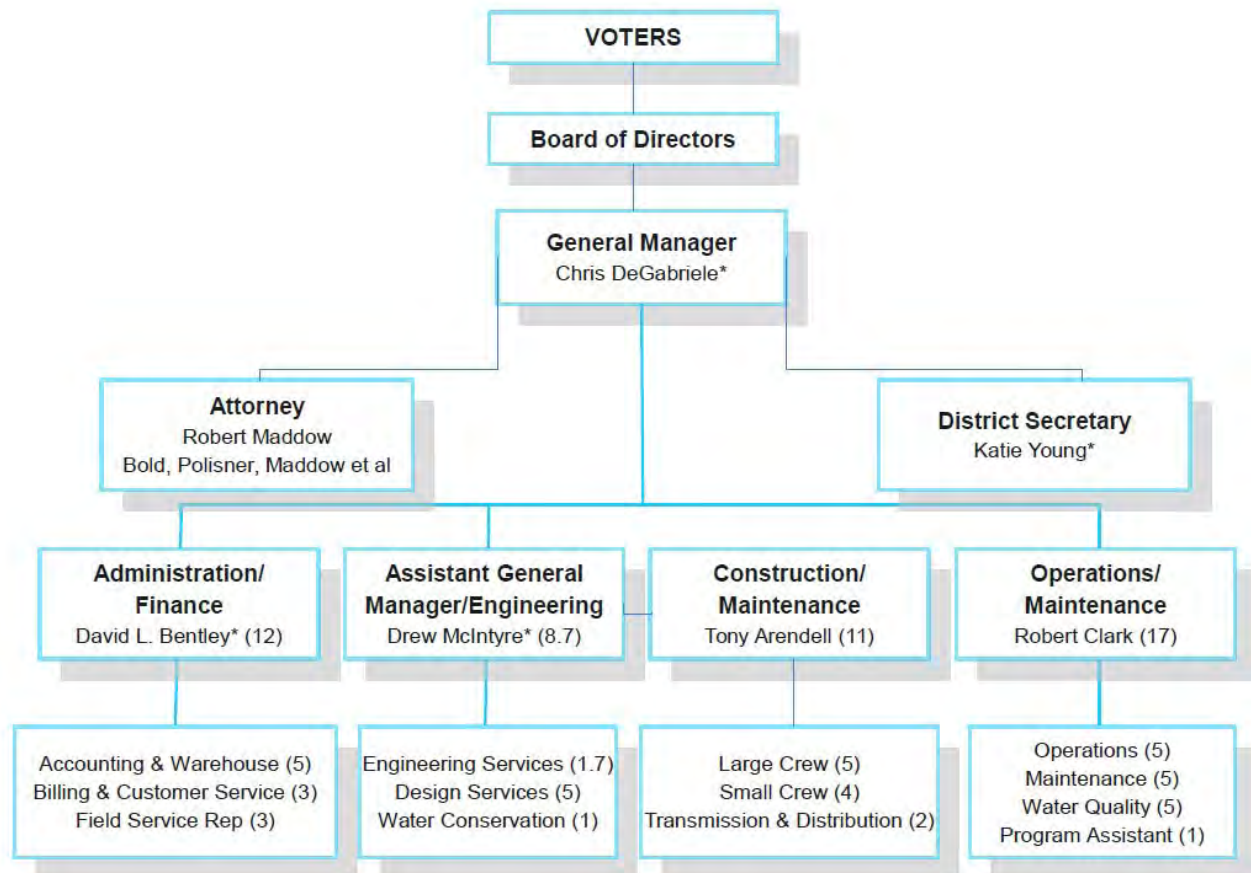
Chris DeGabriele  
General Manager



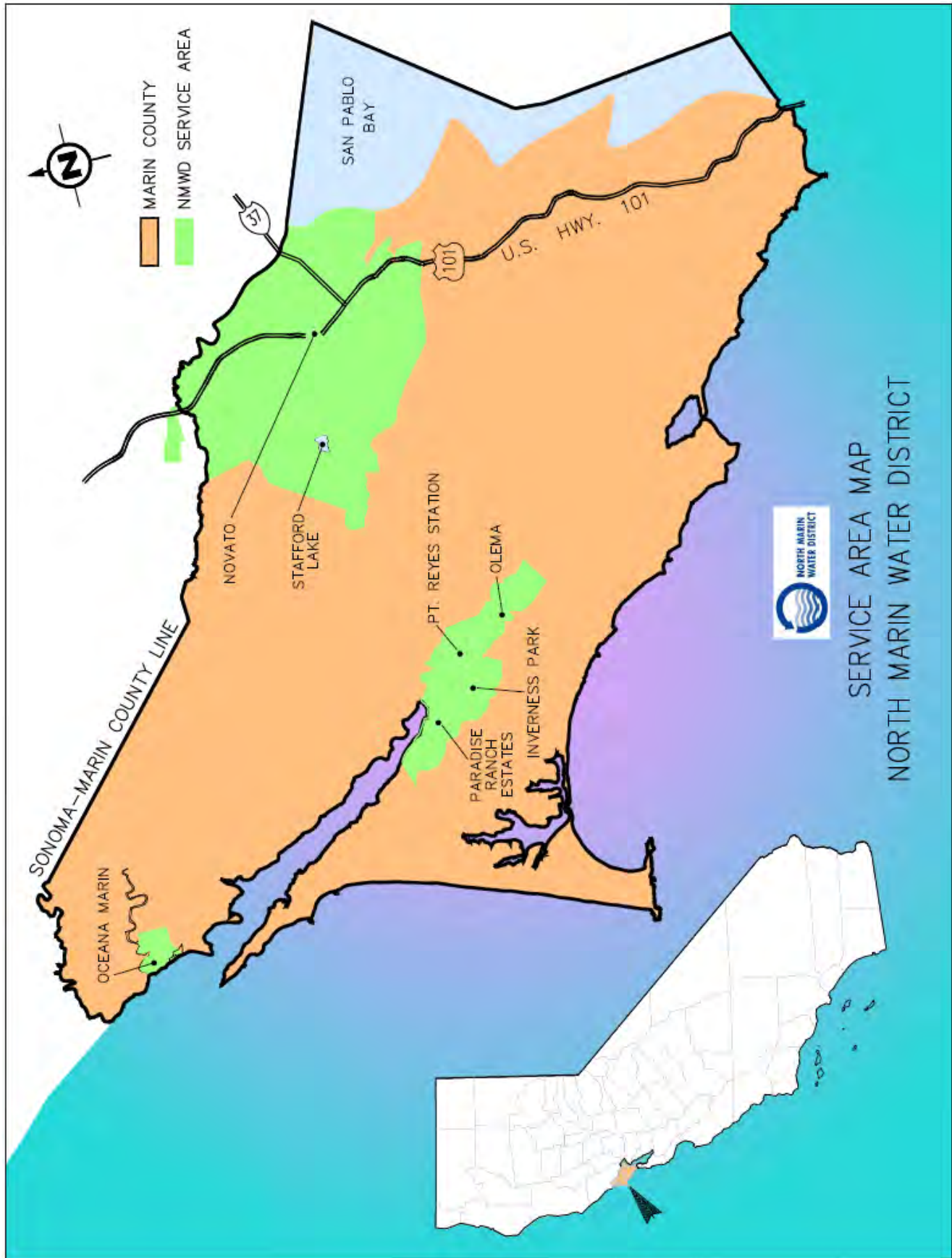
David L. Bentley  
Auditor-Controller

# 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. Egan". The signature is written in a cursive style with a prominent 'J' and 'E'.

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 October 18, 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.

**Fedak & Brown LLP**  
Cypress, California  
October 18, 2016

**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
<b>Total assets and deferred outflows of resources</b>	<b>\$ 136,897,391</b>	<b>134,483,309</b>	<b>2,414,082</b>	<b>122,878,833</b>	<b>11,604,476</b>
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
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 44,224,607</b>	<b>46,328,039</b>	<b>(2,103,432)</b>	<b>37,395,278</b>	<b>8,932,761</b>
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)
<b>Total net position</b>	<b>92,672,784</b>	<b>88,155,270</b>	<b>4,517,514</b>	<b>85,483,555</b>	<b>2,671,715</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 136,897,391</b>	<b>134,483,309</b>	<b>2,414,082</b>	<b>122,878,833</b>	<b>11,604,476</b>

\* 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)
<b>Total revenue</b>	<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)
<b>Total expense</b>	<u>17,534,252</u>	<u>17,456,194</u>	<u>78,058</u>	<u>20,439,069</u>	<u>(2,982,875)</u>
<b>Net income before cap. con.</b>	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
<b>Change in net position</b>	4,517,514	10,764,633	(6,247,119)	4,027,352	6,737,281
<b>Net position, beginning of year</b>	<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>
<b>Prior period adjustment</b>	-	(8,092,918)	8,092,918	-	(8,092,918)
<b>Net position, end of year</b>	<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>
<b>Operating revenues:</b>					
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)
<b>Total operating revenues</b>	<u>17,411,543</u>	<u>18,081,317</u>	<u>(669,774)</u>	<u>20,772,429</u>	<u>(2,691,112)</u>
<b>Non-operating revenues:</b>					
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)
<b>Total non-operating revenues</b>	<u>501,176</u>	<u>425,399</u>	<u>75,777</u>	<u>439,736</u>	<u>(14,337)</u>
<b>Total revenues</b>	<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>
<b>Operating expenses:</b>					
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
<b>Total operating expenses</b>	<u>16,704,341</u>	<u>16,509,383</u>	<u>194,958</u>	<u>17,297,158</u>	<u>(787,775)</u>
<b>Non-operating expenses:</b>					
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)
<b>Total non-operating expenses</b>	<u>829,911</u>	<u>946,811</u>	<u>(116,900)</u>	<u>3,031,911</u>	<u>(2,085,100)</u>
<b>Total expenses</b>	<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:

	<b>Balance 2015</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2016</b>
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:

	<b>Balance 2014</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2015</b>
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:

	<b>Balance 2015</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2016</b>
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:

	<b>Balance 2014</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2015</b>
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><b>Assets and Deferred Outflows of Resources</b></i>	<b>2016</b>	<b>2015</b>
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
<b>Total assets and deferred outflows of resources</b>	<b>\$ <u>136,897,391</u></b>	<b><u>134,483,309</u></b>
<i><b>Liabilities, Deferred Inflows of Resources and Net Position</b></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
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ <u>44,224,607</u></b>	<b><u>46,328,039</u></b>
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
<b>Total net position</b>	<u>92,672,784</u>	<u>88,155,270</u>
<b>Total liabilities, deferred inflows of resources         and net position</b>	<b>\$ <u>136,897,391</u></b>	<b><u>134,483,309</u></b>

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**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water consumption sales	\$ 12,508,912	13,180,015
Bi-monthly meter service charge	4,331,899	4,312,108
Sewer service charges	195,461	186,864
Other charges and services	<u>375,271</u>	<u>402,330</u>
Total operating revenues	<u>17,411,543</u>	<u>18,081,317</u>
Operating expenses:		
Source of supply	4,279,084	4,624,655
Pumping	281,255	352,007
Water facilities operations	797,806	751,940
Water treatment	2,099,887	2,020,865
Transmission and distribution	2,871,290	2,727,168
Sewage collection and treatment	134,193	108,928
Customer service	628,981	588,579
General and administrative	1,934,011	1,673,156
Water conservation	<u>391,481</u>	<u>478,360</u>
Total operating expenses	<u>13,417,988</u>	<u>13,325,658</u>
Operating income before depreciation	3,993,555	4,755,659
Depreciation expense – capital recovery	<u>(3,286,353)</u>	<u>(3,183,725)</u>
<b>Operating income</b>	<u>707,202</u>	<u>1,571,934</u>
Non-operating revenues(expenses):		
Property tax revenue	102,259	94,391
Investment earnings	80,661	86,011
Interest earnings from note receivable – BPGL	44,417	49,296
Rental revenue	68,109	89,657
Interest expense – long-term debt	(807,034)	(847,950)
Other non-operating revenues	205,730	106,044
Other non-operating expenses	<u>(22,877)</u>	<u>(98,861)</u>
Total non-operating revenues, net	<u>(328,735)</u>	<u>(521,412)</u>
<b>Net income before capital contributions</b>	<u>378,467</u>	<u>1,050,522</u>
Capital contributions:		
State of California – Caltrans	2,649,186	7,070,554
Developers and others	433,924	337,332
Connection fees	278,690	801,600
Capital grants – state and local	<u>777,247</u>	<u>1,504,625</u>
<b>Capital contributions</b>	<u>4,139,047</u>	<u>9,714,111</u>
<b>Change in net position</b>	4,517,514	10,764,633
Net position, beginning of year	<u>88,155,270</u>	<u>85,483,555</u>
Prior period adjustment (note 14)	<u>-</u>	<u>(8,092,918)</u>
Net position, end of year	<u>\$ 92,672,784</u>	<u>88,155,270</u>

See accompanying notes to the basic financial statements

**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	<u>(6,908,928)</u>	<u>(7,183,437)</u>
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	<u>102,259</u>	<u>94,391</u>
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	<u>(810,739)</u>	<u>(849,131)</u>
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	<u>133,273</u>	<u>129,013</u>
Net cash used in investing activities	<u>(467,297)</u>	<u>(2,621,067)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	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	<u>4,532,241</u>	<u>6,092,777</u>
Net cash provided by operating activities	\$ <u>5,239,443</u>	<u>7,664,711</u>
Non-cash investing, capital and financing transactions:		
Change in fair value of investments	\$ <u>(7,449)</u>	<u>1,088</u>

See accompanying notes to the basic financial statements

**North Marin Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 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 30<sup>th</sup> 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><b>2016</b></u>	<u><b>2015</b></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><b>2016</b></u>	<u><b>2015</b></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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio *</b>	<b>Maximum Investment in One Issuer</b>
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 30<sup>th</sup>, 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:

	<b>Balance 2014</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance 2015</b>
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***

<b>Fiscal Year Ended</b>		<b>Annual OPEB Cost</b>	<b>Contributions Made to Trust</b>	<b>Retiree Benefit Payments</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation Payable</b>
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	<u>Fiscal Year</u>	<u>Percentage</u>
	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 1<sup>st</sup> and interest is payable semi-annually on October 1<sup>st</sup> and April 1<sup>st</sup> at a rate of 5.000%. Future annual debt service requirements on the bonds are as follows:

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

***1981 Revenue Bonds – Issue PR-6***

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>12,000</u>	<u>300</u>	<u>12,300</u>
Total	66,000	<u>10,300</u>	<u>76,300</u>
Less current portion	<u>(10,000)</u>		
Total non-current	\$ <u>56,000</u>		

**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 1<sup>st</sup> at a rate of 5.000%. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 1<sup>st</sup> at a rate of 5.000%. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 1<sup>st</sup> and July 1<sup>st</sup>.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 19<sup>th</sup> at a rate of 2.4%. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 27<sup>th</sup> 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	182,962	1,306	184,268
Total	6,589,595	1,886,673	8,476,268
Less current portion	(332,811)		
Total non-current	\$ 6,256,784		

***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:

	<b>Miscellaneous Plan</b>	
	<b>Tier 1</b>	<b>Tier 2</b>
	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:

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

**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:

	<b>Proportionate Share of Net Pension Liability</b>	
	<b>2016</b>	<b>2015</b>
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:

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

	<b>Miscellaneous</b>
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.

<b>Actuarially Determined Deferred Outflows and (Inflows) - Miscellaneous Plan</b>						
<b>Fiscal Year Ending June 30:</b>	<b>Differences between Expected and Actual Experience</b>	<b>Changes in Assumptions</b>	<b>Net Difference between Projected and Actual Earnings Pension Plan Investments</b>	<b>Difference between Actual Contribution and Proportionate Share of Contribution</b>	<b>Adjustment Due to Differences in Proportions</b>	<b>Net, Deferred Outflows/(Inflows) of Resources</b>
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	-	-	-	-	-	-
<b>Total</b>	<b>\$ 42,882</b>	<b>(405,704)</b>	<b>(203,384)</b>	<b>(197,656)</b>	<b>482,581</b>	<b>\$ (281,281)</b>

***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.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1-10*</b>	<b>Real Return Year 11+**</b>
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 October 18, 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\***

	<b>Measurement Date 6/30/2015</b>	<b>Measurement Date 6/30/2014</b>
District's Proportion of the Net Pension Liability/(Asset)	0.12558%	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\***

<b><u>Schedule of Pension Plan Contributions:</u></b>	<b><u>Fiscal Year 2014-2015</u></b>	<b><u>Fiscal Year 2013-2014</u></b>
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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
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**

<b><i>Assets and Deferred Outflows of Resources</i></b>	<b>Novato Water</b>	<b>Novato Recycled</b>	<b>West Marin Water</b>	<b>Oceana Marin Sewer</b>	<b>Total</b>
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
<b>Total assets and deferred outflows of resources</b>	<b>\$ 105,544,118</b>	<b>23,012,327</b>	<b>7,068,321</b>	<b>1,272,625</b>	<b>136,897,391</b>
<b><i>Liabilities, Deferred Outflows of Resources and Net Position</i></b>					
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
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 31,425,737</b>	<b>11,760,215</b>	<b>1,022,582</b>	<b>16,073</b>	<b>44,224,607</b>
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
<b>Total net position</b>	<b>74,118,381</b>	<b>11,252,112</b>	<b>6,045,739</b>	<b>1,256,552</b>	<b>92,672,784</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 105,544,118</b>	<b>23,012,327</b>	<b>7,068,321</b>	<b>1,272,625</b>	<b>136,897,391</b>

See accompanying notes to the basic financial statements

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

<b><i>Assets and Deferred Outflows of Resources</i></b>	<b>Novato Water</b>	<b>Novato Recycled</b>	<b>West Marin Water</b>	<b>Oceana Marin Sewer</b>	<b>Total</b>
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
<b>Total current assets</b>	<b>6,603,288</b>	<b>1,841,990</b>	<b>1,249,165</b>	<b>346,693</b>	<b>10,041,136</b>
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
<b>Total non-current assets</b>	<b>96,501,886</b>	<b>20,568,353</b>	<b>5,772,600</b>	<b>842,134</b>	<b>123,684,973</b>
Deferred outflows of resources:					
Deferred pension outflows	757,200	-	-	-	757,200
<b>Total assets and deferred outflows of resources</b>	<b>\$ 103,862,374</b>	<b>22,410,343</b>	<b>7,021,765</b>	<b>1,188,827</b>	<b>134,483,309</b>
<b><i>Liabilities, Deferred Outflows of Resources and Net Position</i></b>					
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
<b>Total current liabilities</b>	<b>5,221,286</b>	<b>792,398</b>	<b>124,262</b>	<b>14,060</b>	<b>6,152,006</b>
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
<b>Total non-current liabilities</b>	<b>25,735,290</b>	<b>11,294,821</b>	<b>963,912</b>	<b>-</b>	<b>37,994,023</b>
Deferred inflows of resources:					
Deferred pension inflows	2,182,010	-	-	-	2,182,010
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 33,138,586</b>	<b>12,087,219</b>	<b>1,088,174</b>	<b>14,060</b>	<b>46,328,039</b>
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
<b>Total net position</b>	<b>70,723,788</b>	<b>10,323,124</b>	<b>5,933,591</b>	<b>1,174,767</b>	<b>88,155,270</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 103,862,374</b>	<b>22,410,343</b>	<b>7,021,765</b>	<b>1,188,827</b>	<b>134,483,309</b>

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**

	<b>Novato Water</b>	<b>Novato Recycled</b>	<b>West Marin Water</b>	<b>Oceana Marin Sewer</b>	<b>Total</b>
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)
<b>Operating income(loss)</b>	<b>791,636</b>	<b>(142,330)</b>	<b>69,299</b>	<b>(11,403)</b>	<b>707,202</b>
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)
<b>Net income(loss) before capital contributions</b>	<b>568,865</b>	<b>(339,965)</b>	<b>96,307</b>	<b>53,260</b>	<b>378,467</b>
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
<b>Capital contributions</b>	<b>3,632,392</b>	<b>462,289</b>	<b>15,841</b>	<b>28,525</b>	<b>4,139,047</b>
<b>Change in net position</b>	<b>4,201,257</b>	<b>122,324</b>	<b>112,148</b>	<b>81,785</b>	<b>4,517,514</b>
<b>Net position transfer</b>	<b>(806,664)</b>	<b>806,664</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**

	<b>Novato Water</b>	<b>Novato Recycled</b>	<b>West Marin Water</b>	<b>Oceana Marin Sewer</b>	<b>Total</b>
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)
<b>Operating income(loss)</b>	<b>1,589,355</b>	<b>(126,850)</b>	<b>104,908</b>	<b>4,521</b>	<b>1,571,934</b>
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)
<b>Net income(loss) before capital contributions</b>	<b>1,276,346</b>	<b>(370,850)</b>	<b>117,994</b>	<b>27,032</b>	<b>1,050,522</b>
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
<b>Capital contributions</b>	<b>8,477,897</b>	<b>-</b>	<b>1,221,014</b>	<b>15,200</b>	<b>9,714,111</b>
<b>Change in net position</b>	<b>9,754,243</b>	<b>(370,850)</b>	<b>1,339,008</b>	<b>42,232</b>	<b>10,764,633</b>
<b>Net position transfer</b>	<b>(688,916)</b>	<b>688,916</b>	<b>-</b>	<b>-</b>	<b>-</b>
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

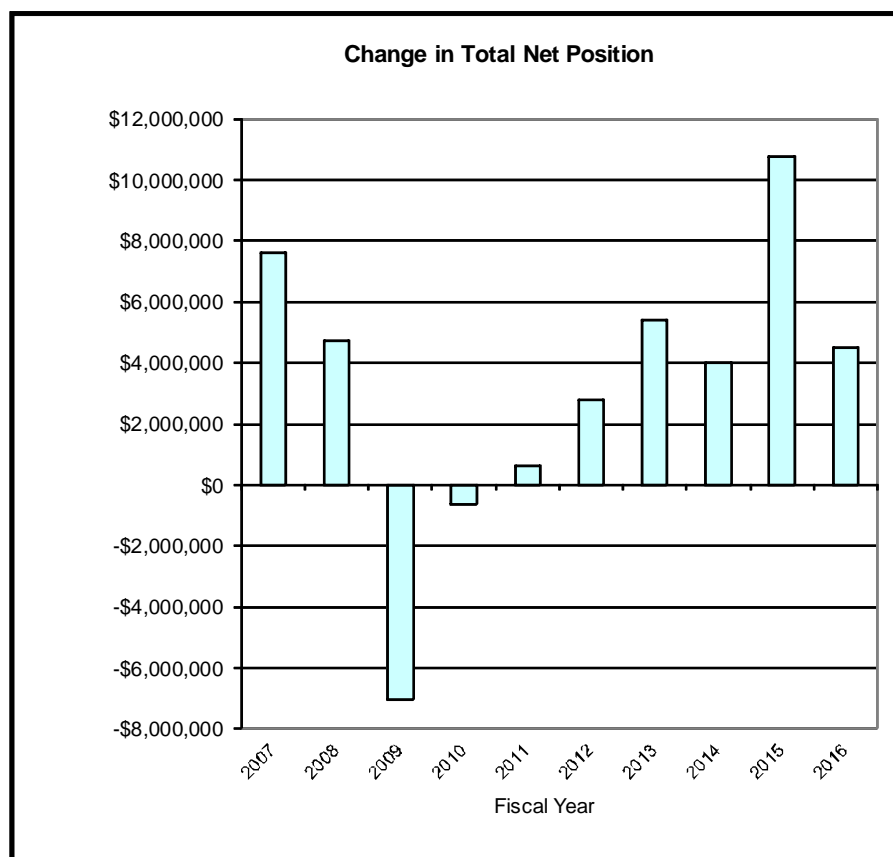
This part of the District's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

### 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) <sup>(1)</sup>
<b>Operating income(loss)</b>	<b>(\$2,198,029)</b>	<b>(\$2,521,509)</b>	<b>(\$10,821,970)</b>
Net non-op revenue(expense) (see schedule 4)	1,178,739	197,211	8,954
<b>Net income(loss) before capital contributions</b>	<b>(\$1,019,290)</b>	<b>(\$2,324,298)</b>	<b>(\$10,813,016)</b>
Capital contributions	8,639,031	7,061,891	3,776,402
<b>Change in net position</b>	<b>\$7,619,741</b>	<b>\$4,737,593</b>	<b>(\$7,036,614)</b>
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
<b>Total net position</b>	<b>\$75,463,961</b>	<b>\$80,319,790</b>	<b>\$73,283,176</b>



**Source:** North Marin Water District Audited Financial Statements

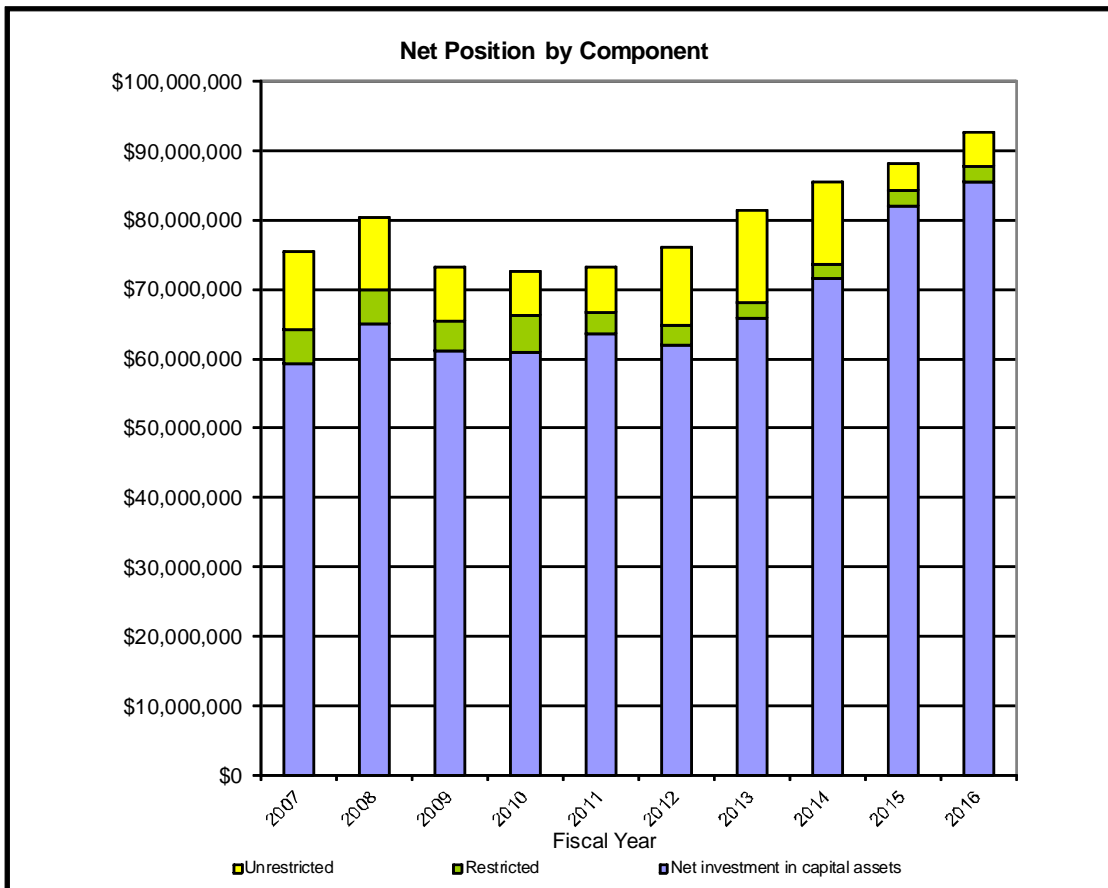
<sup>(1)</sup> Asset lives were adjusted in Fiscal Year 2009 which resulted in a large depreciation adjustment



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

**Schedule 1**

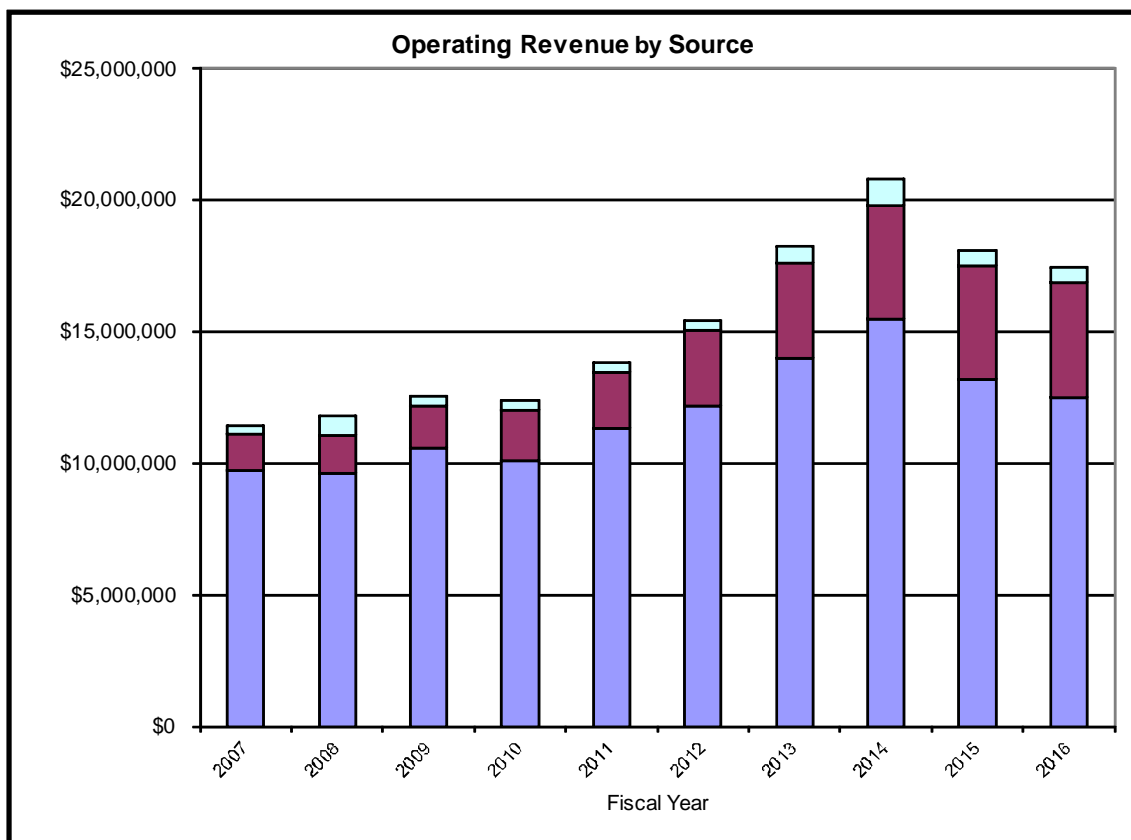
Fiscal Year						
2010	2011	2012	Restated* 2013	Restated* 2014	2015	2016
\$12,381,493	\$13,797,012	\$15,435,733	\$18,256,638	\$20,772,429	\$18,081,317	\$17,411,543
(13,083,372)	(11,878,612)	(12,610,862)	(13,140,845)	(14,168,856)	(13,325,658)	(13,417,988)
<u>(2,659,883)</u>	<u>(2,660,418)</u>	<u>(2,726,598)</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
6,462,761	6,579,672	11,185,857	13,430,027	11,789,367	3,947,554	5,007,769
<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**

<b>Fiscal Year</b>	<b>Water Sales</b>	<b>Bi-Monthly Service Charges</b>	<b>Other Charges and Services</b>	<b>Total Operating Revenue</b>
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

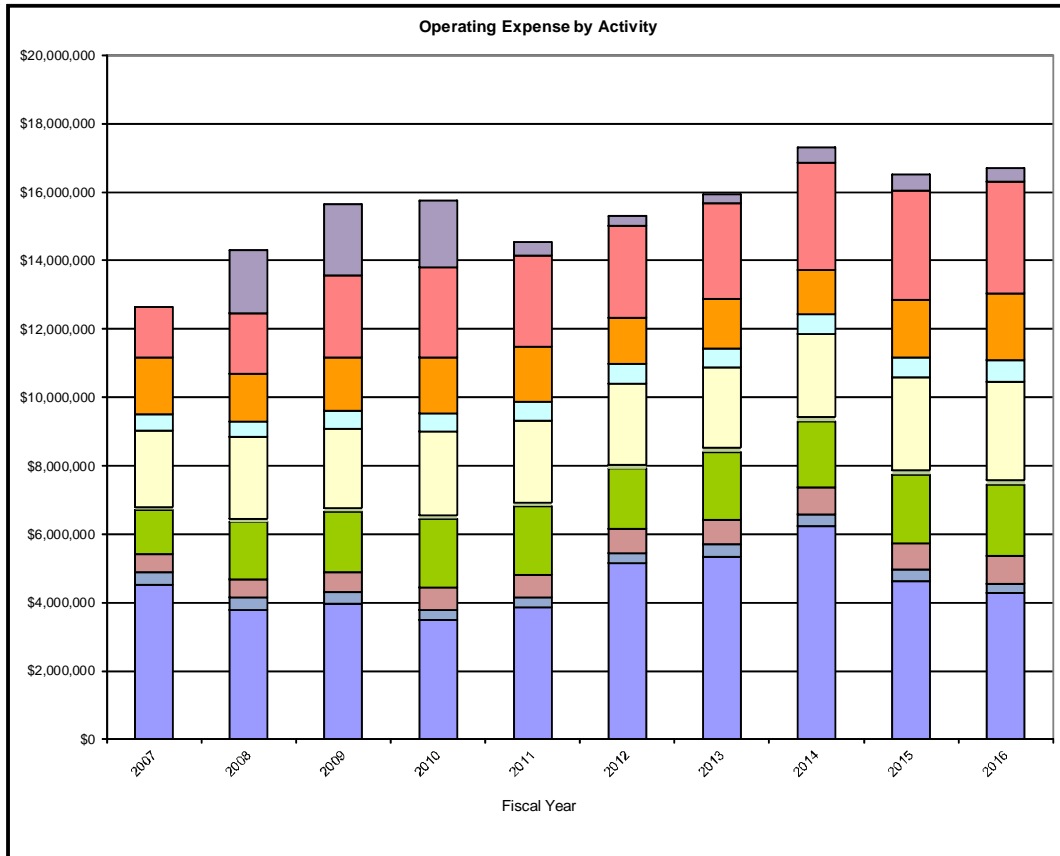


**Source:** North Marin Water District Audited Financial Statements

# 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

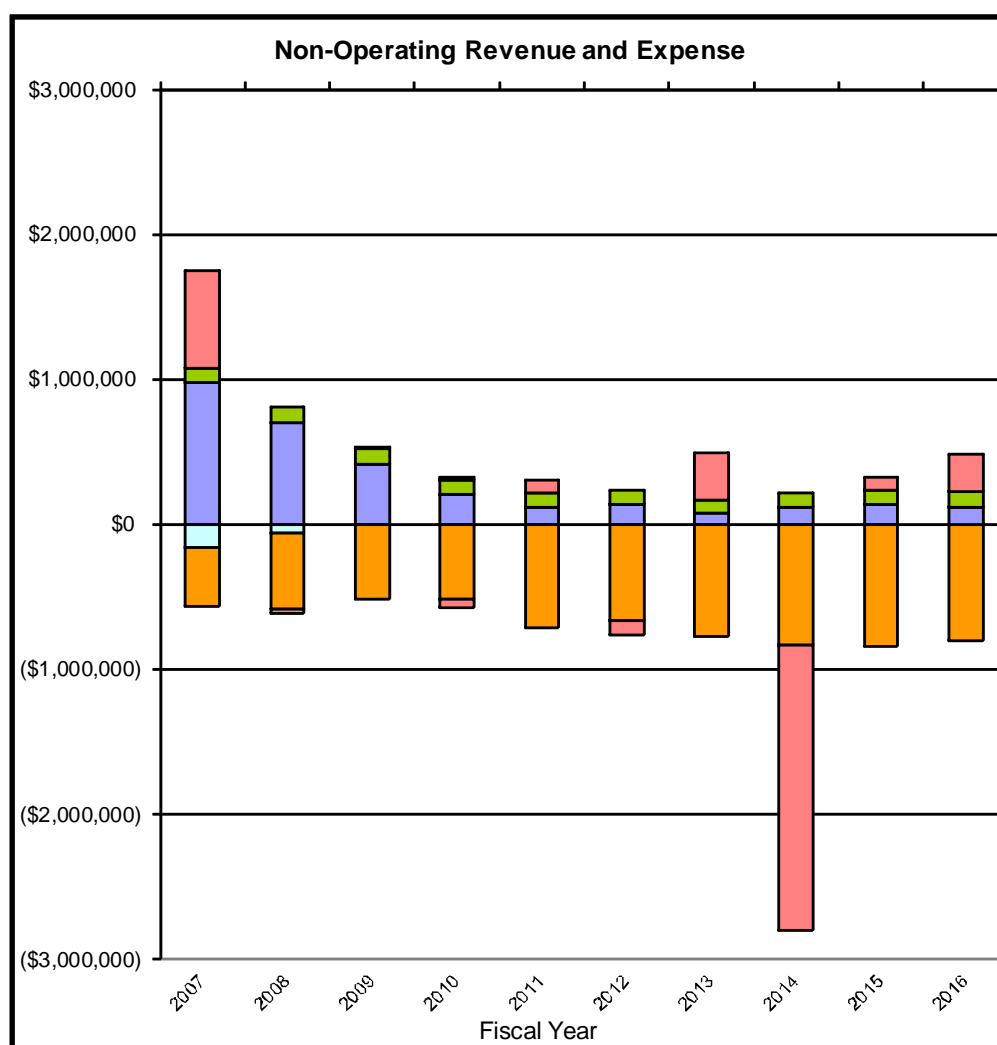
(1) FY09 Excludes \$7,691,033 depreciation due to change in asset lives

(2) Reduced by overhead absorption

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

**Schedule 4**

Fiscal Year	Investment Income <sup>(1)</sup>	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) <sup>(2)</sup>	(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.

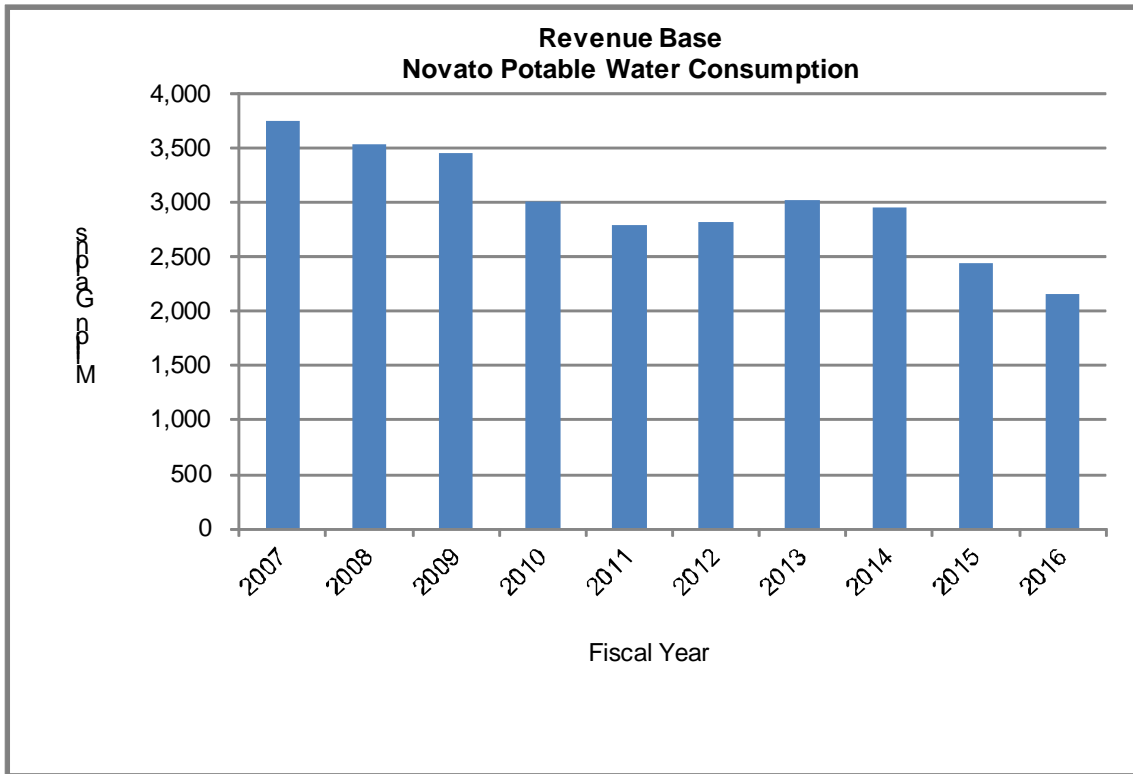
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

**Source:** North Marin Water District Audited Financial Statements

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

**Schedule 5**

<b>Fiscal Year</b>	<b>Novato Potable Water Consumption (Million Gallons)</b>
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 <sup>(1)</sup>	\$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 <sup>(1)</sup>	\$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**

	<b>FY 2015/16</b>	<b>% of Total</b>	<b>FY 2005/06</b>	<b>% of Total</b>
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>
	<b>Total Water Service Revenue</b>	<b>\$16,370,000</b>		<b>\$9,750,000</b>

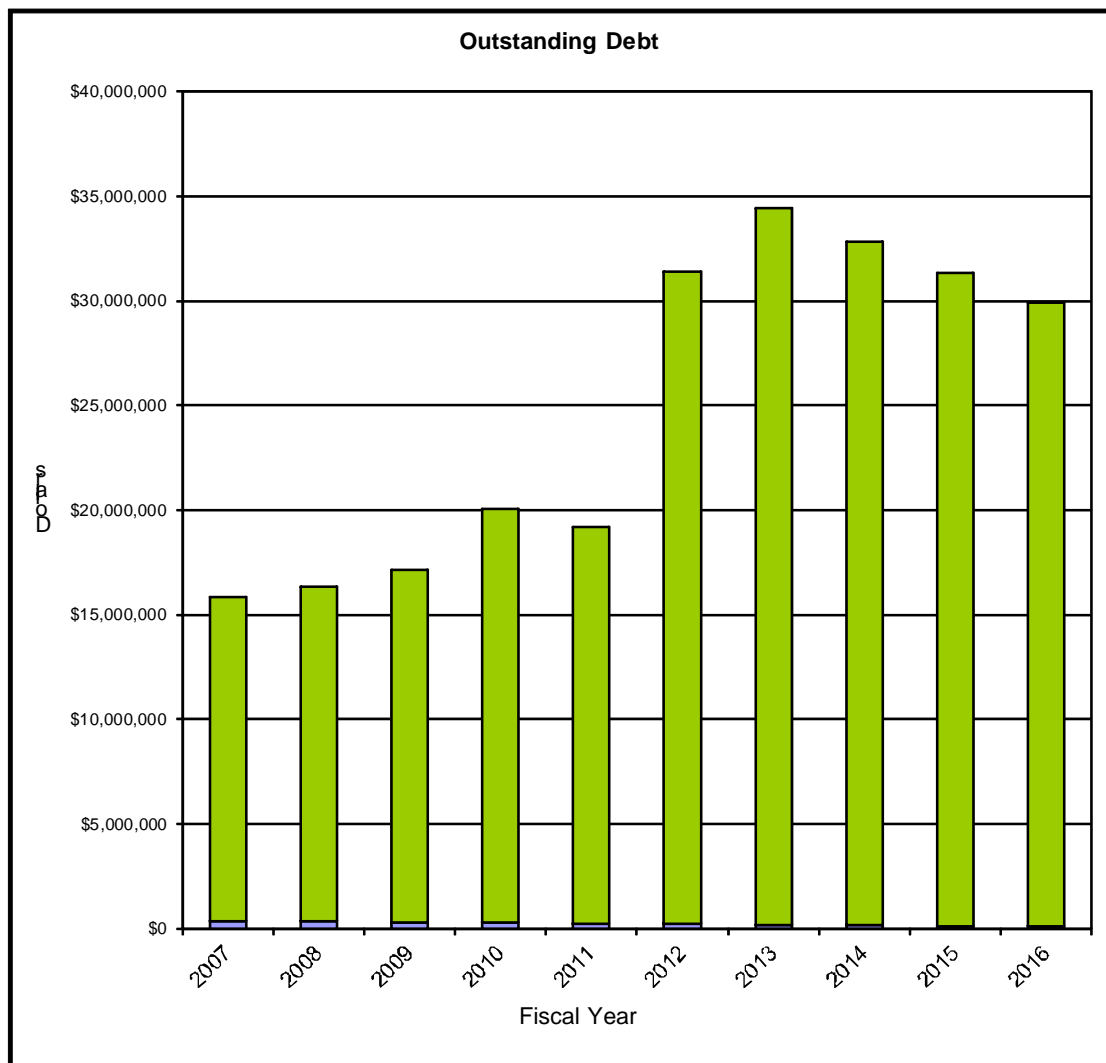
Source: NMWD CORE billing system (t:\ac\excel\wtr use\[top revenue 2006\_2016.xlsx]top 10



**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 <sup>(1)</sup>
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

<sup>(1)</sup> 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 <sup>(1)</sup>	Expense <sup>(2)</sup>	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.

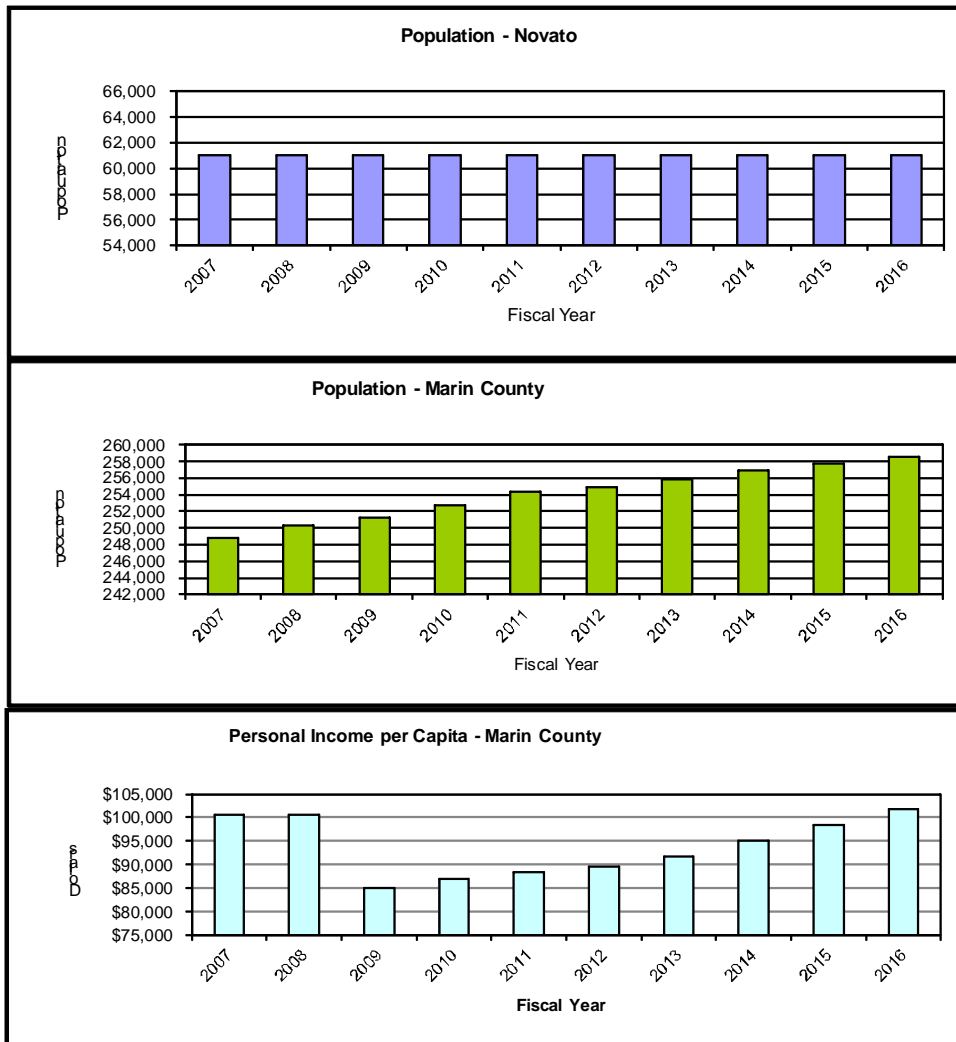
**Source:** North Marin Water District Audited Financial Statements

t:\ac\debtsvc\debt coverage ratio ii ten year history.xls

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

## Schedule 11

Year	Novato Service Area <sup>(1)</sup>		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](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**

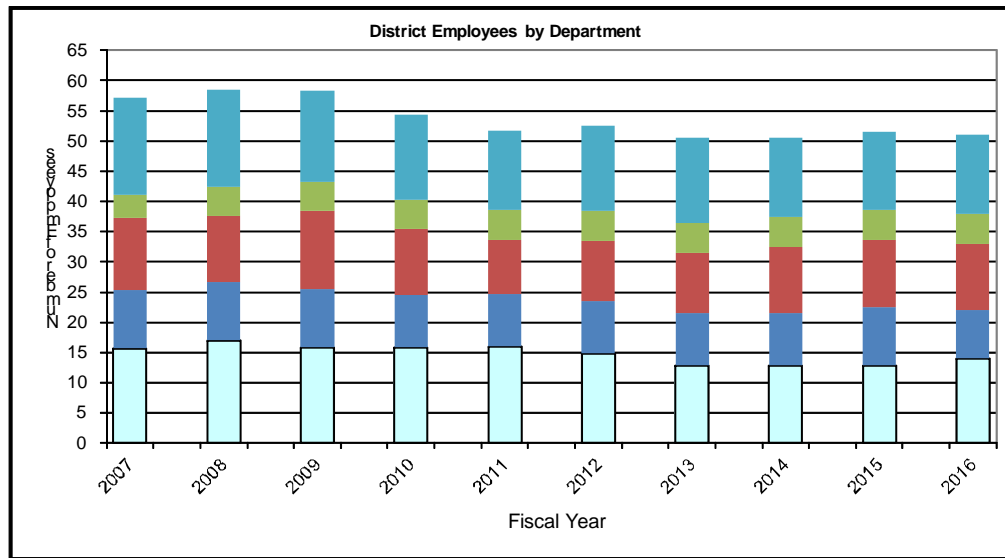
FY 2015/2016			FY 2005/2006		
<b>Employer</b>	<b>Number of Employees</b>	<b>Percent of Total Employment</b>	<b>Employer</b>	<b>Number of Employees</b>	<b>Percent of Total Employment</b>
1 Novato Unified School District	838	2.90%	Fireman's Fund	1,100	4.53%
2 BioMarin Pharamaceutical	765	2.65%	Novato Unified 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**

<b>Other Operating and Capacity Indicators</b>				
<b>Fiscal Year</b>	<b>District Area (Square Miles)</b>	<b>Miles of Pipeline</b>	<b>Number of Fire Hydrants</b>	<b>System Storage Capacity (MG)</b>
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 October 18, 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  
October 18, 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  
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Board of Directors  
North Marin Water District  
Novato, California

**Dear Members of the Board:**

In planning and performing our audit of the financial statements of North Marin Water District (District) as of and for the year ended June 30, 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

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Board of Directors  
North Marin Water District  
Novato, California

We have audited the basic financial statements of the North Marin Water District (District) for the year ended June 30, 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
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
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		
<b>Total</b>		<b><u>3,200,000.00</u></b>	<b><u>3,200,000.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
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
<b>Total</b>		<b><u>669,065.99</u></b>	<b><u>669,065.99</u></b>
<b>Adjusting Journal Entries JE # 3</b>			
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
<b>Total</b>		<b><u>828,792.16</u></b>	<b><u>828,792.16</u></b>

**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
<b>Total</b>		<b>3,406,485.00</b>	<b>3,406,485.00</b>

**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
<b>Total</b>		<b>545,502.00</b>	<b>545,502.00</b>

**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
<b>Total</b>		<b>16,678.58</b>	<b>16,678.58</b>

**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
<b>Total</b>		<b>152,188.24</b>	<b>152,188.24</b>

**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
<b>Total</b>		<b>444,694.00</b>	<b>444,694.00</b>

**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
<b>Total</b>		<b>266,916.48</b>	<b>266,916.48</b>

**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
<b>Total</b>		<b>133,458.24</b>	<b>133,458.24</b>

**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
<b>Total</b>		<b>195,226.55</b>	<b>195,226.55</b>

**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
<b>Total</b>		<b>46,343.80</b>	<b>46,343.80</b>

**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
<b>Total</b>		<b>46,704.23</b>	<b>46,704.23</b>

**Total Proposed Journal Entries**

**46,704.23**      **46,704.23**

**Total All Journal Entries**

**9,952,055.27**      **9,952,055.27**

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## MEMORANDUM

To: Board of Directors

October 14, 2016

From: David L. Bentley, Auditor-Controller

Subj: Statement of Investment Policy – Collateralization Clarification

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**RECOMMENDED ACTION:** Approve**FINANCIAL IMPACT:** None

The District's Statement of Investment Policy Section 13 discusses collateralization<sup>1</sup> of District deposits. It reads:

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

Section 13 was adopted by the Board in 1982 when the Government Code was revised to allow mortgage-backed securities to serve as collateral for public agency deposits. Prior to 1982, depository institutions were required to maintain cash reserves equal to 110% of public agency deposits exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit (currently \$250,000). With the 1982 revision, depository institutions were given the option of maintaining a pool of mortgage-backed securities equal to 150% of public agency deposits exceeding the FDIC limit. The concern of the Board in 1982 was the risk of a mortgage market meltdown, such as occurred in 2008, leaving the District's uninsured deposits at risk.

Section 13 is unique to the North Marin Water District, and is not a part of the Government Code, or, to our knowledge, any other government agency. Staff desires to clarify the policy, with the understanding that the goal of the collateralization restriction is to limit risk to uninsured deposits. U.S. Bank, which currently provides the District's day-to-day banking services, holds the bulk of their collateral in Agency<sup>2</sup> mortgage-backed securities, which are guaranteed by the U.S. government. The same holds true of Bank of the West, Bank of Marin, Umpqua Bank and Westamerica Bank. To clarify, staff recommends modification of Section 13 to read:

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

**RECOMMENDATION**

Approve revision to the Investment Policy Section 13 as proposed.

<sup>1</sup> Collateralization is the act where the bank pledges an asset as recourse to the depositor to provide a sufficient level of reinsurance against default risk.

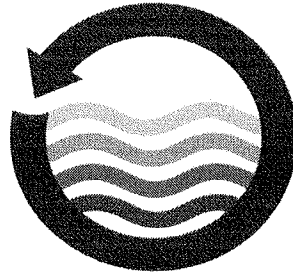
<sup>2</sup> Agency MBS are issued by government-sponsored enterprises such as GNMA, FNMA or FHLMC.

## ***NORTH MARIN WATER DISTRICT STATEMENT OF INVESTMENT POLICY***

- 1) Investment of sinking fund or reserve money of the North Marin Water District shall be made in securities in which North Marin Water District is legally empowered to invest such funds in accordance with Section 53601 of the Government Code, taking into consideration the probable income as well as the probable safety of said funds, exercising the judgment and care, under the circumstances then prevailing, which individuals of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of said funds.
- 2) As far as possible, all money shall be deposited for safekeeping in financial institutions insured by the Federal Deposit Insurance Corporation or may be invested as provided in Section 53635 of the Government Code, pertaining to local agency pooled money investments.
- 3) Money may be invested in the Local Agency Investment Fund in accordance with Section 16429.1 of the Government Code.
- 4) A minimum of 20% of the District's investment portfolio shall remain liquid (i.e., in demand deposit accounts or equivalent) at all times. In addition, the weighted average life of the portfolio shall not exceed 2½ years.
- 5) No investments shall be made in financial futures or financial option contracts that are otherwise allowed pursuant to Section 53601.1 of the Government Code.
- 6) Interest earned through investment of the pooled District treasury shall be credited to the various water, sewer, and reserve account funds in direct proportion to their percentage of the total District treasury.
- 7) Accounts shall be maintained in North Marin Water District accounting records to record the reserve and inactive funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the Government Code.
- 8) Reserve fund account balances shall be maintained separately and shall reflect at all times the balance in each reserve fund in a manner consistent with generally accepted accounting practices.
- 9) Depositories having custody of North Marin Water District funds shall be directed to forward copies of all correspondence concerning North Marin Water District funds to the Auditor-Controller of North Marin Water District. In the Auditor-Controller's absence, the General Manager of the District shall serve as Treasurer. In addition to the Auditor-Controller, the General Manager and a Senior Accountant shall be signatories on all investment accounts maintained by the District. Banking Institutions shall require authorization from two signatories to execute any non-recurring wire transfer.
- 10) Verification that moneys have been on deposit at all times and collateralized in amounts equal to or in excess of funds designated by the Board of Directors as reserve funds shall be made in the annual audit of records.
- 11) The Auditor-Controller shall render a monthly investment report to the Board.
- 12) Criteria for selecting investments and the absolute order of priority shall be: (a) safety, (b) liquidity, (c) yield.
- 13) No more than two-thirds of District deposits in a depository shall be collateralized by non-government guaranteed mortgage backed securities, with the remainder to be backed by government guaranteed mortgage backed securities or non-mortgage backed securities.
- 14) The Auditor-Controller shall maintain a list of authorized broker/dealers who are approved for investment purposes. All authorized broker/dealers must certify that they have received and read the District's Investment Policy and will follow the guidelines therein, and must submit a copy of their firm's most recent audited financial statement annually. Staff shall investigate broker/dealers who wish to do business with the District to verify their experience with California public sector agencies, verify that they are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission or other applicable self-regulatory organizations.

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# **NORTH MARIN WATER DISTRICT**



## **FINANCIAL STATEMENT FISCAL YEAR 2016-17**

**September 2016**

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## MEMORANDUM

To: Board of Directors  
 From: David L. Bentley, Auditor-Controller  
 Subj: Information – FY16/17 September Financial Statement  
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October 14, 2016

### FISCAL YEAR PERFORMANCE COMPARED TO THE ANNUAL BUDGET

#### CONSOLIDATED SUMMARY

<b>Actual vs. Budget</b>	<u>Sep-16</u>	<u>FYTD 16/17</u>	<u>FY16/17 Budget</u>	<u>FYTD / Budget %</u>
Operating Revenue	\$1,809,687	\$6,214,425	\$19,648,000	32%
Operating Expense	1,588,215	5,192,025	18,611,000	28%
Non-Operating Revenue / (Expense)	(3,669)	(78,650)	(458,000)	17%
Net Income / (Loss)	\$217,803	\$943,749	\$579,000	163%
Other Sources / (Uses)*	938,847	(341,023)	(1,060,000)	32%
Cash Increase / (Decrease)	\$1,156,650	\$602,727	(\$481,000)	-

\* See Page 8.

For the first quarter of the fiscal year the District generated a net income of \$943,749 and saw a net cash increase of \$602,727. On a seasonally adjusted basis, Operating Revenue came in 7% under budget and Operating Expense came in on target. Two percent of the Capital Improvement Projects Budget has been expended this fiscal year-to-date. At September 30 Caltrans owed the District \$592,900 for the AEEP, and \$1,050,700 in loan and grant funds was owed the District for the Recycled Water Distribution System expansion to Central Novato.

### SUMMARY INCOME STATEMENTS BY SERVICE AREA PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPALS

#### NOVATO WATER

##### **Year over Year Comparison**

	<u>Sep-16</u>	<u>FYTD 16/17</u>	<u>FYTD 15/16</u>	<u>FY17 vs 16 Up/(Down)</u>
Operating Revenue	\$1,610,892	\$5,548,824	\$4,593,408	21%
Operating Expense	1,440,742	4,709,047	3,908,668	20%
Other Income / (Expense)	15,739	(21,061)	(58,486)	(64%)
Net Income / (Loss)	\$185,889	\$818,716	\$626,254	31%
Active Accounts	20,534	20,534	20,517	0%
Consumption (MG)	237	795	680	17%
Average Commodity Rate / 1,000 gal (net)	\$5.08	\$5.53	\$5.10	8%
Income / (Loss) / Active Account	\$9.05	\$39.87	\$30.52	31%
Income / (Loss) / 1,000 Gal	\$0.78	\$1.03	\$0.92	12%
Connection Fee Revenue	\$57,200	\$201,185	\$143,000	41%
Caltrans Capital Contribution	\$2,198	\$8,766	\$1,564,713	(99%)
MMWD AEEP Capital Contribution	\$0	\$245,000	\$245,000	0%
Developer 'In-Kind' Contributions	\$28,510	\$101,889	\$102,768	(1%)

Consumption for the quarter was 17% more than the prior year same period. Total operating revenue, which includes wheeling and other miscellaneous service charges, increased 21% (\$955,416) from the prior year same period due to the consumption increase and the June 1, 2016 5% rate increase. Total operating expense was 20% (\$800,379) more than last year same period.

The Stafford Treatment Plant produced 257 MG this fiscal year-to-date at a cost of \$2,234/MG<sup>1</sup> versus \$2,547/MG<sup>3</sup> from SCWA. The budget for Stafford is 750 MG at a cost of \$2,820/MG.

Staff time (hours) charged to Novato operations was 4% more more than last year same period. Salary and benefit cost was \$1,634,601, which was 25% of the \$6,475,000 budget for Novato operations.

The fiscal year-to-date net income (which includes non-operating items such as interest revenue and expense) of \$818,716 compares to a budgeted net income for the year of \$755,000 and to a net income of \$626,254 for the prior year same period. \$252,581 (3%) of the Novato Water Capital Improvement Project Budget was spent versus \$2,412,079 (27%) for the prior year same period. \$201,185 in connection fees have been collected (\$779,000 is budgeted). Connection Fee reserves totaling \$242,225 have been transferred this fiscal year-to-date to the Recycled Water Fund to cover the debt service for expansion of the RW distribution system. The Novato Connection Fee Reserve has a deficit of \$4,594,817 arising from transfers to the RW Fund in advance of Connection Fee receipts. That deficit will be reimbursed by future Connection Fee revenue. The Novato cash balance increased \$1,019,773 in September, and stood at \$10,933,556 at quarter end, compared to a budgeted projection of \$10,100,000 at June 30, 2017. The September cash balance increased due to a combination of customer summer water payment receipts and deferral of SCWA August water payment to October.

<b>NOVATO RECYCLED</b>		FYTD	FYTD	FY17 vs 16
<b>Year over Year Comparison</b>	<b>Sep-16</b>	<b>16/17</b>	<b>15/16</b>	<b>Up/(Down)</b>
Operating Revenue	\$107,978	\$366,335	\$315,752	16%
Operating Expense	87,454	260,829	246,227	6%
Other Income / (Expense)	(18,029)	(54,856)	(70,745)	(22%)
Net Income / (Loss)	<u>\$2,495</u>	<u>\$50,650</u>	<u>(\$1,220)</u>	-
Active Accounts	44	44	44	0%
Consumption (MG)	20.0	68.2	62.6	9%
Average Commodity Rate / 1,000 gal (net)	\$5.26	\$5.26	\$4.93	7%
Deer Island Production (MG)	4.3	4.3	6.2	(31%)
Novato Sanitary Production (MG)	11.8	48.2	40.2	20%
Las Gallinas Production (MG)	7.1	23.8	16.9	41%
Potable Water Input (MG)	0.0	0.0	4.9	(99%)

68.2 MG was delivered to RW customers this quarter, 9% more than the prior year same period. Operating revenue was 16% more than last year same period due to the consumption increase and the June 1, 2016 7% commodity rate increase. Total operating expense was \$14,602 (6%) more than the prior year same period. The recycled water was produced at a cost of \$2,266/MG<sup>2</sup> versus \$2,547/MG<sup>3</sup> from SCWA. The budgeted production cost of recycled water is \$3,035/MG.

The fiscal year-to-date net income of \$50,650 compares to a budgeted net loss for the year of \$300,000 and a net loss of \$1,220 for the prior year same period. \$113,461 (1%) of the Capital Improvement Project Budget has been expended this fiscal year-to-date. The Novato Recycled cash balance increased \$136,052 in September, and stood at \$1,107,123 at month end, compared to a budgeted

<sup>1</sup> Stafford production cost = TP op expense (\$362,420) + SRF loan interest (\$72,209) + plant depreciation (\$139,687) / 257 MG produced

<sup>2</sup> Recycled Water production cost = purchase water cost (\$100,743) + treatment expense (\$1,716) + Deer Island RW Facility SRF loan interest (\$15,840) + Deer Island plant depreciation (\$34,169) / 67.3 MG produced

<sup>3</sup> SCWA production cost per MG = O&M charge (\$2,123) + debt service charge (\$157) + Russian River conservation charge (\$228) + Russian River projects charge (\$40)

projection of \$1,505,000 at June 30, 2017. At September 30 the SWRCB owed the District \$1,050,700 in loan and grant funds for the Recycled Water Distribution System expansion to Central Novato.

#### **WEST MARIN WATER**

<b>Year over Year Comparison</b>	<b>Sep-16</b>	<b>FYTD 16/17</b>	<b>FYTD 15/16</b>	<b>FY17 vs 16 Up/(Down)</b>
Operating Revenue	\$72,877	\$245,446	\$219,912	12%
Operating Expense	42,416	176,476	153,722	15%
Other Income / (Expense)	(1,675)	(4,840)	(6,915)	(30%)
Net Income / (Loss)	<u>\$28,786</u>	<u>\$64,129</u>	<u>\$59,275</u>	8%
Active Accounts	781	781	776	1%
Consumption (MG)	6.1	19.9	18.1	10%
Average Commodity Rate / 1,000 gal (net)	\$9.64	\$10.15	\$9.71	5%
Income/ (Loss) / Active Account	\$36.86	\$82.11	\$76.39	7%
Income / (Loss) / 1,000 Gal	\$4.72	\$3.22	\$3.27	(2%)
Connection Fee Revenue	\$0	\$8,000	\$0	-
Developer 'In-Kind' Contributions	\$0	\$0	\$9,304	-

Consumption for the quarter was 19.9 MG, 10% more than the prior year same period. Operating revenue of \$245,446 was \$25,533 (12%) more than last year primarily due to the consumption increase and the 5% rate increase effective July 1, 2016.

Operating expenditures were \$176,476, 15% more than the previous year. The fiscal year-to-date net income of \$64,129 compares to a budgeted annual net income of \$73,000 and to a net income of \$59,275 for the prior year same period. \$252,581 (1%) of the Capital Improvement Project Budget has been expended this fiscal year-to-date, and \$8,000 in connection fees have been collected (\$23,000 is budgeted). The West Marin Water cash balance increased \$18,535 in September, and stood at \$1,188,611 at month end, compared to a budgeted projection of \$732,000 at June 30, 2017.

#### **OCEANA MARIN SEWER**

<b>Year over Year Comparison</b>	<b>Sep-16</b>	<b>FYTD 16/17</b>	<b>FYTD 15/16</b>	<b>FY17 vs 16 Up/(Down)</b>
Operating Revenue	\$17,940	\$53,820	\$48,777	10%
Operating Expense	17,603	45,672	47,578	(4%)
Other Income / (Expense)	296	2,107	1,511	39%
Net Income / (Loss)	<u>\$633</u>	<u>\$10,255</u>	<u>\$2,710</u>	278%
Active Accounts	230	230	229	0%
Monthly Sewer Service Charge	\$78	\$78	\$71	10%
Income / (Loss) / Active Account	\$2.75	\$44.59	\$11.83	-
Connection Fee Revenue	\$0	\$0	\$0	-

Operating revenue of \$53,820 was 10% more than the previous year same period due to the 10% rate increase effective July 1, 2016. Operating expenditures were 4% (\$1,906) lower than the previous year same period. The fiscal year-to-date net income of \$10,255 compares to a budgeted annual income of \$51,000 and to a net income of \$2,710 for the prior year same period. 13% of the Capital Improvement Project Budget has been expended this fiscal year-to-date.

No connection fees have been collected (\$30,000 is budgeted). The Oceana Marin cash balance decreased \$17,711 in September, and stood at \$405,539 at month end, compared to a budgeted projection of \$327,000 at June 30, 2017.



**NORTH MARIN WATER DISTRICT  
STATEMENT OF NET POSITION  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	TOTAL	NOVATO WATER	NOVATO RECYCLED	WEST MARIN WATER	OCEANA MARIN SEWER
<b>ASSETS</b>					
<b>Cash &amp; Investments</b>					
Unrestricted/Undesignated Cash	\$398,605	\$0	\$0	\$65,271	\$333,334
<b>Restricted Cash</b> (Note 1)					
Connection Fee Fund	\$106,858	\$0	\$0	\$101,235	\$5,623
Wohler Pipeline Financing Fund	403,647	403,647	0	0	0
Collector #6 Financing Fund	1,587,038	1,587,038	0	0	0
Revenue Bond Redemption Fund	30,000	0	0	30,000	0
Bank of Marin Project Fund	692,354	37,053	0	655,301	0
Deer Island RWF Replacement Fund	482,524	0	482,524	0	0
Capital Replacement & Expansion Fund	0	0	0	0	0
Tax Receipts Held in Marin Co Treasury	390	0	0	387	2
STP SRF Loan Fund-Marin Co Treasury	735,985	735,985	0	0	0
RWS North/South SRF Payment Fund	614,299	0	614,299	0	0
<b>Designated Cash</b> (Note 2)					
Liability Contingency Fund	922,285	823,400	0	98,885	0
Self-Insured Workers' Compensation Fund	594,342	558,255	10,300	19,208	6,579
Retiree Medical Benefits Fund	3,711,740	3,711,740	0	0	0
Maintenance Accrual Fund	3,075,185	3,075,185	0	0	0
Conservation Incentive Rate Fund	38,657	0	0	38,657	0
Operating Reserve Fund	239,667	0	0	179,667	60,000
<b>Total Cash</b>	<b>\$13,633,575</b>	<b>\$10,932,302</b>	<b>\$1,107,123</b>	<b>\$1,188,611</b>	<b>\$405,539</b>
Gain/(Loss) on MV of Investments	1,254	1,254	0	0	0
<b>Market Value of Cash &amp; Investments</b>	<b>\$13,634,829</b>	<b>\$10,933,556</b>	<b>\$1,107,123</b>	<b>\$1,188,611</b>	<b>\$405,539</b>
<b>Current Assets</b>					
Net Receivables - Consumers	\$1,280,948	\$1,142,080	\$72,740	\$12,307	\$53,820
Accrued Water Sales	2,364,366	2,055,097	170,198	139,072	0
Accounts Receivable-Other	969,191	631,420	176,311	0	161,460
RWS Central Expansion SRF Loan Rec	546,364	0	546,364	0	0
RWS Central Expansion Grant Rec	504,336	0	504,336	0	0
Prepaid Expense	449,453	449,161	0	0	292
Reimbursable Small Jobs	3,319	3,113	0	206	0
Interest Receivable	31,621	28,230	3,391	0	0
Inventories	474,071	474,071	0	0	0
Deposits Receivable	24,020	24,020	0	0	0
<b>Total Current Assets</b>	<b>\$6,647,689</b>	<b>\$4,807,193</b>	<b>\$1,473,339</b>	<b>\$151,585</b>	<b>\$215,572</b>

**NORTH MARIN WATER DISTRICT  
STATEMENT OF NET POSITION  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	<b>TOTAL</b>	<b>NOVATO WATER</b>	<b>NOVATO RECYCLED</b>	<b>WEST MARIN WATER</b>	<b>OCEANA MARIN SEWER</b>
<b>Loans Receivable</b>					
Employee Loans (Note 3)	\$934,200	\$934,200	\$0	\$0	\$0
Other Long Term Receivables (Note 4)	1,518,888	0	1,518,888	0	0
<b>Loans Receivable</b>	<b>\$2,453,088</b>	<b>\$934,200</b>	<b>\$1,518,888</b>	<b>\$0</b>	<b>\$0</b>
<b>Property and Plant</b>					
Land & Land Rights	\$1,473,091	\$1,368,872	\$0	\$103,411	\$808
Dam, Lake, & Source Facilities	5,574,033	5,081,621	0	492,412	0
Treatment Facilities	21,082,445	17,561,535	2,666,198	319,913	534,799
Storage Facilities	20,883,812	18,278,550	519,014	2,086,249	0
Transmission Facilities (16"+)	24,108,078	23,985,755	0	122,324	0
Distribution and Pumping Facilities	82,893,576	59,822,403	17,266,234	5,804,939	0
Sewer Mains, Pumps, & Laterals	1,186,758	0	0	0	1,186,758
<b>Sub-Total</b>	<b>\$157,201,794</b>	<b>\$126,098,735</b>	<b>\$20,451,445</b>	<b>\$8,929,248</b>	<b>\$1,722,365</b>
Less Accumulated Depreciation (Note 5)	(47,883,495)	(41,085,009)	(2,454,395)	(3,404,109)	(939,981)
<b>Net Property and Plant</b>	<b>\$109,318,299</b>	<b>\$85,013,726</b>	<b>\$17,997,050</b>	<b>\$5,525,139</b>	<b>\$782,384</b>
<b>Buildings and Equipment (Note 6)</b>					
Buildings	\$1,902,893	\$1,902,893	\$0	\$0	\$0
Office Equipment	705,998	705,998	0	0	0
Laboratory Equipment	253,593	253,593	0	0	0
Trucks & Automobiles	1,220,229	1,220,229	0	0	0
Construction Equipment	790,971	790,971	0	0	0
Tools, Shop Equipment	223,938	223,938	0	0	0
<b>Sub-Total</b>	<b>\$5,097,622</b>	<b>\$5,097,622</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Less Accumulated Depreciation (Note 5)	(3,853,424)	(3,853,424)	0	0	0
<b>Net Buildings and Equipment</b>	<b>\$1,244,197</b>	<b>\$1,244,197</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Construction In Progress</b>					
Developer	\$621,696	\$605,197	\$0	\$12,096	\$4,402
District	2,640,174	1,123,443	1,243,651	237,929	35,151
<b>Total Construction in Progress</b>	<b>\$3,261,870</b>	<b>\$1,728,641</b>	<b>\$1,243,651</b>	<b>\$250,025</b>	<b>\$39,553</b>
<b>Net Utility Plant</b>	<b>\$113,824,366</b>	<b>\$87,986,564</b>	<b>\$19,240,701</b>	<b>\$5,775,164</b>	<b>\$821,937</b>
<b>Deferred Outflow of Resources</b>	<b>\$1,354,255</b>	<b>\$1,354,255</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL ASSETS</b>	<b>\$137,914,227</b>	<b>\$106,015,768</b>	<b>\$23,340,051</b>	<b>\$7,115,360</b>	<b>\$1,443,047</b>

**NORTH MARIN WATER DISTRICT  
STATEMENT OF NET POSITION  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	<b>TOTAL</b>	<b>NOVATO WATER</b>	<b>NOVATO RECYCLED</b>	<b>WEST MARIN WATER</b>	<b>OCEANA MARIN SEWER</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Trade Accounts Payable	\$1,950,050	\$1,815,846	\$132,790	\$0	\$1,414
Reimbursement Prog. Unclaimed Funds	6,440	6,440	0	0	0
Bond Debt Principal Payable-Current	22,000	0	0	22,000	0
Loan Debt Principal Payable-Current	1,418,328	789,203	627,161	1,964	0
Bank of Marin Principal Payable-Current	335,271	292,356	0	42,915	0
Bond/Loan Debt Interest Payable-Current	942	218	0	724	0
Accrued Interest Payable-SRF Loan	173,567	72,209	101,357	0	0
Deposits/Performance Bonds	199,141	176,641	0	20,500	2,000
Unemployment Insurance Reserve (Note 8)	19,710	19,710	0	0	0
Workers' Comp Future Claims Payable	14,363	13,358	373	474	158
Payroll Benefits (Note 9)	925,812	861,717	22,731	31,023	10,341
Due To Other Funds (Note 10)	0	0	0	0	0
Deferred Revenue	164,360	2,900	0	0	161,460
<b>Total Current Liabilities</b>	<b>\$5,229,982</b>	<b>\$4,050,597</b>	<b>\$884,413</b>	<b>\$119,599</b>	<b>\$175,373</b>
<b>Restricted Liabilities</b>					
Construction Advances	\$303,581	\$288,866	\$10,000	\$3,850	\$865
<b>Total Restricted Liabilities</b>	<b>\$303,581</b>	<b>\$288,866</b>	<b>\$10,000</b>	<b>\$3,850</b>	<b>\$865</b>
<b>Long Term Liabilities (Note 7)</b>					
Bonds Outstanding - PR6 (FmHA)	\$46,000	\$0	\$0	\$46,000	\$0
Bonds Outstanding - PRE1 (FmHA)	38,000	0	0	38,000	0
STP Rehab SRF Loan	10,840,721	10,840,721	0	0	0
RWF SRF Loan	2,404,935	0	2,404,935	0	0
RWS North/South Expansion SRF Loan	7,907,305	0	7,907,305	0	0
RWS Central Expansion SRF Loan	546,364	0	546,364	0	0
Bank of Marin Loan	6,172,221	5,382,177	0	790,044	0
Net Pension Liability @ 6/30/15 (Note 16)	8,619,837	8,619,837	0	0	0
Retiree Health Benefits Payable (Note 2)	1,022,194	1,022,194	0	0	0
<b>Total Long Term Liabilities</b>	<b>\$37,597,577</b>	<b>\$25,864,929</b>	<b>\$10,858,604</b>	<b>\$874,044</b>	<b>\$0</b>
<b>Deferred Inflow of Resources</b>	<b>806,744</b>	<b>806,744</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>\$43,937,884</b>	<b>\$31,011,136</b>	<b>\$11,753,017</b>	<b>\$997,493</b>	<b>\$176,237</b>

**NORTH MARIN WATER DISTRICT  
STATEMENT OF NET POSITION  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	TOTAL	NOVATO WATER	NOVATO RECYCLED	WEST MARIN WATER	OCEANA MARIN SEWER
<b>Net Assets</b>					
<b>Invested in Capital Assets</b>					
Contributions in Aid of Construction	\$76,532,369	\$69,610,140	\$4,104,370	\$2,138,348	\$679,511
Grants in Aid of Construction	7,583,383	324,890	4,431,306	2,827,187	0
Connection Fees	31,693,995	24,562,614	5,392,065	1,262,421	476,895
<b>Total Investment</b>	<b>\$115,809,747</b>	<b>\$94,497,644</b>	<b>\$13,927,741</b>	<b>\$6,227,956</b>	<b>\$1,156,406</b>
<b>Restricted Reserves</b>					
Connection Fee Fund	(\$4,487,959)	(\$4,594,817)	\$0	\$101,235	\$5,623
Wohler Pipeline Financing Fund	403,647	403,647	0	0	0
Collector #6 Financing Fund	1,587,038	1,587,038	0	0	0
Revenue Bond Redemption Fund	30,000	0	0	30,000	0
Bank of Marin Project Fund	692,354	37,053	0	655,301	0
Deer Island RWF Replacement Fund	1,133,844	0	1,133,844	0	0
Capital Replacement & Expansion Fund	1,198,480	0	1,198,480	0	0
RWS North/South SRF Payment Fund	614,299	0	614,299	0	0
<b>Designated Reserves</b>					
Liability Contingency Fund	922,285	823,400	0	98,885	0
Maintenance Accrual Fund	4,240,681	4,240,681	0	0	0
Self-Insured Workers' Compensation Fund	579,980	544,898	9,927	18,734	6,421
Retiree Medical Benefits Fund	2,689,537	2,689,537	0	0	0
Conservation Incentive Rate Fund	38,657	0	0	38,657	0
Operating Reserve Fund	239,667	0	0	179,667	60,000
Earned Surplus - Prior Yrs	(33,167,164)	(26,598,907)	(5,319,452)	(1,276,476)	27,672
Net Income/(Loss)	943,749	818,716	50,650	64,129	10,255
Prior Period Adjustment	(247,077)	(247,077)	0	0	0
Transfer (To)/From Reserves (see below)	754,579	802,821	(28,455)	(20,220)	434
<b>Total Restricted &amp; Designated</b>	<b>(\$21,833,404)</b>	<b>(\$19,493,012)</b>	<b>(\$2,340,708)</b>	<b>(\$110,089)</b>	<b>\$110,404</b>
<b>TOTAL NET POSITION</b>	<b>\$93,976,343</b>	<b>\$75,004,632</b>	<b>\$11,587,034</b>	<b>\$6,117,867</b>	<b>\$1,266,810</b>
<b>Transfer (To)/From Reserves</b>					
Connection Fee	799,844	800,157	0	(295)	(18)
Maintenance Reserve	(25,000)	(25,000)	0	0	0
RWF Replacement Fund	(29,444)	0	(29,444)	0	0
Capital Replacement & Expansion Fund	(96)	0	(96)	0	0
Retiree Medical Insurance Fund	(12,090)	(12,090)	0	0	0
(Gain)/Loss Self-Insured WC Fund	41,073	38,179	1,085	1,357	452
Bank of Marin Project Fund	(567)	1,575	0	(2,142)	0
Conservation Incentive Rate Fund	(2,805)	0	0	(2,805)	0
Operating Reserve Fund	(16,335)	0	0	(16,335)	0
<b>Total Transfer</b>	<b>\$754,579</b>	<b>\$802,821</b>	<b>(\$28,455)</b>	<b>(\$20,220)</b>	<b>\$434</b>

**NORTH MARIN WATER DISTRICT  
SOURCES AND USES OF FUNDS STATEMENT - ALL SERVICE AREAS COMBINED  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	<b>YTD Actual</b>	<b>Annual Budget</b>	<b>YTD/ Budget %</b>	<b>Prior YTD Actual</b>
<b>OPERATING REVENUE</b>				
Water Sales	\$4,955,333	\$14,751,000	34%	\$3,955,376
Bimonthly Service Charge	1,120,906	4,336,000	26%	1,083,130
Sewer Service Charge	53,820	214,000	25%	48,777
Wheeling & Misc Service Charges	84,366	347,000	24%	90,566
<b>TOTAL OPERATING REVENUE</b>	<b>\$6,214,425</b>	<b>\$19,648,000</b>	<b>32%</b>	<b>\$5,177,849</b>
<b>OPERATING EXPENDITURES</b>				
Source of Supply	\$2,019,164	\$4,869,000	41%	\$1,288,866
Pumping	115,544	366,000	32%	84,218
Operations	218,098	843,000	26%	179,688
Water Treatment	596,116	2,223,000	27%	521,982
Sewer Service	27,787	141,000	20%	29,186
Transmission & Distribution	732,432	3,272,000	22%	649,162
Consumer Accounting	150,050	653,000	23%	152,401
Water Conservation	79,712	480,000	17%	119,598
General & Administrative	393,658	2,247,000	18%	502,432
Depreciation	859,464	3,517,000	24%	828,663
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$5,192,025</b>	<b>\$18,611,000</b>	<b>28%</b>	<b>\$4,356,195</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$1,022,399</b>	<b>\$1,037,000</b>	<b>99%</b>	<b>\$821,654</b>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>				
Tax Proceeds	\$617	\$100,000	1%	\$606
Interest Revenue	37,527	105,000	36%	29,827
Miscellaneous Revenue	79,900	136,000	59%	56,742
Bond & Loan Interest Expense	(195,759)	(779,000)	25%	(204,950)
Miscellaneous Expense	(936)	(20,000)	5%	(16,860)
<b>TOTAL NON-OP REVENUE/(EXPENSE)</b>	<b>(\$78,650)</b>	<b>(\$458,000)</b>	<b>17%</b>	<b>(\$134,635)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$943,749</b>	<b>\$579,000</b>	<b>163%</b>	<b>\$687,019</b>
<b>OTHER SOURCES/(USES) OF FUNDS</b>				
Add Depreciation Expense	\$859,464	\$3,517,000	24%	\$828,663
Connection Fees	209,185	832,000	25%	143,000
Loan Proceeds	0	11,487,000	0%	0
Grant Proceeds	42,047	1,500,000	3%	19,124
Caltrans AEEP Capital Contribution	8,766	0	-	1,564,713
StoneTree RWF Loan Principal	34,842	212,000	16%	34,017
MMWD AEEP Capital Contribution	245,000	245,000	100%	245,000
Capital Equipment Expenditures	0	(245,000)	0%	0
Capital Improvement Projects	(401,635)	(16,856,000)	2%	(2,754,496)
Bond & Loan Principal Payments	(254,100)	(1,752,000)	15%	(246,070)
Change in Working Capital	(1,084,592)	0	-	(3,259,516)
<b>TOTAL OTHER SOURCES/(USES)</b>	<b>(\$341,023)</b>	<b>(\$1,060,000)</b>	<b>32%</b>	<b>(\$3,425,565)</b>
<b>CASH INCREASE/(DECREASE)</b>	<b>\$602,726</b>	<b>(\$481,000)</b>	<b>-</b>	<b>(\$2,738,546)</b>

**NORTH MARIN WATER DISTRICT  
INCOME STATEMENT AND CASH FLOW BY SERVICE AREA  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

<b><u>SUMMARY INCOME STATEMENT</u></b>	<b>TOTAL</b>	<b>NOVATO WATER</b>	<b>NOVATO RECYCLED</b>	<b>WEST MARIN WATER</b>	<b>OCEANA MARIN SEWER</b>
Operating Revenue	\$6,214,425	\$5,548,824	\$366,335	\$245,446	\$53,820
Operating Expense	5,192,025	4,709,047	260,829	176,476	45,672
<b>OPERATING INCOME/(LOSS)</b>	<b>\$1,022,399</b>	<b>\$839,776</b>	<b>\$105,506</b>	<b>\$68,969</b>	<b>\$8,148</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$162,935</b>	<b>\$158,281</b>	<b>(\$12,497)</b>	<b>\$20,560</b>	<b>(\$3,409)</b>
Non-Operating Revenue/(Expense)	(196,695)	(21,061)	(54,856)	(4,840)	2,107
<b>NET INCOME/(LOSS)</b>	<b>\$943,749</b>	<b>\$818,716</b>	<b>\$50,650</b>	<b>\$64,129</b>	<b>\$10,255</b>

**CAPITAL CONTRIBUTIONS**

RW Central Area Expansion Grant	\$42,047	\$0	\$42,047	\$0	\$0
Developer In-Kind Contributions	101,889	101,889	0	0	0
Caltrans AEEP Capital Contributions	8,766	8,766	0	0	0
MMWD Capital Contribution	245,000	245,000	0	0	0
Connection Fees	209,185	201,185	0	8,000	0
FRC Transfer	0	(242,225)	242,225	0	0
<b>CAPITAL CONTRIBUTIONS</b>	<b>\$606,887</b>	<b>\$314,615</b>	<b>\$284,272</b>	<b>\$8,000</b>	<b>\$0</b>
<b>CHANGE IN NET POSITION</b>	<b>\$1,303,559</b>	<b>\$886,254</b>	<b>\$334,921</b>	<b>\$72,129</b>	<b>\$10,255</b>
Net Position June 30, 2016	92,672,784	74,118,378	11,252,112	6,045,738	1,256,555
Net Position September 30, 2016	<u>\$93,976,343</u>	<u>\$75,004,632</u>	<u>\$11,587,034</u>	<u>\$6,117,867</u>	<u>\$1,266,810</u>

**CASH FLOW STATEMENT**

Net Income/(Loss)	\$943,749	\$818,716	\$50,650	\$64,129	\$10,255
Add Depreciation	859,464	681,495	118,003	48,409	11,557
<b>Cash Generated From Operations</b>	<b>\$1,803,213</b>	<b>\$1,500,211</b>	<b>\$168,652</b>	<b>\$112,538</b>	<b>\$21,812</b>
<b>Other Sources (Uses) of Funds</b>					
Connection Fee Revenue	\$209,185	\$201,185	\$0	\$8,000	\$0
Loan Proceeds	0	0	0	0	0
Grant Proceeds	42,047	0	42,047	0	0
Capital Assets Acquisition	(401,635)	(252,581)	(113,461)	(8,422)	(27,170)
Caltrans AEEP Capital Contribution	8,766	8,766	0	0	0
StoneTree RWF Loan Principal Pmts	34,842	0	34,842	0	0
MMWD AEEP Capital Contribution	245,000	245,000	0	0	0
Principal Paid on Debt	(254,100)	(88,298)	(142,812)	(22,990)	0
Consumer Receivables Decr (Incr)	(369,884)	(290,950)	7,991	(34,921)	(52,004)
Construction Advances (Decr) Incr	121,501	117,651	0	3,850	0
Other Assets/Liabilities Decr (Incr)	(722,663)	(659,630)	(56,118)	(6,154)	(761)
Trade Accounts Payable (Decr) Incr	(113,546)	(214,289)	100,743	0	0
Connection Fee Transfer	0	(242,225)	242,225	0	0
<b>Total Other Sources (Uses)</b>	<b>(\$1,200,487)</b>	<b>(\$1,175,371)</b>	<b>\$115,457</b>	<b>(\$60,637)</b>	<b>(\$79,935)</b>
<b>Net Cash Provided (Used)</b>	<b>\$602,726</b>	<b>\$324,840</b>	<b>\$284,110</b>	<b>\$51,901</b>	<b>(\$58,124)</b>
<b>MV Cash &amp; Investments June 30, 2016</b>	<b>13,032,102</b>	<b>10,608,716</b>	<b>823,013</b>	<b>1,136,711</b>	<b>463,662</b>
<b>MV Cash &amp; Investments Sept 30, 2016</b>	<u><b>\$13,634,829</b></u>	<u><b>\$10,933,556</b></u>	<u><b>\$1,107,123</b></u>	<u><b>\$1,188,611</b></u>	<u><b>\$405,539</b></u>

**NOVATO WATER**  
**DETAIL INCOME STATEMENT**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>OPERATING REVENUE</b>				
Water Sales	\$1,222,174	\$4,426,351	33%	\$3,483,227
Bill Adjustments	(18,743)	(32,087)	46%	(12,830)
Bimonthly Service Charges	382,209	1,071,282	26%	1,033,610
Account Turn-on Charges	5,571	19,340	26%	20,761
New Account Charges	780	2,280	29%	2,790
Returned Check Charges	421	682	68%	306
Hydrant Meter Up/Down Charges	300	500	-	100
Backflow Service Charges	11,659	33,797	26%	33,108
Lab Service-Outside Clients	(280)	7,529	28%	13,442
Wheeling Charges - MMWD	6,801	19,150	22%	18,894
Regulation 15 Forfeiture	0	0	0%	0
<b>TOTAL OPERATING REVENUE</b>	<b>\$1,610,892</b>	<b>\$5,548,824</b>	<b>31%</b>	<b>\$4,593,408</b>
<b>TOTAL EXPENDITURES</b>				
<b>SOURCE OF SUPPLY</b>				
Supervision & Engineering	\$1,131	\$2,727	15%	\$1,826
Operating Expense - Source	880	2,748	27%	1,952
Maint/Monitoring of Dam	1,709	16,913	27%	9,146
Maint of Lake & Intakes	1,027	1,027	7%	0
Maint of Structures	0	0	0%	0
Maint of Watershed	15,206	15,206	58%	78
Water Quality Surveillance	0	97	0%	353
Fishery Maint	0	0	0%	779
Erosion Control	382	382	19%	0
Purchased Water	524,024	1,870,181	42%	1,182,446
<b>SOURCE OF SUPPLY</b>	<b>\$544,359</b>	<b>\$1,909,281</b>	<b>41%</b>	<b>\$1,196,580</b>
<b>PUMPING</b>				
Operating Expense - Pumping	\$0	\$0	0%	\$0
Maint of Structures & Grounds	2,759	8,276	24%	3,412
Maint of Pumping Equipment	1,109	2,440	4%	4,504
Electric Power	29,405	92,669	42%	66,744
<b>PUMPING</b>	<b>\$33,274</b>	<b>\$103,385</b>	<b>32%</b>	<b>\$74,660</b>
<b>OPERATIONS</b>				
Supervision & Engineering	\$20,894	\$64,033	39%	\$59,888
Operating Expense - Operations	25,312	78,126	19%	68,842
Maintenance Expense	2,738	10,907	14%	3,661
Telemetry Equipment/Controls Maint	8,118	23,665	29%	5,501
Leased Lines	1,546	4,622	27%	4,337
<b>OPERATIONS</b>	<b>\$58,608</b>	<b>\$181,352</b>	<b>24%</b>	<b>\$142,229</b>

**NOVATO WATER**  
**DETAIL INCOME STATEMENT**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>WATER TREATMENT</b>				
Supervision & Engineering	\$11,481	\$34,451	37%	\$28,088
Operating Expense - Water Treatment	40,783	125,412	42%	104,477
Purification Chemicals	20,895	82,102	19%	93,151
Sludge Disposal	6,435	31,886	38%	26,221
Maint of Structures & Grounds	6,434	14,498	16%	10,716
Maint of Purification Equipment	4,015	34,030	21%	38,313
Electric Power	13,225	40,042	30%	26,718
Water Quality Programs	11,577	31,262	30%	26,945
Laboratory Direct Labor	37,161	102,640	26%	80,328
Lab Service-Outside Clients	3,138	12,412	16%	12,212
Water Quality Supervision	8,369	24,824	31%	15,755
Laboratory Supplies & Expense	8,110	20,361	26%	19,930
Customer Water Quality	4,130	13,939	20%	10,959
Lab Cost Distributed	(3,303)	(7,457)	31%	(5,702)
<b>WATER TREATMENT</b>	<b>\$172,449</b>	<b>\$560,401</b>	<b>27%</b>	<b>\$488,111</b>
<b>TRANSMISSION &amp; DISTRIBUTION</b>				
Supervision & Engineering	\$50,771	\$139,954	19%	\$130,128
Maps & Records	15,713	43,464	31%	13,059
Operation of T&D System	10,845	25,792	12%	19,773
Facilities Location	13,286	39,981	41%	25,312
Safety: Construction & Engineering	1,865	5,747	9%	5,975
Customer Service Expense	11,493	37,728	20%	42,088
Flushing	0	2,000	3%	101
Storage Facilities Expense	11,421	29,410	22%	27,652
Cathodic Protection	0	3,539	13%	1,484
Maint of Valves/Regulators	8,106	38,836	18%	24,443
Maint of Mains	3,378	36,987	31%	61,214
Leak Detection - Mains	431	1,956	12%	2,177
Backflow Prevention Program	16,841	40,257	23%	20,439
Maint of Copper Services	19,599	47,898	27%	25,437
Maint of PB Service Lines	59,300	161,134	35%	181,802
Single Service Installations	9,709	1,766	-	(1,485)
Maint of Meters	4,699	16,947	16%	21,239
Detector Check Assembly Maint	0	12,121	17%	20,886
Maint of Hydrants	5,001	8,828	11%	3,131
<b>TRANSMISSION &amp; DISTRIBUTION</b>	<b>\$242,458</b>	<b>\$694,346</b>	<b>22%</b>	<b>\$624,855</b>
<b>CONSUMER ACCOUNTING</b>				
Meter Reading	\$10,642	\$38,297	21%	\$34,863
Collection Expense - Labor	1,726	6,336	17%	7,359
Collection Expense - Agency	274	927	31%	376
Billing & Consumer Accounting	22,609	68,811	26%	65,538
Contract Billing	1,436	4,357	24%	4,312
Stationery, Supplies & Postage	4,653	14,684	23%	14,844
Credit Card Fees	3,261	7,353	29%	6,123
Lock Box Service	912	2,736	25%	2,736
Uncollectable Accounts	2,350	1,552	9%	3,539
Office Equipment Expense	410	1,390	6%	9,189
Distributed to West Marin (4.1%)	(1,371)	(4,104)	26%	(4,229)
<b>CONSUMER ACCOUNTING</b>	<b>\$46,901</b>	<b>\$142,339</b>	<b>23%</b>	<b>\$144,652</b>



**NOVATO WATER**  
**DETAIL INCOME STATEMENT**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>WATER CONSERVATION</b>				
Residential	\$18,222	\$67,910	18%	\$102,779
Commercial	102	647	3%	1,609
Public Outreach/Information	204	1,900	5%	8,014
Large Landscape	2,347	6,524	33%	4,693
<b>TOTAL WATER CONSERVATION</b>	<b>\$20,874</b>	<b>\$76,980</b>	<b>17%</b>	<b>\$117,096</b>
<b>GENERAL AND ADMINISTRATIVE</b>				
Directors Fees	\$7,154	\$18,393	56%	\$7,790
Legal Fees	2,854	4,257	33%	1,030
Human Resources	2,913	9,634	36%	12,074
Auditing Fees	3,300	16,100	95%	7,500
Consulting Services/Studies	0	2,428	1%	61,122
General Office Salaries	109,342	344,266	27%	309,393
Safety: General District Wide	2,642	7,001	11%	5,468
Office Supplies	1,014	4,634	10%	6,626
Employee Events	177	316	3%	4,017
Other Administrative Expense	993	2,889	22%	2,402
Dues & Subscriptions	750	18,848	31%	22,841
Vehicle Expense	676	2,028	25%	2,028
Meetings, Conferences & Training	9,839	43,850	21%	33,474
Recruitment Expense	200	326	11%	182
Gas & Electricity	3,863	11,470	37%	9,306
Telephone	667	2,160	27%	1,587
Water	0	380	19%	421
Buildings & Grounds Maint	3,675	11,772	22%	9,099
Office Equipment Expense	4,259	38,859	41%	30,723
Insurance Premiums & Claims	7,510	24,279	21%	43,112
Retiree Medical Benefits	13,346	40,041	23%	43,886
(Gain)/Loss on Overhead Charges	(45,562)	(131,881)	108%	(6,339)
G&A Applied to Other Operations (5.9%)	(10,299)	(32,937)	21%	(30,465)
G&A Applied to Construction	(23,286)	(79,646)	21%	(105,840)
<b>GENERAL &amp; ADMINISTRATIVE</b>	<b>\$96,027</b>	<b>\$359,466</b>	<b>17%</b>	<b>\$471,435</b>
<b>Depreciation</b> (Note 5)	<b>225,792</b>	<b>681,495</b>	<b>24%</b>	<b>649,049</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$1,440,742</b>	<b>\$4,709,047</b>	<b>28%</b>	<b>\$3,908,668</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$170,150</b>	<b>\$839,776</b>	<b>78%</b>	<b>\$684,740</b>

**NOVATO WATER**  
**DETAIL INCOME STATEMENT**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>NON-OPERATING REVENUE</b>				
Interest:				
General Funds	\$0	\$0	0%	(\$0)
Wohler Pipeline Financing Fund	435	1,319	66%	844
Collector #6 Financing Fund	1,712	5,188	65%	3,320
Retiree Medical Insurance Fund	3,996	12,090	67%	7,305
Self-Insured Workers' Comp Fund	602	2,022	51%	1,143
Aqueduct Energy Efficiency Proj Fund	42	127	-	1,704
Funds Held in County Treasury	802	802	20%	0
<b>Total Interest Revenue</b>	<b>\$7,589</b>	<b>\$21,547</b>	<b>41%</b>	<b>\$14,316</b>
Rents & Leases	4,756	32,207	39%	33,729
Other Non-Operating Revenue	41,015	48,896	98%	25,222
Gain/(Loss) on MV of Investments	2,602	(1,703)	-	(2,709)
<b>NON-OPERATING REVENUE</b>	<b>\$55,962</b>	<b>\$100,947</b>	<b>55%</b>	<b>\$70,558</b>
<b>NON-OPERATING EXPENSE</b>				
Bank of Marin AEEP Loan Interest Exp	\$16,238	\$48,917	24%	\$51,321
STP SRF Loan Interest Expense	23,546	72,209	26%	74,492
Drought Loan Interest Expense	73	218	22%	427
Other Non-Operating Expense	366	663	3%	2,804
<b>NON-OPERATING EXPENSE</b>	<b>\$40,223</b>	<b>\$122,008</b>	<b>24%</b>	<b>\$129,044</b>
<b>NET INCOME/(LOSS)</b>	<b>\$185,889</b>	<b>\$818,716</b>	<b>108%</b>	<b>\$626,254</b>
<b>BEGINNING FUND EQUITY</b>		<b>\$74,118,378</b>		<b>\$73,700,508</b>
NET INCOME/(LOSS)	185,889	818,716		626,254
CONTRIBUTED CAPITAL				
Developer 'In-Kind' Contributions	28,510	101,889	-	102,768
Caltrans AEEP Capital Contribution	2,198	8,766	0%	1,564,713
MMWD AEEP Capital Contribution	0	245,000	100%	245,000
Connection Fees	57,200	201,185	38%	143,000
FRC Transfer to Recycled Water	(122,583)	(242,225)	34%	(281,027)
Prior Period Adjustment	(247,077)	(247,077)	-	0
<b>ENDING FUND EQUITY</b>		<b>\$75,004,632</b>		<b>\$76,101,216</b>

**NOVATO RECYCLED WATER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>OPERATING REVENUE</b>				
Recycled Water Sales	\$105,355	\$358,893	49%	\$308,370
Bimonthly Service Charges	2,623	7,430	26%	7,381
Account Turn-on Charges	0	12	-	0
<b>TOTAL OPERATING REVENUE</b>	<b>\$107,978</b>	<b>\$366,335</b>	<b>48%</b>	<b>\$315,752</b>
<b>OPERATING EXPENSE</b>				
<b>SOURCE OF SUPPLY</b>				
Purchased Water - NSD	\$16,485	\$67,462	54%	\$57,842
Purchased Water - LGVSD	9,923	33,282	53%	23,668
<b>SOURCE OF SUPPLY</b>	<b>\$26,408</b>	<b>\$100,743</b>	<b>53%</b>	<b>\$81,511</b>
<b>PUMPING</b>				
Maint of Structures & Grounds	\$0	\$0	0%	\$0
Maint of Pumping Equipment	145	145	7%	251
Electric Power	466	1,253	42%	821
<b>PUMPING</b>	<b>\$611</b>	<b>\$1,397</b>	<b>23%</b>	<b>\$1,072</b>
<b>OPERATIONS</b>				
Supervision & Engineering	\$2,529	\$4,218	38%	\$2,371
Operating Expense - Operations	4,977	5,861	31%	5,773
Potable Water Consumed	42	424	4%	17,357
Maintenance Expense	1,348	2,533	36%	0
Telemetry Equipment/Controls Maint	4,407	5,832	58%	2,776
<b>OPERATIONS</b>	<b>\$13,303</b>	<b>\$18,868</b>	<b>33%</b>	<b>\$28,277</b>
<b>WATER TREATMENT</b>				
Purification Chemicals	\$494	\$809	20%	\$1,443
Maint of Purification Equipment	527	906	9%	570
Electric Power	0	0	0%	0
Laboratory Direct Labor	1,034	1,034	17%	675
Lab Expense Distributed from Novato	642	642	21%	421
<b>WATER TREATMENT</b>	<b>\$2,696</b>	<b>\$3,391</b>	<b>14%</b>	<b>\$3,108</b>
<b>TRANSMISSION &amp; DISTRIBUTION</b>				
Supervision & Engineering	\$819	\$2,821	16%	\$2,077
Maps & Records	72	72	-	0
Operation of T&D System	0	0	0%	0
Cathodic Protection	0	0	0%	0
Customer Service Expense	397	541	-	0
Storage Facilities Expense	0	2,060	21%	462
Maint of Valves/Regulators	0	22	2%	0
Maint of Meters	0	0	0%	0
Maint of Mains	0	7	-	420
<b>TRANSMISSION &amp; DISTRIBUTION</b>	<b>\$1,287</b>	<b>\$5,522</b>	<b>17%</b>	<b>\$2,959</b>

**NOVATO RECYCLED WATER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>CONSUMER ACCOUNTING</b>				
Distributed from Novato (3.6%)	\$66	\$197	20%	\$204
<b>CONSUMER ACCOUNTING</b>	\$66	\$197	20%	\$204
<b>GENERAL AND ADMINISTRATIVE</b>				
Consulting Services/Studies	\$0	\$723	-	\$0
Distributed from Novato (1.6%)	3,748	11,986	21%	11,086
<b>GENERAL &amp; ADMINISTRATIVE</b>	\$3,748	\$12,709	22%	\$11,086
<b>Depreciation</b> (Note 5)	39,335	118,003	25%	118,010
<b>TOTAL OPERATING EXPENSE</b>	\$87,454	\$260,829	31%	\$246,227
<b>OPERATING INCOME/(LOSS)</b>	\$20,524	\$105,506	(130%)	\$69,524
<b>NON-OPERATING REVENUE</b>				
Interest:				
General Funds	\$0	\$0	0%	\$0
RWF Replacement Fund	375	694	-	541
Capital Repl & Exp Fund	0	96	-	569
Self-Insured Workers' Comp Fund	11	39	-	21
StoneTree RWF Loan	3,391	10,311	26%	11,550
<b>Total Interest Revenue</b>	\$3,776	\$11,140	25%	\$12,679
<b>NON-OPERATING REVENUE</b>	\$3,776	\$11,140	25%	\$12,679
<b>NON-OPERATING EXPENSE</b>				
RWF SRF Loan Interest Expense	\$5,165	\$15,840	25%	\$17,084
Expansion SRF Loan Interest Expense	16,640	50,045	25%	52,450
Other Non-Operating Expense	0	111	-	13,890
Interest-Advance from Novato (Note 10)	0	0	-	0
<b>NON-OPERATING EXPENSE</b>	\$21,806	\$65,996	25%	\$83,424
<b>NET INCOME/(LOSS)</b>	\$2,495	\$50,650	(17%)	(\$1,220)
<b>BEGINNING FUND EQUITY</b>		\$11,252,112		\$11,264,553
NET INCOME/(LOSS)	2,495	50,650		(1,220)
FRC Transfer from Novato	122,583	242,225	34%	281,027
RW Central Area Expansion Grant	17,618	42,047	-	0
<b>ENDING FUND EQUITY</b>		\$11,587,034		\$11,544,360

**WEST MARIN WATER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>OPERATING REVENUE</b>				
Water Sales	\$64,361	\$211,525	35%	\$180,070
Bill Adjustments	(5,582)	(9,350)	-	(3,461)
Bimonthly Service Charges	14,065	42,194	25%	42,139
Account Turn-on Charges	0	70	7%	189
New Account Charges	0	30	3%	25
Returned Check Charges	33	51	-	18
Backflow Service Charges	0	926	19%	932
<b>TOTAL OPERATING REVENUE</b>	<b>\$72,877</b>	<b>\$245,446</b>	<b>32%</b>	<b>\$219,912</b>
<b>OPERATING EXPENSE</b>				
<b>SOURCE OF SUPPLY</b>				
Supervision & Engineering	\$0	\$44	-	\$0
Operating Expense	335	910	15%	1,613
Maint of Structures	0	7,925	66%	7,600
Water Quality Surveillance	0	261	7%	1,562
<b>SOURCE OF SUPPLY</b>	<b>\$335</b>	<b>\$9,140</b>	<b>42%</b>	<b>\$10,775</b>
<b>PUMPING</b>				
Maint of Structures and Grounds	\$319	\$2,293	19%	\$801
Maint of Pumping Equip	0	127	1%	1,082
Electric Power	1,769	8,341	56%	6,604
<b>PUMPING</b>	<b>\$2,088</b>	<b>\$10,761</b>	<b>29%</b>	<b>\$8,486</b>
<b>OPERATIONS</b>				
Supervision & Engineering	\$1,815	\$3,501	44%	\$3,719
Operating Expense	1,458	3,509	32%	3,906
Maint of Telemetry Lines	0	163	-	0
Maint of Telemetry Equipment	167	9,557	56%	875
Leased Lines	246	1,148	19%	682
<b>OPERATIONS</b>	<b>\$3,686</b>	<b>\$17,878</b>	<b>43%</b>	<b>\$9,182</b>
<b>WATER TREATMENT</b>				
Supervision & Engineering	\$420	\$1,062	18%	\$1,640
Operating Expense	1,103	3,436	17%	7,600
Purification Chemicals	631	2,940	59%	104
Maint of Structures & Grounds	0	0	0%	0
Maint of Purification Equipment	0	1,301	6%	1,997
Electric Power	1,685	5,797	21%	4,802
Laboratory Direct Labor	3,487	9,776	30%	8,035
Laboratory Services	0	560	14%	0
Water Quality Supervision	0	0	0%	572
Customer Water Quality	24	1,380	35%	1,005
Lab Expense Distributed from Novato	2,171	6,071	32%	5,008
<b>WATER TREATMENT</b>	<b>\$9,521</b>	<b>\$32,324</b>	<b>22%</b>	<b>\$30,763</b>

**WEST MARIN WATER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>TRANSMISSION &amp; DISTRIBUTION</b>				
Supervision & Engineering	\$664	\$1,450	9%	\$2,037
Maps & Records	0	0	0%	0
Facilities Location - USA	800	1,714	34%	1,078
Customer Service Expense	525	1,759	29%	4,165
Flushing	0	0	0%	0
Storage Facilities Expense	2,256	4,561	11%	2,344
Cathodic Protection	0	538	11%	0
Maint of Valves	0	768	13%	971
Valve Operation Program	0	0	0%	0
Maint of Mains	0	204	4%	2,961
Maint of Backflow Devices	0	0	0%	0
Backflow Dev Inspection/Survey	0	1,760	-	1,741
Maint of Copper Services	0	4,035	81%	4,784
Maint of PB Service Lines	51	11,764	107%	839
Maint of Meters	0	4,459	223%	427
Detector Check Assembly Maint	0	0	0%	0
Maint of Hydrants	0	0	0%	0
Hydrant Operation	0	0	0%	0
Single Service Installation	0	(446)	-	0
<b>TRANSMISSION &amp; DISTRIBUTION</b>	<b>\$4,295</b>	<b>\$32,565</b>	<b>23%</b>	<b>\$21,348</b>
<b>CONSUMER ACCOUNTING</b>				
Meter Reading	\$72	\$3,506	44%	\$3,116
Collection Expense - Labor	0	0	0%	266
Uncollectable Accounts	0	102	-	139
Distributed from Novato (3.6%)	1,167	3,483	27%	3,607
<b>CONSUMER ACCOUNTING</b>	<b>\$1,239</b>	<b>\$7,090</b>	<b>31%</b>	<b>\$7,127</b>
<b>WATER CONSERVATION</b>				
Water Conservation Program	\$408	\$2,732	14%	\$2,503
<b>TOTAL WATER CONSERVATION</b>	<b>\$408</b>	<b>\$2,732</b>	<b>14%</b>	<b>\$2,503</b>
<b>GENERAL AND ADMINISTRATIVE</b>				
Consulting Services/Studies	\$0	\$0	0%	\$0
Distributed from Novato (3.2%)	4,871	15,578	21%	14,409
<b>GENERAL &amp; ADMINISTRATIVE</b>	<b>\$4,871</b>	<b>\$15,578</b>	<b>14%</b>	<b>\$14,409</b>
<b>Depreciation</b> (Note 5)	<b>15,971</b>	<b>48,409</b>	<b>25%</b>	<b>49,130</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$42,416</b>	<b>\$176,476</b>	<b>24%</b>	<b>\$153,722</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$30,461</b>	<b>\$68,969</b>	<b>141%</b>	<b>\$66,190</b>

**WEST MARIN WATER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>NON-OPERATING REVENUE</b>				
Interest - General Funds	\$264	\$750	-	\$303
Interest - FRC	113	295	10%	372
Interest - Self-Insured WC Fund	21	70	-	0
Interest - Bank of Marin Project Fund	707	2,142	71%	1,371
Interest - CIR Fund	53	133	-	89
Rents & Leases	0	0	0%	0
Tax Proceeds - OL-2 G.O. Bond	0	0	-	0
Tax Proceeds - PR-2 Tax Allocation	1	299	1%	293
Other Non-Operating Revenue	0	0	-	0
<b>NON-OPERATING REVENUE</b>	<b>\$1,158</b>	<b>\$3,689</b>	<b>6%</b>	<b>\$2,427</b>
<b>NON-OPERATING EXPENSE</b>				
Bank of Marin Loan Interest Expense	\$2,384	\$7,180	26%	\$7,533
PRE-1 Revenue Bond Interest Exp	208	625	21%	763
PR-6 Revenue Bond Interest Exp	233	700	23%	825
Drought Loan Interest Expense	8	24	11%	55
Other Non-Operating Expense	0	0	-	167
<b>NON-OPERATING EXPENSE</b>	<b>\$2,833</b>	<b>\$8,529</b>	<b>25%</b>	<b>\$9,343</b>
<b>NET INCOME/(LOSS)</b>	<b>\$28,786</b>	<b>\$64,129</b>	<b>88%</b>	<b>\$59,275</b>
<b>BEGINNING FUND EQUITY</b>		<b>\$6,045,738</b>		<b>\$6,043,464</b>
NET INCOME/(LOSS)	28,786	64,129		59,275
CONTRIBUTED CAPITAL				
Developer 'In-Kind' Contributions	0	0	-	9,304
Connection Fees	0	8,000	35%	0
<b>ENDING FUND EQUITY</b>		<b>\$6,117,867</b>		<b>\$6,112,044</b>

**OCEANA MARIN SEWER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	SEPTEMBER 2016	YEAR TO DATE ACTUAL	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b>OPERATING REVENUE</b>				
Sewer Service Charges	\$17,940	\$53,820	25%	\$48,777
<b>TOTAL OPERATING REVENUE</b>	<b>\$17,940</b>	<b>\$53,820</b>	<b>25%</b>	<b>\$48,777</b>
<b>OPERATING EXPENSE</b>				
<b>SEWAGE COLLECTION</b>				
Supervision & Engineering	\$1,556	\$3,289	27%	\$1,638
Inspection	540	540	14%	0
Operating Expense	345	1,518	25%	3,909
Facilities Location	264	1,231	123%	327
Maint of Telemetry Equipment	1,165	3,098	155%	0
Maint of Lift Stations	30	750	9%	3,619
Maint of Manholes	0	0	0%	0
Maint of Sewer Mains	0	0	0%	0
Electric Power	936	3,156	35%	2,853
<b>SEWAGE COLLECTION</b>	<b>\$4,835</b>	<b>\$13,580</b>	<b>27%</b>	<b>\$12,345</b>
<b>SEWAGE TREATMENT</b>				
Operating Expense	\$1,413	\$4,326	14%	\$2,490
Treatment Supplies & Expense	0	0	0%	0
Maint of Structures	0	0	0%	71
Maint of Equipment	0	628	8%	219
Laboratory Direct Labor	789	1,197	20%	438
Lab Expense Distributed from Novato	490	743	37%	273
Electric Power	672	1,525	22%	1,877
<b>SEWAGE TREATMENT</b>	<b>\$3,364</b>	<b>\$8,419</b>	<b>15%</b>	<b>\$5,368</b>
<b>SEWAGE DISPOSAL</b>				
Operating Expense	\$3,309	\$4,525	38%	\$3,016
Maint of Pump Stations	126	255	3%	4,866
Maint of Storage Ponds	0	628	16%	122
Maint of Irrigation Field	380	380	4%	3,469
<b>SEWAGE DISPOSAL</b>	<b>\$3,814</b>	<b>\$5,787</b>	<b>18%</b>	<b>\$11,473</b>
<b>CONSUMER ACCOUNTING</b>				
Distributed from Novato (0.5%)	\$138	\$424	21%	\$418
<b>CONSUMER ACCOUNTING</b>	<b>\$138</b>	<b>\$424</b>	<b>21%</b>	<b>\$418</b>
<b>GENERAL AND ADMINISTRATIVE</b>				
Distributed from Novato (1.0%)	\$1,680	\$5,373	21%	\$4,970
Liability Insurance	177	532	27%	532
<b>GENERAL AND ADMINISTRATIVE</b>	<b>\$1,857</b>	<b>\$5,905</b>	<b>22%</b>	<b>\$5,501</b>
<b>Depreciation</b> (Note 5)	<b>3,594</b>	<b>11,557</b>	<b>25%</b>	<b>12,473</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$17,603</b>	<b>\$45,672</b>	<b>21%</b>	<b>\$47,578</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$337</b>	<b>\$8,148</b>	<b>(272%)</b>	<b>\$1,199</b>



**OCEANA MARIN SEWER  
DETAIL INCOME STATEMENT  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

	<u>SEPTEMBER 2016</u>	<u>YEAR TO DATE ACTUAL</u>	<u>YTD/ BUDGET%</u>	<u>PRIOR YTD ACTUAL</u>
<b><u>NON-OPERATING REVENUE</u></b>				
Rents & Leases	\$0	\$500	-	\$500
Interest - Connection Fee Reserve	6	18	-	0
Interest - General Funds	443	1,408	70%	685
Interest - Self Insured WC Fund	7	24	-	13
Tax Proceeds - OM-1/OM-3 Tax Alloc	1	318	1%	313
<b>NON-OPERATING REVENUE</b>	<u>\$458</u>	<u>\$2,269</u>	4%	<u>\$1,511</u>
<b><u>NON-OPERATING EXPENSE</u></b>				
Other Non-Operating Expense	\$162	\$162	-	\$0
<b>NON-OPERATING EXPENSE</b>	<u>\$162</u>	<u>\$162</u>	-	<u>\$0</u>
<b>NET INCOME/(LOSS)</b>	<u>\$633</u>	<u>\$10,255</u>	20%	<u>\$2,710</u>
<b>BEGINNING FUND EQUITY</b>		\$1,256,555		\$1,260,299
NET INCOME/(LOSS)	633	10,255		2,710
<b>CONTRIBUTED CAPITAL</b>				
Contribution in Aid of Construction	0	0	-	1,148
Connection Fees	0	0	0%	0
<b>ENDING FUND EQUITY</b>		<u>\$1,266,810</u>		<u>\$1,264,157</u>

**NORTH MARIN WATER DISTRICT  
CONNECTION FEE ANALYSIS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

The Connection Fee (FRC) Fund is comprised of cash available from collection of Facility Reserve Charge Fees. The FRC fee is charged to developers based upon the estimate of cost necessary to construct capacity to serve the new development. These funds are restricted by law for expansion of the facilities within the service area where the new development occurs. Funds are disbursed from the Connection Fee Reserve as expenditures to increase system capacity to serve new development are incurred.

		NOVATO WATER	WEST MARIN WATER	OCEANA MARIN SEWER
<b>CONNECTION FEE FUND</b>	<b>TOTAL</b>			
<b>Connection Fee Cash Balance 6/30/16</b>	\$114,868	\$0	\$109,263	\$5,605
Add: funds borrowed to subsidize operations	(\$5,170,616)	(\$5,170,616)	\$0	\$0
<b>Connection Fee Reserve Balance 6/30/16</b>	(\$5,055,748)	(\$5,170,616)	\$109,263	\$5,605
Add: Connection Fees Collected FYTD	209,185	201,185	8,000	0
Interest Earned	314	0	295	18
Prior Period Adjustment <sup>2</sup>	788,509	788,509	0	
Subtotal	(\$4,057,740)	(\$4,180,922)	\$117,558	\$5,623
Less: Fees Expended FYTD	187,993	171,670	16,323	0
Fees transferred to RWS FYTD (Note 14)	242,225	242,225	0	0
<b>Connection Fee Reserve Balance 9/30/16</b>	(\$4,487,958)	(\$4,594,817)	\$101,235	\$5,623
Less: Funds borrowed to subsidize operations	(4,594,817)	(4,594,817)	0	0
<b>CONNECTION FEE CASH BALANCE 9/30/16</b>	<b>\$106,858</b>	<b>\$0</b>	<b>\$101,235</b>	<b>\$5,623</b>
	<b>TOTAL PROJECT EXPENDITURE</b>	<b>% FUNDED BY CONNECTION FEES</b>	<b>TOTAL FROM CONNECTION FEES<sup>1</sup></b>	
<b>FY17 CONNECTION FEE EXPENDITURES</b>				
<b>Novato Water</b>				
Zone A Pressure Improvements	\$30,775	50%	\$15,388	
Bank of Marin AEEP Debt Service	120,510	25%	30,128	
Tank Access Hatch/Level Alarms	4,780	25%	1,195	
STP Rehab SRF Loan Debt Service	72,209	25%	18,052	
Lynwood PS Motor Control Center Replace	1,837	25%	(1,431)	
Advanced Meter Info Retrofit	141,747	25%	22,360	
SMART Crossing Upgrade	46,704	25%	11,676	
Meter Relocation-Plum St (14 Svcs)	61,089	50%	30,544	
Water Conservation Expenditures	43,181	100%	43,181	
Dam Concrete Spillway Repair	2,311	25%	578	
	<u>\$525,143</u>		<u>\$171,670</u>	
<b>Recycled Water</b>				
NBWRA Grant Program Administration	\$2,743	100%	\$2,743	
RW Expansion North Area Debt Service	216,362	100%	216,362	
RW Expansion South Area Debt Service	0	100%	0	
RW Expansion Central Area Local Share	23,120	100%	23,120	
	<u>\$242,225</u>		<u>\$242,225</u>	
<b>West Marin Water</b>				
Bank of Marin Debt Service	\$17,690	25%	\$4,422	
Replace PRE Tank #4A	47,603	25%	11,901	
	<u>\$65,293</u>		<u>\$16,323</u>	

<sup>1</sup> The Percentage Funded by Connection Fees is the percentage of total project cost paid by FRC funds, which are allocated to new growth based on historic NMWD practice. The Total From Connection Fees amounts shown are FRC (connection fee) expenditures only, and do not include operations funding, which is also used to pay for these projects.

<sup>2</sup> Recycled Water Facility SRF Loan Interest Expense relieved from Novato FRC FY08-FY16. Black Point Golf Links pays for 91.67% of the Debt Service through 2/28/24 and only the amount not paid by BPGL should be relieved from the FRC Fund.

**NORTH MARIN WATER DISTRICT  
ANALYSIS OF WORKER'S COMP, CONNECTION FEE AND CIR FUNDS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

		NOVATO	WEST MARIN	OCEANA	RECYCLED
	TOTAL	WATER	WATER	MARIN	WATER
				SEWER	
<b>WORKERS' COMPENSATION FUND</b>					
<b>WC Cash Balance 6/30/16</b>	\$716,297	\$671,654	\$23,234	\$7,921	\$13,488
Less: Projected Prior FY Claims Liability	95,244	88,577	3,143	1,048	2,476
<b>WC Reserve Balance 6/30/16</b>	\$621,053	\$583,077	\$20,091	\$6,873	\$11,012
Add: WC Expense Charged to Operations FYTD	47,750	44,408	1,576	525	1,242
Interest Earned	2,155	2,022	70	24	39
Subtotal	\$670,958	\$629,506	\$21,737	\$7,422	\$12,293
Less: Claims Expense Paid	74,125	68,936	2,446	815	1,927
Excess Insurance Premium	13,853	12,883	457	152	360
Administration Fees	3,000	2,790	99	33	78
<b>WC Reserve Balance 9/30/16</b>	\$579,980	\$544,897	\$18,734	\$6,421	\$9,927
Add: Projected Claims Liability	14,363	13,358	474	158	373
<b>WC CASH BALANCE 9/30/16</b>	<u>\$594,343</u>	<u>\$558,255</u>	<u>\$19,208</u>	<u>\$6,579</u>	<u>\$10,301</u>
<b>CONSERVATION INCENTIVE RATE FUND</b>					
<b>CIR Cash Balance 6/30/16</b>	\$35,852	\$0	\$35,852		
Add funds borrowed to subsidize operations	0	0	0		
<b>CIR Reserve Balance 6/30/16</b>	\$35,852	\$0	\$35,852		
Add: CIR Charges Billed FYTD	51,765	42,332	9,433		
Regulation 15 Forfeitures	0	0	0		
Interest Earned	133	0	133		
Subtotal	\$87,750	\$42,332	\$45,418		
Less: CIR Funds Expended FYTD <sup>1</sup>	36,531	33,799	2,732		
Bill Adjustments	12,563	8,534	4,029		
<b>CIR Reserve Balance 9/30/16</b>	\$38,657	\$0	\$38,657		
Less funds borrowed to subsidize operations	0	0	0		
<b>CIR CASH BALANCE 9/30/16</b>	<u>\$38,657</u>	<u>\$0</u>	<u>\$38,657</u>		

<sup>1</sup> On September 1, 2009 the Board authorized water conservation expenditures to be charged against the Conservation Incentive Rate Fund

**NORTH MARIN WATER DISTRICT  
EQUIPMENT EXPENDITURES  
PERIOD ENDING SEPTEMBER 30, 2016**

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	SEPTEMBER 2016	FYTD TOTAL	FY 16/17 BUDGET	(OVER) UNDER	Notes
<b>1 CONSTRUCTION</b>					
a. Leak Detector		\$0	\$8,000	\$8,000	1
b. Fittings & Hose for Emergency Hose Trailer		0	6,000	6,000	
	\$0	\$0	\$14,000	\$14,000	
<b>2 OPERATIONS/MAINTENANCE</b>					
a. STP Manganese Analyzer		\$0	\$13,000	\$13,000	1
b. Lab Info Management Sys Software Upgrade		0	70,000	70,000	1
	\$0	\$0	\$83,000	\$83,000	
<b>3 VEHICLE &amp; ROLLING EQUIPMENT EXPENDITURES</b>					
a. Compact Track Loader w/Attachments		\$0	\$90,000	\$90,000	1
b. 1/2 Ton 4x4 Pickup w/Tool Box & Radio		0	30,000	30,000	1
c. 1/2 Ton Pickup w/Tool Box & Radio	0	0	28,000	28,000	1
	\$0	\$0	\$148,000	\$148,000	
<b>TOTAL EQUIPMENT EXPENDITURES</b>	\$0	\$0	\$245,000	\$245,000	

Notes:

(1) Replacement item.

**NORTH MARIN WATER DISTRICT  
OVERHEAD ACCOUNT ANALYSIS  
FOR PERIOD ENDING SEPTEMBER 30, 2016**

	YEAR TO DATE ACTUAL	ANNUAL BUDGET	YTD/ BUDGET%	PRIOR YTD ACTUAL
<b><u>Material Handling</u></b>				
Material Overhead Recovered (15%)	\$12,864	\$125,000	10%	\$11,383
Labor	\$15,252	\$105,000	15%	\$15,278
Materials, Supplies & Expense	495	9,000	5%	1,841
Correction to Inventory Counts	(1,147)	0	-	(144)
Write-down of Obsolete Inventory	0	0	-	0
Depreciation	2,509	11,000	23%	3,033
	<u>\$17,109</u>	<u>\$125,000</u>	14%	<u>\$20,008</u>
Net Material Handling Gain / (Loss)	<u>(\$4,245)</u>	<u>\$0</u>	-	<u>(\$8,625)</u>
Const Supplies Overhead Recovered (10%)	\$67,419	\$312,000	22%	\$54,503
Labor	\$13,227	\$95,000	14%	\$15,600
Materials, Supplies & Expense	18,364	94,000	20%	19,348
Small Tools	1,407	24,000	6%	1,990
Depreciation	789	4,000	20%	1,070
	<u>\$33,788</u>	<u>\$217,000</u>	16%	<u>\$38,008</u>
Net Constr Supplies Gain / (Loss)	<u>\$33,631</u>	<u>\$95,000</u>	35%	<u>\$16,495</u>
<b><u>Vehicle &amp; Equipment</u></b>				
Vehicle & Equipment Recovered <sup>1</sup>	\$89,538	\$380,000	24%	\$107,759
Labor	\$12,691	\$95,000	13%	\$13,798
Materials, Supplies & Expense	14,831	80,000	19%	27,717
Fuel	16,529	87,000	19%	21,722
Depreciation	33,119	136,000	24%	32,152
	<u>\$77,169</u>	<u>\$398,000</u>	19%	<u>\$95,389</u>
Net Vehicle & Equip Gain / (Loss)	<u>\$12,368</u>	<u>(\$18,000)</u>	-69%	<u>\$12,370</u>
<b><u>Payroll</u></b>				
Overheaded Payroll Recovered	\$1,943,256	\$8,088,000	24%	\$1,735,875
Salary Including Leave Time	\$1,227,595	\$5,379,000	23%	\$1,216,397
Employer FICA & Medicare Tax	94,434	396,000	24%	91,790
Insurance <sup>2</sup>	226,661	1,025,000	22%	210,938
Worker's Compensation	10,097	101,000	10%	32,697
Retiree Medical Accrual	19,625	84,000	23%	19,125
CalPERS Retirement	243,606	1,004,000	24%	233,371
Unreconciled Difference	31,111			(54,543)
	<u>\$1,853,130</u>	<u>\$7,989,000</u>	23%	<u>\$1,749,775</u>
Net Payroll Gain / (Loss)	<u>\$90,126</u>	<u>\$99,000</u> <sup>3</sup>		<u>(\$13,900)</u>
<b>Total Overhead Gain / (Loss)</b>	<b><u>\$131,881</u></b>	<b><u>\$176,000</u></b>	<b>75%</b>	<b><u>\$6,340</u></b>

<sup>1</sup> Vehicle & Equipment Recovered is the amount charged to projects and operations to recover the expense of owning and operating the asset. The recovery rate is \$6/hr. for vehicles 3/4-ton and under \$11/hr. for larger vehicles. An additional 50% is charged to developer projects to reflect the fair market value of the asset used.

<sup>2</sup> Insurance Includes Medical, Dental, Vision, Cafeteria, Life

<sup>3</sup> Projected gain on self-insured worker's compensation gives rise to the budgeted payroll gain.

**NORTH MARIN WATER DISTRICT  
EXPENDITURES BY CATEGORY  
FOR PERIOD ENDING SEPTEMBER 30, 2016**

OPERATING EXPENSE		Novato	Recycled	West Marin	Oceana Marin	YTD Total	Annual Budget	YTD Budget %	Prior YTD Actual	% Change
1	Salaries & Benefits	\$1,634,601	\$19,126	\$53,591	\$17,279	\$1,724,596	\$6,848,000	25%	\$1,439,536	19 %
2	Water Purchases	1,870,181	100,743	0	0	1,970,924	4,669,000	42%	1,263,957	55 %
3	Depreciation	681,495	118,003	48,409	11,557	859,464	3,517,000	24%	828,663	3 %
4	Materials, Services & Supplies	340,879	5,625	23,861	3,579	373,945	1,684,000	22%	403,026	-7 %
5	Consulting Services/Studies	2,428	723	0	0	3,151	490,000	1%	61,122	-94 %
6	Chemicals	82,102	809	2,940	0	85,851	436,000	20%	94,697	-9 %
7	Electric Power	132,711	1,253	14,138	4,681	152,783	414,000	37%	110,419	38 %
8	Vehicles and Equipment (Distrib)	62,903	560	4,340	1,138	68,941	282,000	24%	71,933	-4 %
9	Tools & Supplies (Distrib)	57,135	1,163	2,964	1,110	62,373	186,000	34%	40,843	52 %
10	Retiree Medical Expenses	40,041	0	0	0	40,041	173,000	23%	43,886	-8 %
11	Water Conservation Rebates	16,999	0	1,100	0	18,099	160,000	11%	39,331	-53 %
12	Insurance & Claims	24,279	0	0	532	24,810	145,000	17%	43,644	-43 %
13	Office Supplies & Postage	19,318	0	0	0	19,318	110,000	18%	27,593	-29 %
14	Overhead Charges (Gain)/Loss	(131,881)	0	0	0	(131,881)	(122,000)	108%	(6,339)	1980 %
15	Distributed Costs (Lab,G&A,ConsAcctg)	(124,144)	12,825	25,132	5,797	(80,390)	(381,000)	21%	(106,113)	-24 %
16	<b>Total Operating Expense</b>	<b>\$4,709,047</b>	<b>\$260,829</b>	<b>\$176,476</b>	<b>\$45,672</b>	<b>\$5,192,025</b>	<b>\$18,611,000</b>	<b>28%</b>	<b>\$4,356,195</b>	<b>19 %</b>
17	Interest Expense & Other	122,008	65,996	8,529	162	196,695	799,000	25%	221,810	-11 %
18	<b>Total Expense</b>	<b>\$4,831,055</b>	<b>\$326,826</b>	<b>\$185,006</b>	<b>\$45,834</b>	<b>\$5,388,720</b>	<b>\$19,410,000</b>	<b>28%</b>	<b>\$4,578,006</b>	<b>17 %</b>
<b><u>Warehouse, Shop &amp; Yard</u></b>										
19	Salaries & Benefits	\$41,170	\$0	\$0	\$0	\$41,170	\$292,000	14%	\$44,676	-7 %
20	Materials, Services & Supplies	50,479	0	0	0	50,479	156,000	32%	\$72,476	-30 %
21	Depreciation	36,417	0	0	0	36,417	151,000	24%	\$36,255	0 %
22	Distributed Costs	(128,065)	0	0	0	(128,065)	(599,000)	21%	(153,406)	-16 %
23	<b>Total W/H, Shop &amp; Yard</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-</b>	<b>\$0</b>	<b>-</b>
<b><u>District Capital Outlay</u></b>										
24	Salaries & Benefits	\$87,107	\$59,980	\$6,135	\$7,049	\$160,270	\$808,000	20%	\$231,567	-30 %
25	Equipment Expenditures	0	0	0	0	0	245,000	0%	0	-
26	Debt Principal Payments	88,298	142,812	22,990	0	254,100	1,752,000	15%	246,070	3 %
27	Materials, Services & Supplies	170,138	53,481	2,288	20,122	246,029	16,048,000	2%	2,522,929	-90 %
28	<b>Total District Capital Outlay</b>	<b>\$345,543</b>	<b>\$256,273</b>	<b>\$31,412</b>	<b>\$27,170</b>	<b>\$660,399</b>	<b>\$18,853,000</b>	<b>4%</b>	<b>\$3,000,565</b>	<b>-77 %</b>
<b><u>Developer Funded Projects</u></b>										
29	Salaries & Benefits	\$45,602	\$0	\$150	\$0	\$45,752	\$217,000	21%	\$47,296	-3 %
30	Materials, Services & Supplies	59,974	0	56	0	60,030	124,000	48%	66,102	-9 %
31	<b>Total Developer Projects</b>	<b>\$105,576</b>	<b>\$0</b>	<b>\$206</b>	<b>\$0</b>	<b>\$105,782</b>	<b>\$341,000</b>	<b>31%</b>	<b>\$113,398</b>	<b>-6 %</b>
32	<b>Total</b>	<b>\$5,282,174</b>	<b>\$583,099</b>	<b>\$216,624</b>	<b>\$73,004</b>	<b>\$6,154,901</b>	<b>\$38,604,000</b>	<b>16%</b>	<b>\$7,691,969</b>	<b>-19 %</b>

**NORTH MARIN WATER DISTRICT  
VEHICLE FLEET ANALYSIS  
FOR PERIOD ENDING SEPTEMBER 30, 2016**

Fiscal Year to Date								Vehicle Cost per Mile				
Year	Description	Veh#	Assigned	Mileage	Expense <sup>1</sup>	Recovery <sup>2</sup>	Gain/(Loss)	Mileage	Life to Date	FY17	FY16	FY15
1	1999 Dodge Ram 1500	32	STP	184	\$117	\$326	\$209	82,872	\$0.44	\$0.64	\$1.21	\$0.39
2	2002 Chev K1500 4x4	47	LeBrun	1,829	\$414	\$894	\$480	121,078	\$0.36	\$0.00	\$0.42	\$0.53
3	2003 Dodge Dakota 4x4	49	Stompe	1,603	\$395	\$931	\$536	95,007	\$0.41	\$0.25	\$0.33	\$0.38
4	2004 Chev C1500	53	STP	981	\$546	\$492	(\$54)	120,934	\$0.46	\$0.56	\$0.67	\$0.40
5	2004 Chev C1500 Xtra Cab	54	Pool	567	\$1,090	\$348	(\$742)	94,035	\$0.46	\$1.92	\$3.67	\$0.39
6	2005 Honda Civic Hybrid	56	Engineering	235	\$14	\$222	\$208	76,126	\$0.24	\$0.06	\$0.44	\$0.29
7	2005 Honda Civic Hybrid	57	Clark	3,670	\$511	\$1,091	\$580	72,167	\$0.24	\$0.14	\$0.20	\$0.58
8	2005 Ford Ranger	58	Pool	562	\$177	\$144	(\$33)	126,497	\$0.44	\$0.00	\$0.33	\$0.42
9	2005 Ford Ranger	59	Bynum	3,371	\$1,981	\$3,050	\$1,068	121,955	\$0.46	\$0.59	\$0.39	\$0.65
10	2006 Chev Colorado	501	Pool	280	\$180	\$132	(\$48)	135,882	\$0.38	\$0.64	\$0.40	\$0.42
11	2007 Chev K2500 4x4	502	Corda, Joe	1,834	\$679	\$2,684	\$2,005	90,205	\$0.54	\$0.37	\$0.67	\$0.50
12	2007 Chev Colorado	504	Frazer	3,502	\$1,501	\$3,170	\$1,669	51,650	\$0.44	\$0.43	\$0.35	\$0.71
13	2008 Ford F250 4x4	505	Cilia	1,832	\$3,006	\$2,248	(\$758)	86,686	\$0.72	\$1.64	\$0.56	\$0.62
14	2008 Ford F250 4x4	506	STP	1,603	\$658	\$1,312	\$654	59,204	\$0.78	\$0.41	\$0.57	\$0.96
15	2008 Chev Colorado 4x4	509	Engineering	839	\$392	\$488	\$95	93,705	\$0.34	\$0.47	\$0.41	\$0.33
16	2009 Toyota Prius Hybrid	510	Engineering	594	\$34	\$432	\$398	95,329	\$0.20	\$0.06	\$0.40	\$0.35
17	2010 Ford F150 4x4	511	STP	2,804	\$1,273	\$1,829	\$556	64,387	\$0.48	\$0.45	\$0.54	\$0.41
18	2010 Ford F150	512	Kurfirst	2,498	\$1,864	\$3,511	\$1,646	88,442	\$0.50	\$0.75	\$0.74	\$0.36
19	2010 Ford F150	513	On-Call	3,909	\$1,560	\$1,491	(\$69)	57,202	\$0.44	\$0.40	\$0.69	\$0.41
20	2012 Ford F250	515	Reed	1,340	\$574	\$1,626	\$1,052	37,779	\$0.61	\$0.43	\$0.47	\$0.66
21	2012 Ford F250	516	Castellucci	2,729	\$1,984	\$2,256	\$271	38,959	\$0.55	\$0.73	\$2.44	\$0.48
22	2014 Ford F150	517	Grisso	580	\$97	\$730	\$633	6,754	\$0.42	\$0.17	\$0.66	\$0.33
23	2015 Ford F250 4x4	518	Kehoe, Chris	3,684	\$1,006	\$3,534	\$2,528	39,688	\$0.37	\$0.27	\$0.38	\$0.37
24	2015 Ford Escape 4X4	520	Arendell	4,383	\$734	\$2,600	\$1,866	19,623	\$0.27	\$0.17	\$0.31	\$0.16
25	2015 Ford F150 4X4	521	Lemos	2,862	\$425	\$1,143	\$718	15,290	\$0.33	\$0.15	\$0.36	\$1.95
26	2016 Nissan Frontier	522	Roberto	1,540	\$1,037	\$1,824	\$787	4,975	\$0.49	\$0.67	-	-
27	2017 Ford Escape 4X4	523	Lab	2,252	\$131	\$1,426	\$1,295	2,637	\$0.07	\$0.06	-	-
Total 3/4 Ton & Under				52,067	22,381	39,931	17,550	1,899,068	\$0.43	\$0.43	\$0.48	\$0.46
1	1999 Ford F350 W/Svc Body	19	Pool	213	\$697	\$215	(\$483)	131,965	\$0.78	\$3.27	\$2.42	\$1.05
2	2002 Int'l 5 Yd Dump	44	Construction	1,312	\$2,280	\$4,510	\$2,230	94,902	\$1.60	\$1.74	\$1.51	\$1.49
3	1999 Ford F550 3-Yd Dump <sup>3</sup>	52	Construction	1,134	\$976	\$3,162	\$2,186	86,410	\$0.96	\$0.86	\$1.15	\$1.22
4	2006 Int'l 4300 Crew	503	Breit	761	\$861	\$5,368	\$4,507	35,631	\$2.53	\$1.13	\$2.19	\$2.69
5	2008 Ford F350 4x4	507	Latanyshyn	2,882	\$2,239	\$3,747	\$1,509	104,133	\$0.79	\$0.78	\$0.73	\$0.63
6	2009 Peterbilt 335 Crew	508	Ortiz	756	\$1,289	\$5,181	\$3,892	26,373	\$1.91	\$1.71	\$1.35	\$1.98
7	2012 Int'l 5 Yd Dump	514	Rupp	1,171	\$1,696	\$3,443	\$1,747	25,192	\$1.48	\$1.45	\$1.15	\$1.24
8	2015 Int'l 5 Yd Dump	519	Sjoblom	1,830	\$1,611	\$4,725	\$3,114	17,504	\$0.93	\$0.88	\$0.78	\$1.14
Total 1 Ton & Over				10,059	\$11,649	\$30,349	\$18,701	522,110	\$1.18	\$1.16	\$1.14	\$1.24

<sup>1</sup> Expense amount shown excludes depreciation (approximately \$100,000 for FY17).

<sup>2</sup> Recovery is the amount charged to projects and operations to recover the expense of owning and operating the vehicle. Commencing 7/1/07 the recovery rate for vehicles 3/4-ton and under is \$6/hr and the recovery rate for vehicles 1-ton and over is \$11/hr. An additional 50% is charged to developer projects to reflect the fair market value of the vehicle being used.

<sup>3</sup> Purchased used in 2004 with 33,500 miles. Mileage shown is total incurred since District purchase.

**NORTH MARIN WATER DISTRICT  
WATER CONSERVATION PROGRAM DETAIL  
FOR PERIOD ENDING SEPTEMBER 30, 2016**

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Description		COST THRU JUNE 2016	SEPTEMBER 2016	FYTD TOTAL	FY 16/17 BUDGET	(OVER) UNDER	TOTAL COST
<b>NOVATO</b>							
a. Residential							
1-7700-01	1-7700-26 1 Cash for Grass	\$378,476	\$4,512	\$10,737	\$75,000	\$64,263	\$389,214
1-7700-02	1-7700-27 2 Landscape Efficiency Rebates	22,667	0	442	7,000	6,558	23,109
1-7700-03	3 Fixtures Purchases	44,652	0	0	5,000	5,000	44,652
1-7700-06	1-7700-28 4 Washing Machine Rebates	343,746	531	1,540	20,000	18,461	345,286
1-7700-07	5 Demonstration Garden Improvements	54,416	0	0	1,000	1,000	54,416
1-7700-11	1-7700-29 6 Toilet Rebate SF	964,946	2,906	8,076	34,000	25,924	973,022
1-7700-12	1-7700-30 7 Toilet Rebate MF	18,173	0	0	4,000	4,000	18,173
1-7700-13	8 Residential Audits	328,236	1,216	10,975	50,000	39,025	339,211
1-7700-15	9 High Efficiency Toilet Distribution	242,177	0	0	0	0	242,177
1-7700-16	10 Water Waste Ordinance Monitoring	85,576	1,660	5,387	10,000	4,613	90,963
1-7700-17	1-7700-31 11 Swimming Pool Cover Rebate	2,997	0	111	2,000	1,889	3,108
1-7700-19	1-7700-32 12 ET Controller Rebate	30,385	0	967	8,000	7,033	31,353
1-7700-08	13 Administration	1,312,551	6,131	25,756	140,000	114,244	1,338,307
1-7700-20	14 New Development Wtr Cons Program	73,519	1,172	3,723	8,000	4,277	77,242
1-7700-21	1-7700-33 15 Demand Offset Rebate Program	2,797	0	0	2,000	2,000	2,797
1-7700-23	16 Grant Administration	2,314	0	102	1,000	898	2,416
1-7700-24	1-7700-34 17 Hot Water Recirculation Rebate	1,927	94	94	4,000	3,906	2,021
1-7700-25	18 Residential Fill Station	66,064	0	0	10,000	10,000	66,064
b. Commercial							
1-7701-02	1-7701-05 1 Toilet Rebate Program	66,961	0	(0)	10,000	10,000	66,961
1-7701-03	1-7701-04 2 Commercial Audits	15,890	102	647	9,000	8,353	16,537
c. Public Outreach/Information							
1-8672-16	1 Fall Newsletter	56,769	0	0	8,000	8,000	56,769
1-8672-17	2 Spring Newsletter	74,879	0	0	9,000	9,000	74,879
1-8672-18	3 Summer Newsletter	20,290	0	0	0	0	20,290
1-7700-04	4 Public Outreach / H <sub>2</sub> O Fair	110,892	0	102	7,000	6,898	110,994
1-7700-05	5 Marketing	149,846	204	1,798	16,000	14,202	151,644
1-7700-22	6 Public Outreach/Leadership Novato	11,098	0	0	0	0	11,098
d. Large Landscape							
1-8653-02	1 Large Landscape Audits	89,427	0	0	5,000	5,000	89,427
1-7702-01	2 Large Landscape Budgets	36,181	43	277	1,000	723	36,457
1-7702-02	1-7702-04 3 Large Landscape Irrig Efficiency Rebates	14,460	0	147	4,000	3,853	14,607
1-8653-01	4 CIMIS Station Maintenance	18,653	0	0	2,000	2,000	18,653
1-7702-03	6 Administration-Large Landscape	40,984	2,304	6,100	8,000	1,900	47,084
<b>TOTAL NOVATO WATER CONSERVATION</b>		<b>\$4,681,949</b>	<b>\$20,874</b>	<b>\$76,980</b>	<b>\$460,000</b>	<b>\$383,020</b>	<b>\$4,758,929</b>
<b>WEST MARIN WATER</b>							
2-5166-00	a. Water Conservation Program	\$81,581	\$408	\$2,732	\$22,000	\$19,268	\$84,313
<b>TOTAL WATER CONSERVATION EXPENDITURES<sup>1</sup></b>		<b>\$81,581</b>	<b>\$408</b>	<b>\$2,732</b>	<b>\$22,000</b>	<b>\$19,268</b>	<b>\$84,313</b>

<sup>1</sup> FY17 total excludes \$209,713 (5,001.5 AF x \$41.93) paid to SCWA for water conservation services provided to NMWD.



**NORTH MARIN WATER DISTRICT  
CAPITAL IMPROVEMENT PROJECTS  
PERIOD ENDING SEPTEMBER 30, 2016**

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Description	COST THRU JUNE 2016	SEPTEMBER 2016	FYTD TOTAL	FY 16/17 BUDGET	(OVER)/UNDER BUDGET	TOTAL COST
<b>1 PIPELINE REPLACEMENTS/ADDITIONS</b>						
a. Main/Pipeline Replacements						
1-7161-00 1 Ridge Road 6" ACP (8" @ 1,400')	\$0	\$7,035	\$15,020	\$315,000	\$299,980	\$15,020
1-7168-00 2 Center Rd 6" CIP (8"@1,300')	0	3,277	4,844	0	(4,844)	4,844
b. Main/Pipeline Additions						
1-7150-00 1 San Mateo 24" Inlet/Outlet Pipe (2,200')	15,291	0	0	150,000	150,000	15,291
c. PB Service Line Replacements						
1-7139-xx 1 Replace PB in Sync w/City Paving (30 Svcs)	0	0	0	70,000	70,000	0
1-7123-xx 2 Other PB Replacements (85 Services)	0	0	0	200,000	200,000	0
1-7169-00 3 Country Lane 2" Plastic	0	349	349	0	(349)	349
d. Relocations to Sync w/City & County CIP						
1-8737-05 1 Meter Relocations-Plum St (14 Svcs, 1 Hydrant)	0	6,712	61,089	0	(61,089)	61,089
1-8737-xx 2 Other Relocations	0	0	0	80,000	80,000	0
<b>TOTAL PIPELINE REPLACEMENTS/ADDITIONS</b>	<b>\$15,291</b>	<b>\$17,373</b>	<b>\$81,303</b>	<b>\$815,000</b>	<b>\$733,698</b>	<b>\$96,593</b>
e. Aqueduct Replacements & Enhancements						
1-7118-02 1 MSN B2-Utility Agreement Costs*	\$61,355	\$0	\$4,444	\$0	(\$4,444)	\$65,799
<b>2 SYSTEM IMPROVEMENTS</b>						
1-7008-13 a. RTU Upgrades	\$0	\$3,307	\$6,466	\$15,000	\$8,535	\$6,466
1-7007-10 b. Detector Check Assembly Repair/Repl (~14/yr)	0	3,710	10,558	190,000	179,442	10,558
1-7090-03 c. Anode Installations (150/yr)	0	0	0	30,000	30,000	0
1-7132-03 d. Radio Telemetry	0	2,200	5,067	25,000	19,933	5,067
1-7146-00 e. Tank Access Hatch/Level Alarms (15 sites)	99,025	0	0	40,000	40,000	99,025
1-7157-00 f. Automate Zone Valve-Slowdown Ct	1,112	0	0	100,000	100,000	1,112
1-7158-00 g. Radio Read Meter Retrofit (Pilot Study/Install) <sup>1</sup>	88,565	29,992	53,181	3,000,000	2,946,819	141,747
1-7136-00 h. Facilities Security Enhancements	34,067	0	0	25,000	25,000	34,067
1-6504-20 i. 25 Giacomini Exterior Paint	0	0	0	8,000	8,000	0
1-7145-00 j. Zone A Pressure Improvements-BMK Intertie	319,547	1,760	30,775	0	(30,775)	350,322
<b>TOTAL SYSTEM IMPROVEMENTS</b>	<b>\$542,318</b>	<b>\$40,969</b>	<b>\$106,046</b>	<b>\$3,433,000</b>	<b>\$3,326,954</b>	<b>\$648,364</b>
<b>3 BUILDINGS, YARD, &amp; S.T.P. IMPROVEMENTS</b>						
a. Administration Building						
1-6501-43 1 Electronic Document Management System	\$0	\$0	\$0	\$150,000	\$150,000	\$0
1-6501-44 2 Office/Yard Building Refurbish <sup>2</sup>	0	0	0	3,000,000	3,000,000	0
1-6501-46 3 Office Emergency Generator	0	0	0	150,000	150,000	0
b. Corp Yard/Warehouse/Construction Office						
1-8738-01 1 SMART Crossing Upgrade (Golden Gate Pl)	0	0	46,704	58,000	11,296	46,704
c. Stafford Treatment Plant						
1-6600-69 1 Stafford Dam Concrete Spillway Repair	132,897	2,310	2,311	70,000	67,689	135,208
1-6600-82 2 STP Emergency Power Generator	0	0	0	150,000	150,000	0
1-6600-83 3 Lake Backfeed De-Chlorination System	0	0	0	50,000	50,000	0
1-6600-84 4 Dam Monitoring Well Repairs	0	1,425	1,425	50,000	48,575	1,425
<b>TOTAL BUILDING, YARD, &amp; STP IMPROVEMENTS</b>	<b>\$132,897</b>	<b>\$3,735</b>	<b>\$50,440</b>	<b>\$3,678,000</b>	<b>\$3,627,560</b>	<b>\$183,337</b>
<b>4 STORAGE TANKS &amp; PUMP STATIONS</b>						
1-6221-21 a. San Mateo Tank Recoat (5 MG)	\$0	\$2,089	\$7,088	\$120,000	\$112,912	\$7,088
1-6112-24 b. Lynwood Pump Station Motor Control Center	103,902	176	1,837	165,000	163,163	105,739
1-6117-27 c. San Marin Pump Station Can Rehab	0	0	0	30,000	30,000	0
1-6112-25 d. Lynwood Pump Station Can Rehab	0	0	0	30,000	30,000	0
1-6141-00 e. Crest P.S.(Design/Const)/Reloc School Rd P.S.	28,039	1,282	1,425	120,000	118,575	29,464
<b>TOTAL STORAGE TANKS &amp; PUMP STATIONS</b>	<b>\$131,941</b>	<b>\$3,547</b>	<b>\$10,350</b>	<b>\$465,000</b>	<b>\$454,650</b>	<b>\$142,291</b>

**NORTH MARIN WATER DISTRICT  
CAPITAL IMPROVEMENT PROJECTS  
PERIOD ENDING SEPTEMBER 30, 2016**

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Description	COST THRU JUNE 2016	SEPTEMBER 2016	FYTD TOTAL	FY 16/17 BUDGET	(OVER)/UNDER BUDGET	TOTAL COST
<b>5 RECYCLED WATER</b>						
5-7127-00 a. NBWRA Grant Program Administration	\$1,074,240	\$1,175	\$2,743	\$80,000	\$77,257	\$1,076,983
5-6058-10 b. Expansion to Central Area <sup>3</sup>	937,185	30,844	81,121	7,500,000	7,418,879	1,018,306
5-6058-15 c. RW Central Right of Way Costs <sup>3</sup>	59,768	5,278	23,121	0	(23,121)	82,889
5-6058-20 d. RW Central Private Onsite Retrofit <sup>3</sup>	6,961	0	0	0	0	6,961
5-6058-25 e. RW Central Public Onsite Retrofit <sup>3</sup>	25,486	0	103	0	(103)	25,589
5-6058-30 f. RW Exp-Central-East Side Const <sup>3</sup>	12	3,704	4,207	0	(4,207)	4,219
5-6058-40 g. RW Exp-Central-West Side Const <sup>3</sup>	420	2,155	2,166	0	(2,166)	
h. Other Recycled Water Expenditures	0	0	0	100,000	100,000	0
<b>TOTAL RECYCLED WATER</b>	<b>\$2,104,071</b>	<b>\$43,158</b>	<b>\$113,461</b>	<b>\$7,680,000</b>	<b>\$7,566,539</b>	<b>\$2,214,947</b>
<b>6 WEST MARIN WATER SYSTEM</b>						
2-6263-20 a. Replace PRE Tank #4A (25K Gal w/82K Gal)	\$39,181	\$2,093	\$8,422	\$450,000	\$441,578	\$47,603
2-7160-00 b. Green Sand Filter Media Replace	0	0	0	75,000	75,000	0
2-6609-20 c. New Gallagher Well #2	0	0	0	100,000	100,000	0
<b>TOTAL WEST MARIN WATER SYSTEM</b>	<b>\$39,181</b>	<b>\$2,093</b>	<b>\$8,422</b>	<b>\$625,000</b>	<b>\$616,578</b>	<b>\$47,603</b>
<b>7 OCEANA MARIN SEWER SYSTEM</b>						
8-8672-28 a. Infiltration Repair	\$0	\$0	\$0	\$40,000	\$40,000	\$0
8-7163-00 b. Design/Install 8th Disposal Trench (300')	0	961	1,549	50,000	48,451	1,549
8-7085-02 c. Tahiti Way Lift Pumps Rebuild (2)	0	0	16,219	20,000	3,781	16,219
8-7164-00 d. Tahiti Way Power Relocation	0	0	0	20,000	20,000	0
8-7165-00 e. North St Lift Station Communication Upgrade	0	0	0	30,000	30,000	0
8-7166-00 f. ACP Sewer Reline	0	392	392	50,000	49,608	392
8-7167-00 g. Dosing Siphon Repairs	2,877	2,482	9,011	0	(9,011)	11,888
<b>TOTAL OCEANA MARIN SEWER SYSTEM</b>	<b>\$2,877</b>	<b>\$3,835</b>	<b>\$27,170</b>	<b>\$210,000</b>	<b>\$182,830</b>	<b>\$30,047</b>
<b>TOTAL PROJECT EXPENDITURES</b>	<b>\$3,029,931</b>	<b>\$114,711</b>	<b>\$401,636</b>	<b>\$16,906,000</b>	<b>\$16,504,365</b>	<b>\$3,428,981</b>
<b>8 LESS FUNDED BY GRANTS, LOANS &amp; REIMBURSEMENTS</b>						
<u>(Accrued)/Deferred</u>						
a. RW Expansion - Central Service Area SRF Loan <sup>3</sup>	(\$500,814)	(\$19,086)	(\$45,551)	\$0	\$45,551	(\$546,363)
b. RW Expansion - Central Service Area Grant <sup>3</sup>	(462,289)	(5,346)	(42,047)	0	42,047	(504,336)
c. MSN Aqueduct Caltrans Reimb-Segment B2 <sup>4</sup>	(60,853)	0	(4,444)	0	4,444	(65,297)
d. Radio Read Meter Retrofit (Pilot Study/Install) <sup>1</sup>	0	(29,992)	(53,181)	0	53,181	(53,181)
e. Office/Yard Building Refurbish <sup>2</sup>	0	0	0	0	0	0
<b>FUNDING BY OTHERS (ACCRUED)/DEFERRED</b>	<b>(\$1,023,956)</b>	<b>(\$54,424)</b>	<b>(\$145,222)</b>	<b>\$0</b>	<b>\$145,222</b>	<b>(\$1,169,177)</b>
<u>Received</u>						
a. RW Expansion - Central Service Area SRF Loan <sup>3</sup>	\$0	\$0	\$0	(\$3,633,240)	(\$3,633,240)	\$0
b. RW Expansion - Central Service Area Grant <sup>3</sup>	0	0	0	(3,353,760)	(3,353,760)	0
c. MSN Aqueduct Caltrans Reimb-Segment B2 <sup>4</sup>	(57,843)	0	0	0	0	(57,843)
d. Radio Read Meter Retrofit (Pilot Study/Install) <sup>1</sup>	0	0	0	(3,000,000)	(3,000,000)	0
e. Office/Yard Building Refurbish <sup>2</sup>	0	0	0	(3,000,000)	(3,000,000)	0
<b>FUNDING BY OTHERS RECEIVED</b>	<b>(\$57,843)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,987,000)</b>	<b>(\$12,987,000)</b>	<b>(\$57,843)</b>
<b>NET PROJECT EXPENDITURES</b>	<b>\$1,948,132</b>	<b>\$60,287</b>	<b>\$256,414</b>	<b>\$3,919,000</b>	<b>\$3,662,587</b>	<b>\$2,201,961</b>

**NORTH MARIN WATER DISTRICT  
CAPITAL IMPROVEMENT PROJECTS  
PERIOD ENDING SEPTEMBER 30, 2016**

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Description	COST THRU JUNE 2016	SEPTEMBER 2016	FYTD TOTAL	FY 16/17 BUDGET	(OVER)/UNDER BUDGET	TOTAL COST
<b>CIP SUMMARY-GROSS EXPENDITURES:</b>						
		<b>Current Month</b>	<b>FYTD Total</b>	<b>FY 16/17 Budget</b>	<b>FYTD/ Budget%</b>	
Novato Water Capital Projects		\$65,625	\$252,581	\$8,391,000	3%	
Novato Recycled Water Capital Projects		43,158	113,461	7,680,000	1%	
West Marin Water Capital Projects		2,093	8,422	625,000	1%	
Oceana Marin Sewer Capital Projects		3,835	27,170	210,000	13%	
<b>Gross Capital Improvement Project Outlays</b>		<b>\$114,711</b>	<b>\$401,635</b>	<b>\$16,906,000</b>	<b>2%</b>	
<b>CIP SUMMARY-NET EXPENDITURES:</b>						
		<b>Current Month</b>	<b>FYTD Total</b>	<b>FY 16/17 Budget</b>	<b>FYTD/ Budget%</b>	
Novato Water Capital Projects		\$35,633	\$194,957	\$2,391,000	8%	
Novato Recycled Water Capital Projects		18,725	25,864	693,000	4%	
West Marin Water Capital Projects		2,093	8,422	625,000	1%	
Oceana Marin Sewer Capital Projects		3,835	27,170	210,000	13%	
<b>Net Capital Improvement Project Outlays</b>		<b>\$60,287</b>	<b>\$256,414</b>	<b>\$3,919,000</b>	<b>7%</b>	

**Notes to Capital Improvement Projects Schedule:**

- (1) Radio Read Meter Retrofit to be funded by SRF or Bank Loan.
- (2) Office/Yard Refurbish to be funded by Bank Loan.
- (3) \$11.7M RW Central Expansion funded by Federal Grants, SRF Loan, local contribution & Marin Country Club contribution. Debt service paid from FRC Funds.
- (4) Funding provided 100% by Caltrans.

CONSULTING SERVICES/STUDIES								
1-4055-00	a.	Stafford Lake Sanitary Survey	\$118	\$0	\$2,285	\$40,000	\$37,715	\$2,403
1-4057-00	b.	Local Water Supply Enhancement Study	0	0	0	100,000	100,000	0
1-7039-02	c.	Novato Water Master Plan Update	0	0	143	85,000	84,857	143
1-4058-00	d.	Cost of Service Study Peer Review	0	0	0	30,000	30,000	0
1-4059-00	e.	Stafford Lake Water Rights Update	0	0	0	50,000	50,000	0
1-4060-00	f.	STP Efficiency Improvements	0	0	0	150,000	150,000	0
2-4061-00	g.	Digitize West Marin Water Facility Maps	0	0	0	35,000	35,000	0
5-4045-00	h.	RW Engineering Report Update	24,804	0	723	0	(723)	25,527
			\$24,922	\$0	\$3,151	\$490,000	\$486,849	\$28,073

## North Marin Water District Financial Statement Notes

### Note 1 - Restricted Cash

**Connection Fee Fund:** Cash available from collection of Connection Fees. The fee is charged to developers based upon the estimate of cost necessary to construct capacity to serve the new development. These funds are restricted by law for expansion of the water or sewer facilities within the service area where the development occurs. Funds are disbursed from the Connection Fee Reserve as expenditures are incurred to increase system capacity to serve new development. The fund balance accrues interest monthly.

**Wohler Pipeline Financing Fund:** In December 2002 the Sonoma County Water Agency sold \$6.8 million (par) of 30-year revenue bonds to finance the Wohler to Forestville Pipeline. NMWD's share of the debt is \$844,050 ( $\$6,800,000 \times 11.2 / 90.4$ ). In January 2003 the District established this designated cash and corresponding reserve account and transferred \$844,050 of FRC money into the fund. The Wohler Pipeline Financing Fund is credited with interest monthly.

**Collector #6 Financing Fund:** The Sonoma County Water Agency received a \$15.8 million State Revolving Fund loan commitment at an interest rate of 2.8% repayable over 20 years for construction of Collector #6. NMWD's share of Collector #6 is \$1,950,000 ( $\$15,800,000 \times 11.2 / 90.4$ ). In January 2003 the District established this designated cash and corresponding reserve account and transferred \$1,950,000 of FRC money into the fund. The Collector #6 Financing Fund is credited with interest monthly.

**Revenue Bond Redemption Fund:** Comprised of one year of debt service as required by West Marin revenue bond covenants. These funds are restricted for payment of bond principal, interest and administration fees. The fund balance does not accrue interest.

**Bank of Marin Project Fund:** The District received an \$8 million loan from the Bank of Marin in October 2011 to fund the Aqueduct Energy Efficiency Project. The 20-year, 3.54% annual percentage rate loan requires monthly payments of \$46,067 and will be fully amortized on 10/27/31. In June 2012 the Board authorized reallocating \$1 million of this loan to West Marin Water to repay Novato Water \$223,000 owed for previous loans to fund Long Range Improvement Projects and the remainder to fund the Solids Handling Facility at the Point Reyes Water Treatment Plant. The unexpended fund balance accrues interest monthly.

**Deer Island RWF Replacement Fund:** The State Revolving Fund (SRF) loan agreement required the District to agree to establish and maintain a Water Recycling Capital Reserve Fund (WRCRF) for the expansion, major repair, or replacement of the Deer Island Recycled Water Treatment Plant. The WRCRF is maintained in compliance with the "Policy for Implementing the State Revolving fund for Construction of Wastewater Treatment Facilities" in effect at the time the agreement was signed by the District. The September 2003 Recycled Water Master Plan prepared by Nute Engineering recommended limiting the reserve to fund replacement of the RWF electrical and mechanical equipment (including transmission pumps) as they wear out. The cost of said equipment was \$1,483,000 which, at Nute's recommended 6% interest rate factor and 25-year life, renders an annual funding requirement \$115,000. The fund balance accrues interest monthly.

**Recycled Water Capital Replacement and Expansion Fund:** The 2011 Interagency Agreements for Recycled Water between NSD, LGVSD & NMWD require that any payments to the Distributor (NMWD) by the End User (Consumers) in excess of actual costs (marginal payments) shall be deposited in this fund. Operation and Maintenance Costs are defined as the actual cost of: labor (including general and administrative overhead plus tools and supplies normally applied), equipment and vehicle charges, consumables (such as chemicals and electrical power), and spare parts and/or replaced components necessary to reliably treat and deliver recycled water to the End Users. Operation and Maintenance Costs do not include costs for major capital replacement or process changes.

**Tax Receipts held in Marin County Treasury:** Balance of tax proceeds collected and disbursed by the County of Marin for repayment of the Olema (OL-2) general obligation bond debt. The County credits interest to these funds quarterly.

**STP SRF Loan Fund – Marin County Treasury:** The 2004 Stafford Treatment Plant State Revolving Fund (SRF) loan agreement requires the District to build a Reserve Fund equal to one year of payments (\$1,044,474) in the Marin County Treasury during the first ten years of the 20-year repayment period. Every January 1 and July 1, commencing January 1, 2010, the District deposits with the County 10% of the semi-annual SRF payment. The County credits the fund with interest quarterly, and will use the Reserve to pay the last 2 semi-annual SRF loan payments.

**RWS North/South SRF Payment Fund:** The State Water Resource Control Board Agreements for the seven Clean Water State Revolving Fund Loans made for expansion of the Recycled Water System distribution system require that the District establish a reserve fund equal to one year's debt service (\$614,299) prior to the construction completion date.

## **Note 2 - Designated Cash**

**Liability Contingency Fund:** Established in 1986 when the District first elected to self-insure its general liability risk. This reserve was funded with \$1 million initially and \$200,000 annually thereafter until it reached a balance of \$2 million. In FY98 the West Marin Water System was included in the fund and built-up a proportional reserve of \$74,000 over several years. Commencing FY93, \$1 million of the reserve was made available to fund loans to eligible employees under the District's Employer Assisted Housing Program. In August 2008, \$500,000 was transferred into this reserve from the Self-Insured Workers' Compensation Fund and made available to fund Employer Assisted Housing Program loans. Currently there are \$1,234,200 in Employer Assisted Housing Loans outstanding (see Note 3). In March 2005, \$652,400 was expended from the fund to purchase a home at 25 Giacomini Road in Point Reyes Station. The home is rented to an employee who provides after-hours presence in the community to respond to emergencies. In 2006, \$8,885 was added from the sale of surplus property in West Marin. The fund balance does not accrue interest.

**Self-Insured Workers' Compensation Fund:** Commencing July 2011, the District began self-insuring its workers' compensation liability. The savings accrued through self-insuring the liability is reserved in this fund for possible future claims expense. The District carries a workers' compensation excess policy for claims that exceed \$750,000. See schedule on page 21.

**Retiree Medical Benefits Fund:** NMWD pays the cost of health insurance for retirees between the ages of 55 and 65 and spouse under any group plan offered by CalPERS. The retiree must be at least 55 and have a minimum of 12 years of NMWD service at the date of retirement. NMWD's contribution toward the chosen plan is capped in the same manner as all other NMWD employees in the same class. Coverage terminates for the spouse when the spouse becomes eligible for Medicare, or for both the retiree and spouse when the retiree becomes eligible for Medicare. When the retiree or spouse becomes eligible for Medicare, NMWD pays up to the couple annuitant rate, which is capped at \$3,830 per year (\$319/month). In August 2003, NMWD transferred \$2.55 million (\$2.3 million for current retirees plus \$250,000 for future retirees) from unrestricted cash into a reserve to fund this obligation. In 2010 the Board directed staff to add \$1,500 per employee annually as a payroll overhead to accrue and accelerate amortization of this liability. The accrual is maintained as a Long-Term Liability entitled Retiree Health Benefits Payable. The Retiree Health Benefits Payable plus the Retiree Medical Benefits Reserve Fund currently has a balance of \$3.7M. In 2015 an Actuarial Analysis calculated NMWD's total actuarial liability at \$5.6 million. The Retiree Medical Benefits cash fund earns interest monthly. Accounting Standards require that the \$5.6M reserve be fully funded in 20 years.

**Drought Contingency (Rate Stabilization) Fund:** In August 2008, the Board directed staff to establish this reserve with \$135,000 from the Self-Insured Workers' Compensation Fund for the Novato district to draw upon during dry years. A threshold of 3.2 billion gallons of potable consumption was established as a benchmark for 'normal' years. During any fiscal year that water sales volume exceeds 3.2BG, the incremental revenue generated is deposited into the Drought Contingency Reserve. In those years when sales volume falls below the benchmark, funds are withdrawn from the reserve to maintain the budgeted revenue forecast. The goal is to build a reserve equal to 20% (currently \$2,500,000) of budgeted annual water commodity sales. In FY09 \$50,335 was added to the reserve. The fund was fully depleted in FY10. The fund balance accrues interest monthly.

**Maintenance Accrual Fund:** Established in FY91 to provide a source of maintenance money for replacement of treatment, storage, transmission and distribution facilities as they wear out. The annual contribution from operating reserves was initially \$200,000. Net polybutylene claim settlement proceeds of \$671,060 were closed into the fund in FY93. In FY94 the annual contribution was reduced to \$100,000. The District's goal is to build a reserve equal to 10% of the net book value of Novato's existing plant, currently \$7.0M. Funds are borrowed from the Maintenance Accrual Fund to offset the shortfall in unrestricted Cash & Investments. The fund balance does not accrue interest.

**Conservation Incentive Rate Fund:** In 2004 and 2005, a Conservation Incentive Tier Rate was enacted in Novato and West Marin respectively. Monies derived from this tier-rate charge are set aside in the Conservation Incentive Rate Reserve, and used for conservation programs designated by the Board. The fund balance accrues interest monthly.

**Operating Reserve Fund:** This reserve, comprised of four months of budgeted operating expenditures (less depreciation) as recommended by the District's financial advisors, serves to ensure adequate working capital for operating, capital, and unanticipated cash flow needs that arise during the year. The fund balance does not accrue interest.

### **Note 3 – Employee Loans**

**Housing Loans:** The District's Employer Assisted Housing 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 service territory that will enable the employee to respond rapidly to emergencies affecting the operation of the District. Repayment is due upon sale, termination of employment, or other event as described in the Program. Interest on the loan is contingent upon and directly proportional to the appreciation in value occurring on the purchased property. There are five employee-housing loans currently outstanding totaling \$934,200: a \$250,000 loan dated August 2004, a \$39,200 loan dated September 2004, a \$150,000 loan dated November 2007, a \$245,000 loan dated June 2010, and a \$250,000 loan dated March 2015.

### **Note 4 – Other Long Term Receivables**

The District entered into a temporary water service agreement with Black Point Golf Links in 1999 to provide potable water for StoneTree Golf Course until recycled water was available. In 2006 the District received a \$4.3 million 20-year 2.4% SRF loan to finance the Deer Island Recycled Water project, and Black Point Partners agreed to pay the District \$3,612,640 in bimonthly payments of \$41,762 at 2.4% coinciding with StoneTree's water service payments. The final payment from StoneTree is due in February 2024.

### **Note 5 – Depreciation**

Assets are assigned a useful life based on consultations with the District Chief Engineer and a survey of other water agencies. Depreciation is computed on a straight-line basis over the estimated useful life of the various classes of property as follows:

<b><u>Facility</u></b>	<b><u>Life (Years)</u></b>
Aqueduct.....	150
Dam.....	100
Buildings & Structures.....	40
Mains.....	50
Pumping Equipment.....	25
Water Treatment Equipment.....	20
Storage & Transmission (16"+) Facilities.....	50
Distribution Facilities (includes Pump Stations).....	50
Office, Laboratory, Construction & Shop Tools & Equipment.....	10
Vehicles 1 ton or greater.....	10
All other vehicles.....	5
Sewer Mains.....	40
Sewer Pumps.....	10

## **Note 6 - Capitalization Policy**

The Government Finance Officers Association *Guide for State and Local Governments* recommends that a capitalization policy incorporate a minimum threshold of \$5,000 and an estimated useful life of at least two years. It also cautions that federal grant and loan requirements prevent the use of capitalization thresholds in excess of \$5,000. Thus NMWD's capitalization threshold is \$5,000.

## **Note 7 – Bond & Loan**

### **Servicing Schedule for Fiscal Year 2016-2017**

Service Area	Description	Issue Date	Rate	Original Amount	Payment Due	Final Pmt	FY17		6/30/17 Outstanding Balance
							Interest Expense	Principal Paid	
1 Novato	EDA Loan	1977	5.0%	\$351,770	7/1	7/1/17	\$872	\$16,705	\$17,679
2 Novato	SRF Loan - STP	2004	2.39%	\$16,528,850	7/1 & 1/1	7/1/29	\$272,950	\$771,524	\$10,840,721
3 Novato	Bank Loan Marin	2011	3.54%	\$7,000,000	27 <sup>th</sup> /mo	10/27/31	\$191,830	\$290,212	\$5,412,750
Novato Total							\$465,652	\$1,078,441	\$16,271,150
4 RW TP	SRF Loan	2006	2.4%	\$4,302,560	6/19	6/19/27	\$62,773	\$210,594	\$2,404,935
5 RW North	SRF Loans (4)	2013	2.6%	\$4,375,605	Varies	Varies	\$96,894	\$184,998	\$3,541,694
6 RW South	SRF Loans (3)	2013	2.2%	\$5,359,858	Varies	Varies	\$104,280	\$228,127	\$4,509,772
Recycled Water Total							\$263,947	\$623,719	\$10,456,401
7 Point Reyes	EDA Loan	1977	5.0%	\$46,000	7/1	7/1/17	\$96	\$2,481	\$1,964
8 PRE	PRE-1 Revenue	1980	5.0%	\$240,000	10/1 & 4/1	4/1/20	\$2,500	\$12,000	\$38,000
9 Point Reyes	PR-6 Revenue	1981	5.0%	\$217,800	7/1 & 1/1	7/1/21	\$3,050	\$10,000	\$46,000
10 WM Water	Bank Loan Marin	2012	3.54%	\$1,000,000	27 <sup>th</sup> /mo	10/27/31	\$28,159	\$42,600	\$800,897
West Marin Water Total							\$33,805	\$67,081	\$886,861
FY16 Total							\$763,404	\$1,769,241	\$27,614,412

1. In 1977 the Federal Economic Development Administration issued a 40-year 5% loan of \$351,770 to assist in the funding emergency Novato Water system projects in response to the drought.
2. In April 2004 the California State Department of Water Resources approved a 2.39% 20-year loan for reconstruction of the Stafford Water Treatment Plant. The project was completed in FY09 with repair of the Outlet Tower Sluice Gate. Interest paid during construction totaled \$1,636,378. The loan covenants require an annual reserve fund contribution of \$104,447 (10% of the annual debt service obligation) be deposited into the Marin County Treasury during each of the first ten years of the repayment period. Debt service is funded 25% by Facility Reserve Charges. The first payment was made in December 2009.
3. In October 2011 Bank of Marin made a 20-year 3.54% (APR) loan of \$8 million to fund the District's share of the Aqueduct Energy Efficiency Project. See Note 15, and note to loan 11 below.
4. In August 2006 the California State Department of Water Resources approved a 2.4% 20-year loan of \$4,264,545 for construction of the Deer Island Recycled Water Facility. With the addition of \$38,015

in Construction Period Interest, the loan principal totaled \$4,302,560. The project was completed in June 2007, and the first payment was made June 19, 2008.

5. In July 2011 the California State Department of Water Resources approved a series of four 2.6% 20-year loans which totaled \$4,375,605 for the Recycled Water North Service Area Expansion Project. The projects were completed on October 31, 2012, and the first payment was made in November of 2012.
6. In March 2012 the California State Department of Water Resources approved a series of three 2.2% 20-year loans totaling \$5,361,952 for the Recycled Water South Service Area Expansion Project. The projects were completed on September 4, 2013, and the first payment was made in December of 2013.
7. In 1977 the Federal Economic Development Administration issued a 40-year 5% loan of \$46,000 to assist in the funding emergency West Marin Water system projects, including temporary diversions from Bear Valley Creek and Lagunitas Creek in response to the drought.
8. The Paradise Ranch Estates private water system was created by David Adams and Sons in 1952 to provide water to 85 homes in the PRE subdivision located north of Inverness Park. Problems with water quality and quantity developed and in 1969 the Marin County Health Department issued a boil-water order to all customers of the company. In 1972 the County declared a moratorium on issuance of building permits. A suit by property owners resulted in an agreement reached in Marin Superior Court in late 1978 directing Adams to finance a District feasibility study for the takeover of the system. This culminated in formation of Improvement District PRE-1 and an election authorizing issue of \$240,000 of 5% 40-year revenue bonds, which, in conjunction with a \$720,000 Farmers Home Administration grant, financed system rehabilitation. Service was provided from the Point Reyes System by installation of an additional well, expansion of the treatment plant, and a 6-inch pipeline connection at the Inverness Park pump station extending 1.6 miles along Sir Francis Drake Boulevard to the newly reconstructed Paradise Ranch Estates distribution system. On 4/22/80 the USDA purchased the revenue bond issue in its entirety.
9. In 1981 work commenced on rehabilitating the Point Reyes Inverness Park water system. 18,865 feet of pipeline was either replaced or installed, a 300,000-gallon tank was added in Point Reyes Station and a 100,000-gallon tank was added in Inverness Park. Total cost of these improvements was \$820,015. A 72% grant combined with a \$217,800 5% 40-year revenue bond acquired 8/28/81 by the Farmers Home Administration financed the project.
10. In June 2012 the Board authorized reallocating \$1 million of the Bank of Marin loan to West Marin Water to repay Novato Water \$223,000 owed for loans to fund Long Range Improvement Projects and the remainder to fund the Solids Handling Facility at the Point Reyes Water Treatment Plant. See note to loan 3 above.

#### **Note 8 – Unemployment Insurance Reserve**

NMWD uses the “Reimbursable Method” of paying for Unemployment Costs. Under this method, the District reimburses the State Employment Development Department for all unemployment benefits paid on our behalf. The reserve is maintained at an amount equal to the higher of the average claim amount paid over the last 5 years or 52 times the maximum weekly benefit amount (currently  $\$450 \times 52 = \$23,400$ ).

#### **Note 9 – Payroll Benefits**

Payroll Benefits payable includes payroll taxes; vacation, sick, and holiday leave; Section 125 payments; cancer, long term care and disability insurance premiums; union dues; and employee benefit fund.

#### **Note 10 - Interest Policy on Inter-District Loans**

In the event an improvement district expends all of its Undesignated Funds, it shall borrow funds from that improvement district's Board Designated Fund reserves to meet ongoing requirements. In the event an improvement district expends all of its Board Designated Fund reserves, it may receive a loan from the Novato Improvement District in an amount sufficient to meet its ongoing requirements. Restricted Funds shall not be used to finance ongoing normal operating expenses.



No interest shall be paid by an improvement district on funds borrowed from that improvement district's Board Designated Fund reserves. Interest on loans from the Novato Improvement District shall be paid by the recipient district to the Novato district based upon the outstanding loan balance at the close of the previous accounting period. Interest shall be calculated at the higher of: 1. The weighted average interest rate of Novato improvement district debt (2.77% at 6/30/15); or 2. The average interest rate earned on the District treasury since the close of the previous accounting period; plus \$50 per month.

**Note 11 – Budget Augmentations**

**Note 12 – Prior Period Adjustment**

Water usage adjustment (\$247,077) for FY16 due to inaccurate meter reads by Sonoma County Water Agency.

**Note 13 – Explanation of Financial Statement Components**

The District's financial statement is comprised of four components: 1) Statement of Net Position, 2) Sources and Uses of Funds Statement – All Service Areas Combined, 3) Income Statement and Cash Flow by Service Area, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**The Statement of Net Position** (page 4) reports the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to the District's creditors (liabilities). The difference between assets and liabilities is reported as *net position*. Over time, increases or decreases in the fund balance may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**The Sources and Uses of Funds Statement – All Service Areas Combined** (page 8) compares fiscal year-to-date performance against the Board approved annual budget – presented in the adopted budget format. This Sources and Uses of Funds Statement varies from the income statement in that it includes capital expenditures, debt principal repayment, connection fee revenue, and cash infusions from debt issuance.

**The Income Statement and Cash Flow by Service Area** (page 9) presents the net income (loss) for the fiscal year-to-date (FYTD) period for each of the District's four service areas. The income and expenses on this report are presented in conformity with Generally Accepted Accounting Principles (GAAP) and comply with Governmental Accounting Standards Board pronouncements. Accordingly, all income and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement measures the success of each service area's operations and can be used to determine whether the service area has successfully recovered all costs through user fees and other charges.

Also included at the bottom of page 9 is a statement of Cash Flow by Service Area. The primary purpose of this statement is to reconcile in an informative manner the difference between the net income/(loss) for the period of each service area with the resultant change in cash balance that occurred over the same period.

**Notes to the Financial Statements** (page 31) provide a summary of significant accounting policies and assumptions and other information of value to the financial statement reader.

**Other Supplementary Information** includes Detail Income Statements presented in accordance with GAAP for each of the four service areas (pages 10, 14, 16, 19). These statements present income and expenditures in close detail for further analysis. Other supplementary schedules of note include the Vehicle Fleet Analysis (page 25), Equipment Expenditures (page 22) and Capital Improvement Project Expenditures (page 27), which show outlays to date, compared with budget authority.

**Note 14 –Connection Fee Transfers from Novato Water To Recycled Water**

The following Connection Fee (FRC) reserve amounts have been transferred to the Recycled Water fund:

	Expansion Local Share			NBWRA	SRF RWF Expansion		Total	Transfer Executed
	North	South	Central		Loan	SRF Loan		
FY07				\$29,725			\$29,725	
FY08				\$50,478	\$22,795		\$73,273	
FY09				\$150,455	\$22,795		\$173,250	
FY10	\$133,659			\$75,198	\$22,795		\$231,652	\$133,659
FY11				\$133,319	\$22,795		\$156,114	
FY12	\$233,478	\$265,500		\$115,883	\$22,795		\$637,656	
FY13				\$315,023	\$22,795	\$464,572	\$802,390	\$1,970,400
FY14	\$236,291	\$723,525	\$4,024	\$63,035	\$22,795	\$500,529	\$1,550,200	\$1,550,200
FY15		\$17,563	(\$4,024)	\$38,283	\$22,795	\$614,299	\$688,916	\$688,916
FY16	\$0	\$0	\$66,729	\$102,842	\$22,795	\$614,299	\$806,664	\$806,664
FY17			\$23,121	\$2,743		\$216,362	\$242,226	\$242,226
	<b>\$603,428</b>	<b>\$1,006,589</b>	<b>\$89,850</b>	<b>\$1,076,984</b>	<b>\$205,154</b>	<b>\$2,410,061</b>	<b>\$5,392,066</b>	<b>\$5,392,066</b>

**Note 15 –Debt Service Coverage Ratio**

Debt Service Coverage Ratio is the ratio of net income/(loss) plus interest expense, depreciation, and connection fee revenue for the fiscal year to the sum of the fiscal year's principal and interest payments on the District's total debt.

	FY13	FY14	FY15	FY16	FY17 Budgeted
Net Income/(Loss)	\$2,036,943	\$3,815,820	\$1,050,523	\$378,468	\$579,000
Depreciation	\$2,784,648	\$3,128,302	\$3,183,725	\$3,286,353	\$3,517,000
Interest Expense	\$778,762	\$830,830	\$847,951	\$807,035	\$779,000
Connection Fees	\$876,350	\$152,800	\$801,600	\$278,690	\$832,000
Total Available For Debt Service	\$6,476,703	\$7,927,751	\$5,883,799	\$4,750,546	\$5,707,000
Annual Debt Service	\$2,118,314	\$2,448,968	\$2,534,473	\$2,528,938	\$2,531,000
<b>Debt Service Coverage Ratio</b>	<b>3.06</b>	<b>3.24</b>	<b>2.32</b>	<b>1.88</b>	<b>2.25</b>

<b>Bank of Marin Debt Service Coverage Calculation<sup>1</sup></b>	FY13	FY14	FY15	FY16	FY17 Budgeted
Change in Net Assets <sup>2</sup>	\$5,035,889	\$1,999,996	\$5,051,394	\$0	\$4,138,000
Interest Expense	\$778,762	\$830,830	\$847,951	\$807,035	\$779,000
Depreciation & Amortization	\$2,784,670	\$3,128,302	\$3,183,725	\$3,286,353	\$3,517,000
Total Available for Debt Service	\$11,598,266	\$5,959,128	\$10,269,919	\$4,093,388	\$8,434,000
Bank of Marin Annual Debt Service	\$552,800	\$552,800	\$552,800	\$552,800	\$552,800
<b>Bank of Marin Coverage Ratio</b>	<b>20.98</b>	<b>10.78</b>	<b>18.58</b>	<b>7.40</b>	<b>15.26</b>

<sup>1</sup> Per the October 27, 2011 Bank of Marin loan agreement, each June 30, beginning June 30, 2012, the Debt Service Coverage Ratio shall not be less than 1.2 to 1. "Debt Service Coverage Ratio" shall mean the ratio of (i) Borrower's change in net assets plus interest, depreciation, and amortization during the fiscal-year period ending on the Determination Date to the sum of the scheduled principal and interest payments on the Loan during the twelve-month period following the Determination Date.

<sup>2</sup> See page 9

**Note 15 – Deferred Inflow and Deferred Outflow of Resources**

*Deferred Inflow of Resources* is the net difference between projected and actual earnings on pension plan investments, which for FY15 was \$806,744 and is recognized in FY16. *Deferred Outflow of Resources* is the fiscal year 2016 pension contribution (\$828,792) adjusted by the change in employer's proportion of differences between the employer's contributions and the employer's proportionate share of contributions from the CalPERS Actuarial Report (\$525,463) for a total of \$1,354,255 at June 30, 2016

	<b>Deferred Outflow</b>	<b>Deferred Inflow</b>
FY16 Pension Contributions	\$828,792	
Differences between actual & expected experience	\$42,882	
Changes in actuarial assumptions		(\$405,704)
Net difference between projected & actual earnings on investments		(\$203,384)
Differences between actual contribution & proportionate share of contribution		(\$197,656)
Adjustment due to differences in proportions of net pension liability	\$482,581	
Total at June 30, 2016	\$1,354,255	(\$806,744)

**Note 16 – Net Pension Liability**

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

Net Pension Liability 6/30/2015	\$6,701,264
Reclassify FY15 Contributions to FY16	(\$669,066)
Difference between Expected & Actual Experience	\$58,197
Change in Proportion	\$578,040
Changes in Deferred Outflows & Inflows	\$978,843
Change in Actuarial Assumptions	(\$550,598)
Change in Actual Contribution & Proportionate Share of Contribution	(\$268,248)
Difference between Projected & Actual Earnings on Investments	\$1,791,405
Net Pension Liability 6/30/2016	\$8,619,837

Net Pension Liability (NPL) = Total Pension Liability (TPL) – fiduciary net position (market value of assets)

Pension Expense = service cost + interest on TPL + current period benefit changes – member contributions – expected earnings on plan investments + administrative expenses + recognition of deferred outflows – recognition of deferred inflows

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**NORTH MARIN WATER DISTRICT**  
**MONTHLY PROGRESS REPORT FOR September 2016**  
October 18, 2016

1.

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

Month	FY16/17	FY15/16	FY14/15	FY13/14	FY12/13	17 vs 16 %
July	345	227	319	385	389	52%
August	330	235	301	360	396	40%
September	322	210	276	332	346	53%
FYTD Total	997	672	895	1,077	1,131	48%

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

Month	FY16/17	FY15/16	FY14/15	FY13/14	FY12/13	17 vs 16 %
July	7.9	6.6	8.6	9.3	9.8	20%
August	7.4	7.0	8.5	9.3	9.7	6%
September	6.4	6.4	7.8	8.5	8.3	-1%
FYTD Total	21.7	20.0	24.9	27.1	27.9	9%

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

Month	FY16/17	FY15/16	FY14/15	FY13/14	FY12/13	17 vs 16 %
July	70	108	83	98	49	-35%
August	90	79	61	83	83	14%
September	97	38	26	56	72	153%
FYTD Total	257	225	170	237	204	14%

**Recycled Water Production\* - in Million Gallons - FY to Date**

Month	FY16/17	FY15/16	FY14/15	FY13/14	FY12/13	16 vs 15 %
July	27.1	21.3	21.8	27.6	11.2	27%
August	26.0	26.2	26.0	26.2	10.5	-1%
September	23.1	15.7	19.2	18.6	8.5	47%
FYTD Total*	76.2	63.3	66.9	72.4	30.2	20%

\*Excludes potable water input to the RW system: FYTD17=0.0MG; FYTD16=4.9MG; FYTD15=4.5MG; FYTD14=3.4MG.

2. **Stafford Lake Data**

	September Average	September 2015	September 2016
Rainfall this month	0.23 Inches	0.04 Inches	0 Inches
Rainfall this FY to date	0.30 Inches	0.04 Inches	0 Inches
Lake elevation*	182.8 Feet	182.7 Feet	184.0 Feet
Lake storage**	583 MG	581 MG	640 MG

\* Spillway elevation is 196.0 feet

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

**Temperature (in degrees)**

	Minimum	Maximum	Average
September 2015 (Novato)	52	103	71
September 2016 (Novato)	51	107	71

3. **Number of Services**

September 30	Novato Water			Recycled Water			West Marin Water			Oceana Marin Swr		
	FY17	FY16	Incr %	FY17	FY16	Incr %	FY17	FY16	Incr %	FY17	FY16	Incr %
Total meters	20,779	20,756	0.1%	48	48	0.0%	787	784	0.4%	-	-	-
Total meters active	20,534	20,517	0.1%	44	44	0.0%	781	776	0.6%	-	-	-
Active dwelling units	23,976	23,979	0.0%	0	0	-	827	823	0.5%	230	229	0.4%

#### 4. Oceana Marin Monthly Status Report (September)

Description	September 2015	September 2016
Effluent Flow Volume (MG)	0.356	0.350
Irrigation Field Discharge (MG)	0	0.857
Treatment Pond Freeboard (ft)	9.0	5.5
Storage Pond Freeboard (ft)	4.2	6.5

#### 5. Developer Projects Status Report (September)

Job No.	Project	% Complete	% This month
1.2792.00	Mendocino Lane	80	10

#### District Projects Status Report - Const Dept (September)

Job No.	Project	% Complete	% This month
1.8737.05	Plum St. Meter Relocations	95	5

#### Employee Hours to Date, FY 16/17

As of Pay Period Ending September 30, 2016

Percent of Fiscal Year Passed = 25%

Developer Projects	Actual	Budget	% YTD Budget	District Projects	Actual	Budget	% YTD Budget
Construction	407	1,400	29%	Construction	615	4,658	13%
Engineering	157	1,480	11%	Engineering	1,072	4,032	27%

#### 6. Safety/Liability

	Industrial Injury with Lost Time				Liability Claims Paid	
	Lost Days	OH Cost of Lost Days (\$)	No. of Emp. Involved	No. of Incidents	Incurred (FYTD)	Paid (FYTD) (\$)
FY 17 through September	23	12,512	1	1	2	3,846
FY 16 through September	0	0	0	0	2	28,311

Days without a lost time accident through September 30, 2016 = 57 days

#### 7. Energy Cost

September				Fiscal Year-to-Date thru September		
FYE	Kwh	¢/Kwh	Cost/Day	Kwh	¢/Kwh	Cost/Day
2017 Stafford TP	68,943	19.2¢	\$441	212,829	18.8¢	\$435
Pumping	145,644	20.5¢	\$1,030	463,220	20.3¢	\$1,032
Other*	45,811	26.0¢	\$397	141,306	26.2¢	\$406
	260,398	21.1¢	\$1,833	817,355	20.9¢	\$1,878
2016 Stafford TP	45,652	18.6¢	\$283	193,399	18.2¢	\$382
Pumping	127,593	17.6¢	\$747	376,532	17.9¢	\$742
Other*	43,168	24.3¢	\$349	127,046	25.3¢	\$357
	216,413	19.1¢	\$1,380	696,977	19.4¢	\$1,482
2015 Stafford TP	66,941	17.6¢	\$393	213,222	17.6¢	\$407
Pumping	145,588	16.6¢	\$804	472,085	16.7¢	\$859
Other*	43,661	23.5¢	\$342	136,226	23.3¢	\$345
	256,190	18.0¢	\$1,539	821,532	18.0¢	\$1,611

\*Other includes West Marin Facilities

## 8. Water Conservation Update

	Month of September 2016	Fiscal Year to Date	Program Total to Date
High Efficiency Toilet (HET) Rebate (\$100 each)	29	78	3,615
Retrofit Certificates Filed	25	66	5,619
Cash for Grass Rebates Paid Out	6	23	849
Washing Machine Rebates	8	22	6,724
Water Smart Home Survey	57	130	2,474

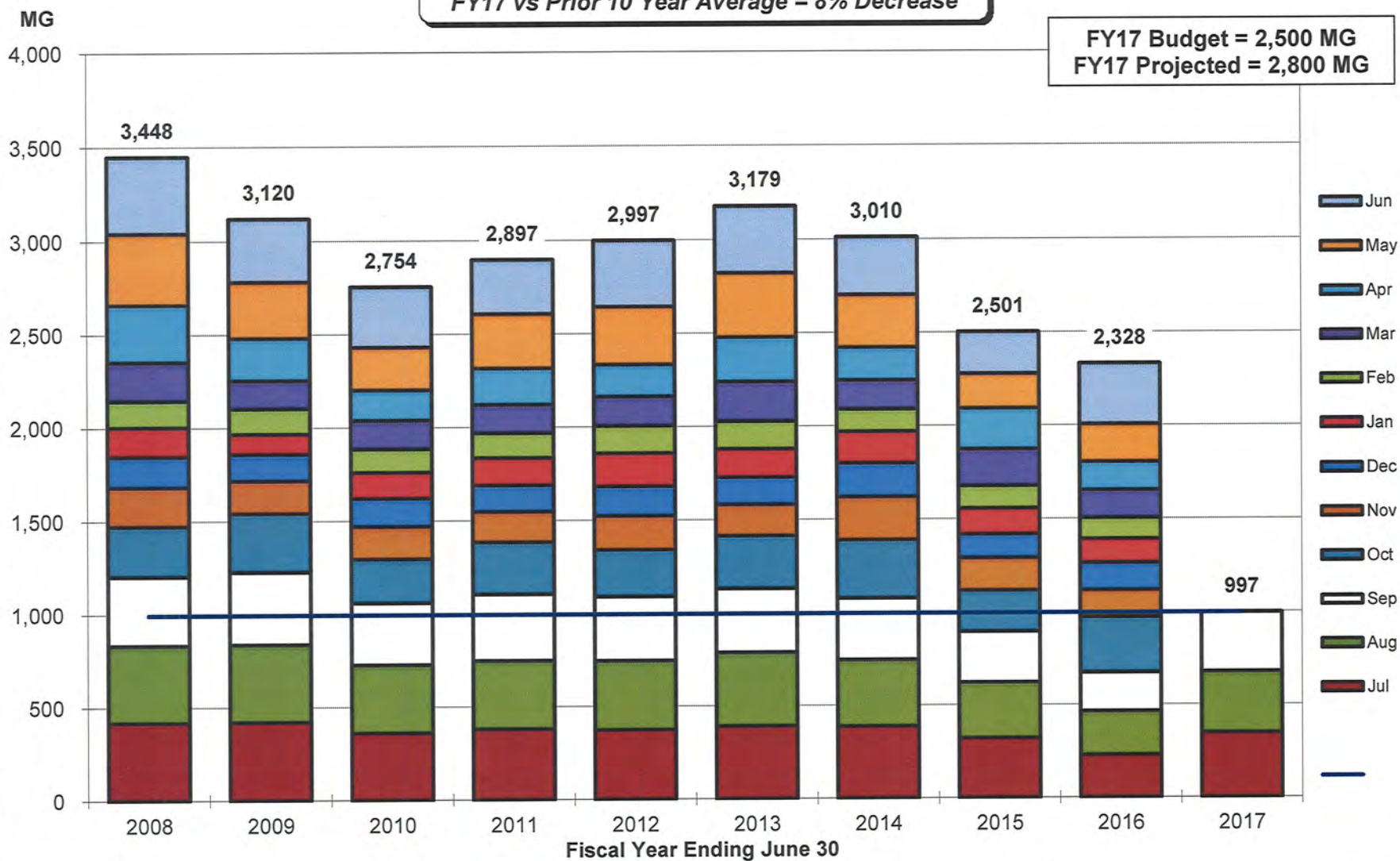
## 9. Utility Performance Metric

<b>SERVICE DISRUPTIONS (No. of Customers Impacted)</b>	<b>September 2016</b>	<b>September 2015</b>	<b>Fiscal Year to Date 2017</b>	<b>Fiscal Year to Date 2016</b>
PLANNED				
Duration Between 0.5 and 4 hours	12	23	39	52
Duration Between 4 and 12 hours			3	6
Duration Greater than 12 hours				
UNPLANNED				
Duration Between 0.5 and 4 hours	6	21	14	48
Duration Between 4 and 12 hours			1	57
Duration Greater than 12 hours			1	
<b>SERVICE LINES REPLACED</b>				
Polybutylene	14	19	42	55
Copper (Replaced or Repaired)	3	0	11	4

## Novato Potable Water Production

*FY17 vs FY16 = 48% Increase  
FY17 vs Prior 10 Year Average = 8% Decrease*

**FY17 Budget = 2,500 MG  
FY17 Projected = 2,800 MG**





## **NORTH MARIN WATER DISTRICT**

### **Summary of Complaints & Service Orders September 2016**

10/7/2016

<b>Type</b>	<b>Sep-16</b>	<b>Sep-15</b>	<b>Action Taken September 2016</b>
<b><u>Consumers' System Problem</u></b>			
Service Line Leaks	27	22	Notified Consumer
Meter Leak Consumer's Side	0	0	~
House Plumbing	0	0	~
Noisy Plumbing	0	0	~
Seepage or Other	0	0	~
House Valve / Meter Off	9	5	Notified Consumer
Nothing Found	11	9	Notified Consumer
Low Pressure	0	0	~
High Pressure	0	0	~
Water Waster Complaints	0	0	~
<b>Total</b>	<b>47</b>	<b>36</b>	
<b><u>Service Repair Reports</u></b>			
Register Replacements	0	0	~
Meter Replacement	2	4	Notified Consumer
Meter Box Alignment	0	0	~
Meter Noise	0	0	~
Dual Service Noise	0	0	~
Box and Lids	3	0	Replaced
Water Off/On Due To Repairs	11	7	Notified Consumer
Misc. Field Investigation	0	3	~
<b>Total</b>	<b>16</b>	<b>14</b>	
<b><u>Leak NMWD Facilities</u></b>			
Main-Leak	0	0	~
Mains-Nothing Found	0	0	~
Mains-Damage	0	0	~
Service- Leak	13	7	Repaired
Services-Nothing Found	3	1	Notified Consumer
Service-Damaged	0	0	~
Fire Hydrant-Leak	1	2	Repaired
Fire Hydrants-Nothing Found	0	0	~
Fire Hydrants-Damaged	0	0	~
Meter Replacement	0	0	~
Meters-Nothing Found	0	0	~
Meters Damaged	0	0	~
Washer Leaks	6	4	Replaced
<b>Total</b>	<b>23</b>	<b>14</b>	
<b><u>High Bill Complaints</u></b>			
Consumer Leaks	11	5	Notified Consumer
Meter Testing	0	0	~
Meter Misread	9	8	Notified Consumer
Nothing Found	39	26	Notified Consumer
Projected Consumption	0	0	~
Excessive Irrigation	0	0	~
<b>Total</b>	<b>59</b>	<b>39</b>	

# NORTH MARIN WATER DISTRICT

## Summary of Complaints & Service Orders September 2016

10/7/2016

Type	Sep-16	Sep-15	Action Taken September 2016
<b><u>Low Bill Reports</u></b>			
Meter Misread	0	0	~
Stuck Meter	0	0	~
Nothing Found	0	0	~
Projected Consumption	0	0	~
Minimum Charge Only	0	0	~
<b>Total</b>	<b>0</b>	<b>0</b>	

## **Water Quality Complaints**

Taste and Odor	3	1	<b><i>Customer reported chlorine smell in water. (Via Del Plano)</i></b> Measured chlorine was normal for NMWD supply. Customer was notified of results. <b><i>Customer reported bad taste in water. (Harrison Ct)</i></b> Bad taste was due to pressurized garden hose. Customer was notified of results. <b><i>Customer reported bad taste in water. (Del Oro Lagoon)</i></b> Results normal for NMWD supply. Customer was notified of results.
Color	0	1	~
Turbidity	0	0	~
Suspended Solids	0	0	~
Other	1	1	<b><i>Customer dropped off bottles of softened, filtered &amp; unfiltered water from residence. (Sotelo Way)</i></b> Customer wanted to know the amount of sodium in the softened water at their home. Customer was notified of results.
<b>Total</b>	<b>4</b>	<b>3</b>	
<b><u>TOTAL FOR MONTH:</u></b>	<b><u>149</u></b>	<b><u>106</u></b>	<b><u>41%</u></b>

## **Fiscal YTD Summary**

Consumer's System Problems	140	142	-1%	<b><u>Change Primarily Due To</u></b> Decrease In House Valve/Meter Off
Service Repair Report	41	33	24%	Increase In Water Off/On For Repairs
Leak NMWD Facilities	73	78	-6%	Decrease In Hydrant Leaks
High Bill Complaints	162	78	108%	Increase In Nothing Found
Low Bills	1	1	0%	~
Water Quality Complaints	10	11	-9%	Decrease In Discolored Water
<b>Total</b>	<b><u>427</u></b>	<b><u>343</u></b>	<b><u>24%</u></b>	

# NORTH MARIN WATER DISTRICT

## Summary of Complaints & Service Orders September 2016

10/7/2016

<u>Type</u>	<u>Sep-16</u>	<u>Sep-15</u>	<u>Action Taken September 2016</u>
<b><u>"In House" Generated and Completed Work Orders</u></b>			
<b><u>Check Meter:</u></b> possible consumer/District leak, high bill, flooded, need read, etc.	177	204	
<b><u>Change Meter:</u></b> leaks, hard to read	13	3	
<b><u>Possible Stuck Meter</u></b>	0	0	
<b><u>Repair Meter:</u></b> registers, shut offs	0	0	
<b><u>Replace Boxes/Lids</u></b>	2	2	
<b><u>Hydrant Leaks</u></b>	0	0	
<b><u>Trims</u></b>	19	12	
<b><u>Dig Outs</u></b>	27	26	
<b><u>Letters to Consumer:</u></b> meter obstruction, trims, bees, gate access, etc. get meter number, kill service, etc.	0	0	
	<u>238</u>	<u>247</u>	

### **Bill Adjustments Under Board Policy:**

#### **September 16 vs. September 15**

Sep-16	55	\$24,325
Sep-15	27	\$7,634

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

16/17 FYTD	109	\$41,229
15/16 FYTD	63	\$16,291

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**Customer Service Questionnaire Quarterly Report**  
**Quarter Ending 09/30/16**



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Response				Response			
Water Quality	Agree	Neutral	Disagree	Pressure	Agree	Neutral	Disagree
Courteous & Helpful	1			Courteous & Helpful	3		
Accurate Information	1			Accurate Information	3		
Prompt Service	1			Prompt Service	3		
Satisfactorily Resolved	1			Satisfactorily Resolved	3		
Overall Experience	1			Overall Experience	3		
	5	0	0		15	0	0
Leak	Agree	Neutral	Disagree	Noisy Pipes	Agree	Neutral	Disagree
Courteous & Helpful	19	1		Courteous & Helpful			
Accurate Information	18	2		Accurate Information			
Prompt Service	19	1		Prompt Service			
Satisfactorily Resolved	17	3		Satisfactorily Resolved			
Overall Experience	18	2		Overall Experience			
	91	9	0		0	0	0
Billing	Agree	Neutral	Disagree	Other	Agree	Neutral	Disagree
Courteous & Helpful	7			Courteous & Helpful	2		
Accurate Information	7			Accurate Information	2		
Prompt Service	7			Prompt Service	2		
Satisfactorily Resolved	6	1		Satisfactorily Resolved	2		
Overall Experience	7			Overall Experience	2		
	34	1	0		10	0	0
				Grand Total	155	10	0
					94%	6%	0%
				Questionnaires Sent Out	161	100%	
				Questionnaires Returned	33	20%	

# Customer Service Questionnaire Quarterly Report

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Quarter Ending 09/30/16

Customer Comments	Staff Response to Negative Comments	Issues NMWD Should Address In The Future
<b>Water Quality</b> Every once in awhile the water has a strong chlorine smell.	Lab staff measured chlorine, levels were low. Chlorine was not detected by staff. Customer was notified of results.	
<b>Leaks</b> Your crews are great and very helpful. Very helpful. Courteous and good service. Staff went the extra mile to investigate my problem. Very nice and helpful staff. Excellent service Fast service. Thanks. Darrell was awesome and so helpful. Helped me figure out how to find the leak. Darrell was helpful and polite. He responded promptly and helped us resolve the leak in a timely manner.		
<b>Billing</b> Very nice man who came here.		
<b>Pressure</b> Problem solved. Thanks.		
<b>Noisy Pipes</b>		
<b>Other</b>		

## MEMORANDUM

To: Board of Directors

October 14, 2016

From: David L. Bentley, Auditor-Controller

Subj: Auditor-Controller's Monthly Report of Investments for September 2016

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**RECOMMENDED ACTION:** Information

**FINANCIAL IMPACT:** None

At month end the District's Investment Portfolio had an amortized cost value (i.e., cash balance) of \$13,633,575 and a market value of \$13,634,829. During September the cash balance increased by \$1,154,047. The market value of securities held increased \$1,254 during the month. The ratio of total cash to budgeted annual operating expense stood at 90%, up 7% from the prior month.

At September 30, 2016, 27% of the District's Portfolio was invested in California's Local Agency Investment Fund (LAIF), 29% in Time Certificate of Deposit, 22% in Federal Agency Securities, 5% in Corporate Medium Term Notes, and 5% in the Marin County Treasury. The weighted average maturity of the portfolio was 207 days, compared to 247 days at the end of August. The LAIF interest rate for the month was 0.63%, compared to 0.61% the previous month. The weighted average Portfolio rate was 0.75%, compared to 0.77% the previous month. Including interest paid by The Bay Club on the StoneTree Golf Recycled Water Facilities Loan, the District earned \$12,979 in interest revenue during September, with 59% earned by Novato Water, 29% earned by Recycled Water (by virtue of the StoneTree Golf Loan) and the balance distributed to the two West Marin districts.

**NORTH MARIN WATER DISTRICT**  
**AUDITOR-CONTROLLER'S MONTHLY REPORT OF INVESTMENTS**  
**September 30, 2016**

Type	Description	S&P Rating	Purchase Date	Maturity Date	Cost Basis <sup>1</sup>	9/30/2016 Market Value	Yield <sup>2</sup>	% of Portfolio
<b>LAIF</b>	State of CA Treasury	AA-	Various	Open	\$3,741,136	\$3,741,963	0.63% <sup>3</sup>	<b>27%</b>
<b>Time Certificate of Deposit</b>								
TCD	Ally Bank	n/a	10/2/14	10/3/16	248,000	248,000	0.95%	2%
TCD	Cardinal Bank	n/a	11/12/14	11/14/16	249,000	249,000	0.80%	2%
TCD	Goldman Sachs	n/a	12/10/14	12/12/16	248,000	248,000	1.00%	2%
TCD	First Niagara Bank	n/a	4/30/15	5/1/17	249,000	249,000	0.75%	2%
TCD	Discover Bank	n/a	5/6/15	5/8/17	248,000	248,000	0.85%	2%
TCD	Capital One Bank	n/a	6/10/15	6/12/17	248,000	248,000	0.90%	2%
TCD	Flagship Cmnty Bank	n/a	6/24/15	6/24/17	249,000	249,000	0.75%	2%
TCD	American Express Bank	n/a	7/8/15	7/10/17	248,000	248,000	1.15%	2%
TCD	Capital One National Assoc	n/a	8/5/15	8/7/17	248,000	248,000	1.20%	2%
TCD	American Express Centurion	n/a	10/7/15	10/10/17	248,000	248,000	1.20%	2%
TCD	BMW Bank	n/a	12/14/15	12/11/17	248,000	248,000	1.20%	2%
TCD	Wells Fargo Bank	n/a	3/23/16	3/23/18	248,000	248,000	1.10%	2%
TCD	Mercantil Commerce Bank	n/a	6/17/16	6/15/18	248,000	248,000	1.00%	2%
TCD	Customers Bank	n/a	6/24/16	6/25/18	248,000	248,000	1.20%	2%
TCD	Merrick Bank	n/a	7/19/16	7/19/18	249,000	249,000	1.00%	2%
TCD	BMO Harris Bank	n/a	8/18/16	8/17/18	248,000	248,000	1.05%	2%
					<b>\$3,972,000</b>	<b>\$3,972,000</b>	<b>0.99%</b>	<b>29%</b>
<b>Federal Agency Securities</b>								
FFCB	1.70% MTN	n/a	9/15/14	10/28/16	\$500,393	\$500,597	0.69%	4%
FHLB	0.58% MTN	n/a	11/7/14	11/14/16	499,960	500,206	0.64%	4%
FICO	0.86% MTN	n/a	4/22/16	5/11/18	1,003,058	1,003,172	0.86%	7%
FNMA	0.875% MTN	n/a	7/19/16	7/19/18	998,825	997,840	0.97%	7%
					<b>\$3,002,237</b>	<b>\$3,001,815</b>	<b>0.83%</b>	<b>22%</b>
<b>Corporate Medium Term Notes</b>								
MTN	General Electric Capital	AA+	3/18/16	5/15/17	\$640,982	\$641,830	0.76%	5%
					<b>\$640,982</b>	<b>\$641,830</b>	<b>0.75%</b>	<b>5%</b>
<b>Other</b>								
Agency	Marin Co Treasury	AA+	Various	Open	\$736,375	\$736,375	0.32%	5%
Other	Various	n/a	Various	Open	1,540,845	1,540,845	0.50%	11%
<b>TOTAL IN PORTFOLIO</b>					<b>\$13,633,575</b>	<b>\$13,634,829</b>	<b>0.75%</b>	<b>100%</b>

Weighted Average Maturity = **207 Days**

LAIF: State of California Local Agency Investment Fund.

TCD: Time Certificate of Deposit.

FFCB: Federal Farm Credit Bank, FHLB: Federal Home Loan Bank, FICO: Financing Corporation,

FNMA: Federal National Mortgage Association

Agency: STP State Revolving Fund Loan Reserve.

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

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

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

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

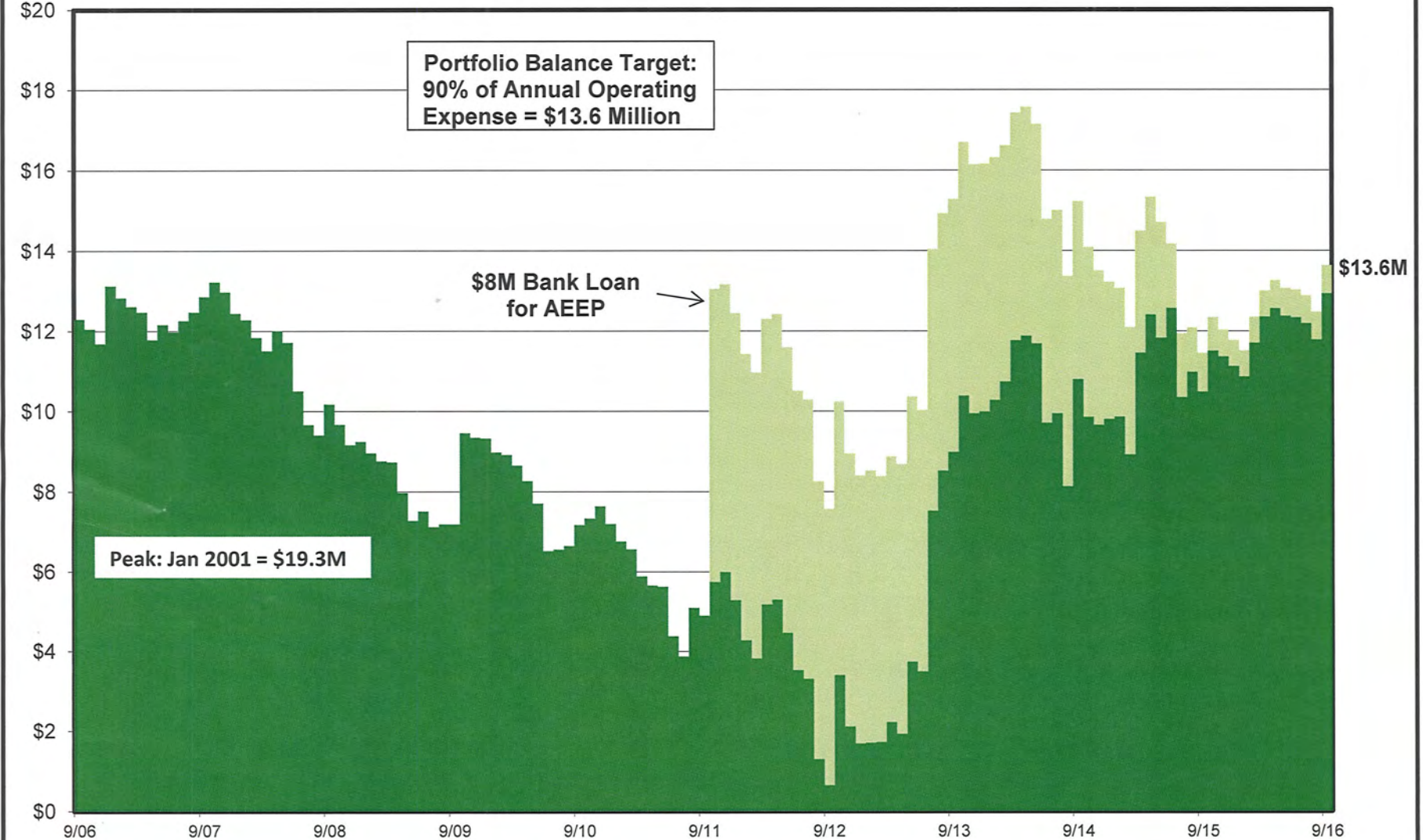
3 Earnings are calculated daily - this represents the average yield for the month ending September 30, 2016.

<b>Interest Bearing Loans</b>	Loan Date	Maturity Date	Original Loan Amount	Principal Outstanding	Interest Rate
StoneTree Golf Loan	6/30/06	2/28/24	\$3,612,640	\$1,695,199	2.40%
Employee Housing Loans (5)	Various	Various	934,200	934,200	Contingent
<b>TOTAL INTEREST BEARING LOANS</b>			<b>\$4,546,840</b>	<b>\$2,629,399</b>	

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

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Million  
\$20 -





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## MEMORANDUM

To: Board of Directors  October 14, 2016  
 From: Drew McIntyre, Assistant General Manager/Chief Engineer  
 Subject: Water Service Agreement – 45 Leveroni Ct. (APN 157-511-66) – Fire Service  
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**RECOMMENDED ACTION:** The Board approve authorization of this agreement.

**FINANCIAL IMPACT:** None: Developer Funded

Biomarin is making tenant improvements to 35 Leveroni Court, see vicinity map (Attachment A). The initial water service agreement for 35 Leveroni Court (aka Lots 125-129 in the Ignacio Industrial Park Unit No. 3 Project) was established in 1982 under District Job No. 1.1698. The 1982 project included one 1-inch water service and one 6-inch fire service. In 1984, under District Job No. 1.2113, a water service agreement was executed for a new domestic water service to 45 Leveroni Court (Lots 149-151). The 1984 project included an expansion of the existing building onto the 45 Leveroni Court Parcel. At that time, both 35 and 45 Leveroni Court were under single ownership and the entire building was served by a single fire service. The 45 Leveroni Court parcel was subsequently sold to a different owner (790 De Long Avenue General Partnership) creating a situation where two owners are under one roof with a common dividing wall. The proposed agreement herein would provide a new fire service to serve the 45 Leveroni Court side of the building and the existing fire service would remain to serve 35 Leveroni Court.

Proposed water facilities for this project include 20 feet of 6-inch PVC fire service lateral and a 6-inch fire service. A review of water demand history at these services shows that both facilities are within their entitlement. Biomarin will be submitting a separate application for revised water service for 35 Leveroni Court. No new demand is associated with the addition of the fire service to 45 Leveroni Court.

Sanitary sewer service will continue to be provided by Novato Sanitary District.

Environmental Document Review

This project has been determined to be exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Sections 15301 and 15304.

RECOMMENDATION:

That the Board approve authorization of this agreement.



45 LEVERONI COURT			
APN: 157-511-66			
DATE	SCALE	JOB.NO.	DWG.NO.
10/12/16	NTS	2779	MAP

RESOLUTION NO. 16-  
AUTHORIZATION OF EXECUTION  
OF  
WATER SERVICE FACILITIES CONSTRUCTION AGREEMENT  
WITH  
790 DE LONG AVENUE, GP

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BE IT RESOLVED by the Board of Directors of NORTH MARIN WATER DISTRICT that the President and Secretary of this District be and they hereby are authorized and directed for and on behalf of this District to execute that certain water service facilities construction agreement between this District and 790 De Long Avenue GP, a General Partnership, providing for the installation of water distribution facilities to provide domestic water service to that certain real property known as 45 Leveroni Court, Marin County Assessor's Parcel Number 157-511-66, NOVATO, CALIFORNIA.

\* \* \*

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of NORTH MARIN WATER DISTRICT at a regular meeting of said Board held on the 18th day of October, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

(SEAL)

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Katie Young, Secretary  
North Marin Water District

PART ONE  
WATER SERVICE FACILITIES CONSTRUCTION AGREEMENT  
FOR  
45 LEVERONI COURT – FIRE SERVICE

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*THIS AGREEMENT*, which consists of this Part One and Part Two, Standard Provisions, attached hereto and a part hereof, is made and entered into as of \_\_\_\_\_, 2016, by and between NORTH MARIN WATER DISTRICT, herein called "District," and 790 DE LONG AVENUE GP, A General Partnership, herein called "Applicant."

*WHEREAS*, the Applicant, pursuant to District Regulation 1, and all applicable ordinances of the City of Novato has pending an application for the real property in the District commonly known as Marin County Assessor's Parcel Number 157-511-66 and the project known as 45 LEVERONI COURT – FIRE SERVICE, consisting of one (1) lot for commercial development; and

*WHEREAS*, prior to final approval the Applicant shall enter into an agreement with the District and complete financial arrangements for fire protection water service to the parcel;

*WHEREAS*, the Applicant is the owner of real property in the District commonly known as 45 Leveroni Court, Novato (Marin County Assessor's Parcel 157-511-66): and

*WHEREAS*, the District established water service to 45 Leveroni Court, (APN: 157-511-66) December 17, 1984 with one 2-inch meter and fees were paid for a total water demand of five (5) Equivalent Dwelling Units (EDUs), and

*WHEREAS*, the said parcel is now calculated to have an average day peak month consumption equal to or less than five (5) EDUs resulting in no net increase water use; and

*NOW THEREFORE*, the parties hereto agree as follows:

1. The Applicant hereby applies to the District for fire protection water service to said real property and project and shall comply with and be bound by all terms and conditions of this agreement, the District's regulations, standards and specifications and shall construct or cause to be constructed the water facilities required by the District to provide fire protection water service to the real property and project. Upon acceptance of the completed water facilities, the District shall provide water service to said real property and project in accordance with its regulations from time to time in effect.

2. Prior to the District issuing written certification to the City, County or State that financial arrangements have been made for construction of the required water facilities, the Applicant shall complete such arrangements with the District in accordance with Section 5 of this agreement.

3. Prior to release or delivery of any materials by the District or scheduling of either construction inspection or installation of the facilities by the District, the Applicant shall:

a. deliver to the District vellum or mylar prints of any revised utility plans approved by the City or County to enable the District to determine if any revisions to the final water facilities construction drawings are required. The proposed facilities to be installed are shown on Drawing No. 1 2779.001, entitled, "45 LEVERONI COURT – FIRE SERVICE", a copy of which is attached, marked Exhibit "A", and made a part hereof. (For purposes of recording, Exhibit "A" is not attached but is on file in the office of the District.)

4. Except for fire service, new water service shall be limited to the number and size of services for which Initial Charges are paid pursuant to this agreement. Initial Charges for new services, estimated District costs and estimated applicant installation costs are as follows:

**Initial Charges**

Fire Service Bypass Meter(Included in Estimated District Costs)	...One 5/8-inch @	\$	0.00	\$	0.00
Reimbursement Fund Charges .....	..... @	\$	0.00	\$	0.00
Facilities Reserve Charges.....	.....Five @	\$	28,600.00	\$	143,000.00
Facilities Reserve Charges Credit (existing entitlement)...	.....@	\$	<28,600.00>	\$	<143,000.00>

**Subtotal - Initial Charges..... \$ 0.00**

**Estimated District Costs**

Pipe, Fittings & Appurtenances.....	\$	8,083.00
District Construction Labor.....	\$	15,532.00
Engineering & Inspection.....	\$	1,939.00
Bulk Materials.....	\$	2,778.00

**Subtotal –Estimated District Costs..... \$ 28,332.00**

**Estimated Applicant Installation Costs**

Installation Labor.....	\$	0.00
Contractor Furnished – Pipe Fittings & Appurtenances.....	\$	0.00
Bulk Materials.....	\$	0.00

**Subtotal- Estimated Applicant Installation Costs..... \$ 0.00**

**TOTAL ESTIMATED WATER FACILITIES COSTS..... \$ 28,332.00**

(Bulk materials are such items as crushed rock, imported backfill, concrete, reinforcing steel, paving materials, and the like, which are to be furnished by the contractor performing the work.)

5. Financial Arrangements to be made by the Applicant shall consist of the following:

### Initial Charges and Estimated District Costs

The Applicant shall either pay to the District or provide a two (2) year irrevocable letter of credit in form satisfactory to the District and payable at sight at a financial institution in the Novato area the sum of Initial Charges and Estimated District Costs as set forth in Section 4 hereof in the amount of **\$ 28,332**. If the Applicant provides the two (2) year irrevocable letter of credit, the District shall immediately draw down Initial Charges and shall draw upon the remaining funds guaranteed by the letter at any time the District deems appropriate to recover the Estimated District Costs which normally will be at least thirty (30) days prior to the anticipated start of construction for the ordering of materials to be furnished by the District.

### Estimated Installation Costs

Installation By District: Due to the proprietary nature of construction required to install said facilities, the District reserves the right to install the facilities utilizing District construction forces. The Applicant shall either pay to the District the total Estimated Installation Costs set forth in Section 4 hereof in the amount of **\$28,332** or shall include such amount in the irrevocable letter of credit provided for the Initial Charges and Estimated District Costs set forth first above. The District shall draw upon installation funds guaranteed by the letter at any time the District deems appropriate which normally will be at least thirty (30) days prior to the anticipated start of construction.

Whenever an irrevocable letter of credit is required by this agreement, the Applicant may substitute a certificate of deposit at a financial institution in the Novato area provided the certificate may be cashed at sight by the District at any time.

6. The applicant shall not resell any water furnished pursuant to this agreement. If multiple services from a single connection to the District's system through a master meter are allowed pursuant to District Regulation 4(b) the Applicant shall not submeter the individual services. The District's bills for water measured by a master meter shall be paid by the Applicant or a responsible homeowner's association. If a rental unit served through a master meter is converted into a separately owned unit the District may require the installation of a separate connecting main and meter for water service to the unit at the cost of the owner of the unit.

7. Water service through the facilities to be installed pursuant to this agreement will not be furnished to any building unless the building is connected to a public sewer system or to a waste water disposal system approved by all governmental agencies having regulatory jurisdiction. This restriction shall not apply to temporary water service during construction.

8. All estimated costs set forth in this agreement shall be subject to periodic review and revision at the District's discretion. In the event the Applicant has not completed financial

arrangements with the District in accordance with Section 5 hereof prior to expiration of six (6) months from the date of this agreement, all Initial Charges and estimated costs set forth in Section 4 hereof shall be revised to reflect then current District charges and estimates.

9. This agreement shall bind and benefit the successors and assigns of the parties hereto; however, this agreement shall not be assigned by the Applicant without the prior written consent of the District. Assignment shall be made only by a separate document prepared by the District at the Applicant's written request.

**NORTH MARIN WATER DISTRICT**  
"District"

**ATTEST:**

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John Schoonover, President

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Katie Young, Secretary

(SEAL)

790 DE LONG AVENUE GP  
A General Partnership  
"Applicant"

(SEAL)

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Al Cornwell, Partner

**NOTES:** *If the Applicant executing this agreement is a corporation, a certified copy of the bylaws or resolutions of the Board of Directors of said corporation authorizing designated officers to execute this agreement shall be provided.*

*This agreement must be executed by the Applicant and delivered to the District within thirty (30) days after it is authorized by the District's Board of Directors. If this agreement is not signed and returned within thirty days, it shall automatically be withdrawn and void. If thereafter a new agreement is requested, it shall incorporate the Initial Charges (connection fees) and cost estimates then in effect.*

**ALL SIGNATURES MUST BE ACKNOWLEDGED BEFORE A NOTARY PUBLIC.**



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## MEMORANDUM

To: Board of Directors  
From: Chris DeGabriele, General Manager  
Subject: Regulation 109 – Oceana Marin Sewage Facilities Connection Charge  
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October 14, 2016

**RECOMMENDED ACTION:** Approve Regulation 109 – Oceana Marin Sewage Facilities Connection Charge Increase to \$22,600

**FINANCIAL IMPACT:** None at this time

At the June 28<sup>th</sup> Board meeting, the Board of Directors voted that the language in Regulation 109 allow ample time, by October 15<sup>th</sup>, for customers to file both an application for sewer service with North Marin and application for building permit with the County of Marin. Until that day the current sewage facilities connection charge of \$15,200 would apply.

Effective October 15<sup>th</sup>, the sewer service charge would be \$22,600 as voted on by the Board of Directors. A draft Regulation 109 is attached.

**RECOMMENDATION**

Approve Regulation 109 – Oceana Marin Sewage Facilities Connection Charge and Resolution 16-XX entitled: "Revision of North Marin Water District Regulation 109- Oceana Marin Sewer Service – Rates and Charges."

Approved by GM CD  
Date 10/14/2016

**NORTH MARIN WATER DISTRICT  
REGULATION 109  
OCEANA MARIN SEWER SERVICE - RATES AND CHARGES**

a. Applicability

This regulation applies to sewer service within Improvement Districts No. OM-1 and OM-3 of North Marin Water District which are herein referred to as Oceana Marin.

b. Sewage Facilities Connection Charge

A sewage facilities connection charge of ~~\$15,200~~\$22,600 for each dwelling unit shall be paid prior to the commencement of sewer service. ~~Effective October 16, 2016 the sewage facilities connection charge shall increase to \$22,600; and e~~Effective July 1, 2017 the sewage facilities connection charge shall increase to \$30,000. For connection of service to structures projected to generate flows in excess of that generated by a typical single family home in Oceana Marin, the District shall calculate the number of equivalent dwelling units and resulting connection charge. In no event shall the connection charge be less than the amounts noted above. All revenues derived by the District from said sewage facilities connection charge shall be used only for the construction and reconstruction (including, without limitation, enlargement, modification and replacement) and operation and maintenance of the sewage facilities serving said lots or for other purposes authorized by Section 5474.9 of the Health & Safety Code, but shall not be used for acquisition or construction of new local street sewer or laterals. With the exception of property annexed after April 17, 1973, said charge shall not be payable for any lot in Units 3 or 4 of Oceana Marin Subdivision heretofore or hereafter connected to said facilities by reason of the substantial payment for said facilities heretofore made by the owners of said lots.

c. Sewer Service Rate

For Fiscal Year 2016-17, a sewer service rate of \$936 per equivalent unit per year shall be paid by the owner of the land served. In the case of new construction, said rate shall commence when connection is made to the District sewage facility. Upon written notice by the owner in the event a structure is demolished by fire or otherwise removed from the land, an appropriate adjustment shall be made taking into account the reduced use but excluding any adjustment for infiltration inflow. An appropriate portion of the charges collected during the period that no structure existed shall be refunded. The refund period, however, shall not be greater than one year and shall be measured from the date that the District receives written notice from the owner.

**RESOLUTION 16-XX**  
**REVISION OF NORTH MARIN WATER DISTRICT**  
**REGULATION 109**  
**OCEANA MARIN SEWER SERVICE - RATES AND CHARGES**

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BE IT RESOLVED by the Board of Directors of North Marin Water District that Regulation 109 of the North Marin Water District is adopted as follows, effective forthwith:

a. Applicability

This regulation applies to sewer service within Improvement Districts No. OM-1 and OM-3 of North Marin Water District which are herein referred to as Oceana Marin.

b. Sewage Facilities Connection Charge

A sewage facilities connection charge of \$22,600 for each dwelling unit shall be paid prior to the commencement of sewer service. Effective July 1, 2017 the sewage facilities connection charge shall increase to \$30,000. For connection of service to structures projected to generate flows in excess of that generated by a typical single family home in Oceana Marin, the District shall calculate the number of equivalent dwelling units and resulting connection charge. In no event shall the connection charge be less than the amounts noted above. All revenues derived by the District from said sewage facilities connection charge shall be used only for the construction and reconstruction (including, without limitation, enlargement, modification and replacement) and operation and maintenance of the sewage facilities serving said lots or for other purposes authorized by Section 5474.9 of the Health & Safety Code, but shall not be used for acquisition or construction of new local street sewer or laterals. With the exception of property annexed after April 17, 1973, said charge shall not be payable for any lot in Units 3 or 4 of Oceana Marin Subdivision heretofore or hereafter connected to said facilities by reason of the substantial payment for said facilities heretofore made by the owners of said lots.

c. Sewer Service Rate

For Fiscal Year 2016-17, a sewer service rate of \$936 per equivalent unit per year shall be paid by the owner of the land served. In the case of new construction, said rate shall commence when connection is made to the District sewage facility. Upon written notice by the owner in the event a structure is demolished by fire or otherwise removed from the land, an appropriate adjustment shall be made taking into account the reduced use but excluding any adjustment for infiltration inflow. An appropriate portion of the charges collected during the period that no structure existed shall be refunded. The refund period, however, shall not be greater than one year and shall be measured from the date that the District receives written notice from the owner.

\* \* \* \* \*

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of NORTH MARIN WATER DISTRICT at a regular meeting of said Board held on the eighteenth of October, 2016, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINED:

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Eileen Mulliner, Acting District Secretary  
North Marin Water District

(SEAL)

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## MEMORANDUM

To: Board of Directors   
 From: Drew McIntyre, Assistant General Manager/Chief Engineer  
 Subject: Plum Street Tank Property Exchange – Grant Deed  
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Date: October 14, 2016

**RECOMMENDATION:** Board approve the Grant Deed to 15 Zandra Place (APN 143-101-19)

**FINANCIAL IMPACT:** None

The Plum Street Tank property exchange between the North Marin Water District (NMWD) and adjacent parcel APN 143-101-19 (15 Zandra Place) owners, Jane Prosser and Eugene Rhim, was a mutual property trade benefiting both parties. As shown in Attachment 1, the property owners gained an additional 180 sq. ft. strip of land (~40'x4.5') for landscaping purposes to help screen the District's Plum Street Recycled Water Tank. In return, the District gained a 163 sq. ft. crescent shape wedge (~34' in length) which provides improved access to and within the NMWD tank parcel. The property exchange is deemed to be an even trade (180 sq. ft vs. 163 sq. ft.) with a net property increase or decrease value of zero. A signed Grant Deed from 15 Zandra Place owners has been received (Attachment 2). The corresponding Grant Deed to 15 Zandra Place was inadvertently executed by the General Manager in advance of NMWD Board approval (Attachment 3). This action formally approves conveyance of a portion of the NMWD tank site property (i.e., 180 sq. ft) in exchange for property received from 15 Zandra Place.

RECOMMENDATION

That the Board approve the Grant Deed to 15 Zandra Place.

Approved by GM 

Date 10/14/2016

RESOLUTION NO. 16-  
AUTHORIZATION OF EXECUTION OF PLUM STREET TANK SITE CORPORATION GRANT  
DEED (PORTION OF)  
TO  
JANE PROSSER AND EUGENE RHIM OF 15 ZANDRA PLACE

BE IT RESOLVED by the Board of Directors of NORTH MARIN WATER DISTRICT that the President and Secretary of this District be and they hereby are authorized and directed for and on behalf of this District to execute that certain Corporation Grant Deed between Jane Prosser and Eugene Rhim (APN 143-650-08, 15 Zandra Place), as Grantee, and NORTH MARIN WATER DISTRICT, a public district, as Grantor, as part of a mutual agreement to exchange property of same value property between said parties.

\* \* \*

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of NORTH MARIN WATER DISTRICT at a regular meeting of said Board held on the this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

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Katie Young, Secretary  
North Marin Water District

(SEAL





APN: 143-10-027

PLUM STREET  
RECYCLED WATER TANK  
500,000 GALLONS

TO 15 ZANDRA PLACE FROM NMWD  
180 SQ. FT.

TO NMWD FROM 15 ZANDRA PLACE  
163 SQ. FT.

APN: 143-65-008

# NMWD AND 15 ZANDRA PLACE PROPERTY EXCHANGE

DATE	SCALE	JOB.NO.	DWG NO.
10/12/16	N.T.S.		

Recording requested by and  
When Recorded Mail To:

Attn: Drew McIntyre  
North Marin Water District  
PO Box 146  
Novato, CA 94948

Documentary Transfer Tax \$0.00  
(value less than \$100)

Record Without Fee Per G.C. 27383

A.P.N. 143-650-08	J-25 & 2587	Space above this line
15 Zandra Pl		for Recorder's use
Novato, CA 94945		

### GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

**Jane Prosser and Eugene Rhim**

hereby grants to

**NORTH MARIN WATER DISTRICT, a public corporation organized and existing under the  
County Water District Law of the State of California**

all of its right, title and interest in that real property in the County of Marin, State of California  
described in Exhibit A attached hereto and made a part hereof, and shown as Parcel 2 on  
Exhibit B attached hereto and made a part hereof.

Date: August 17, 2016


By:   
Jane Prosser

By:   
Eugene Rhim

### CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the foregoing instrument to North  
Marin Water District, a local governmental agency, is hereby accepted by the undersigned  
officer on behalf of the Board of Directors of the District pursuant to authority conferred by the  
Board's Resolution No. 10-14, adopted on August 3, 2010, and the Grantee consents to  
recordation thereof by its duly authorized officer.

Dated: August 24, 2016

By:   
Chris DeGabriele, General Manager

North Marin Water District

Plum Tank Site  
Land Swap

Grant from Jane Prosser and Eugene Rhim to NMWD

APN 143-650-08

**Exhibit A**

A parcel of land in the City of Novato, County of Marin, State of California more particularly described as follows:

Beginning at the easterly terminus of the 45 foot radius curve in the northeasterly line of Lot 4 as shown on the map of Rudnick Estates filed November 1, 2004 in Book 2004 of Maps at page 269, Marin County Records;

Thence, leaving said line, S 74° 34' 46" W 4.72 feet;

Thence N 42° 37' 58" W 33.70 feet to a point on said curve;

Thence, southeasterly along said curve, the center of which bears S 17° 02' 05" W with a radius of 45.00 feet through a central angle of 47° 18' 27" an arc length of 37.16 feet to the point of beginning.

This parcel contains approximately 163 square feet.

*Dale White*  
*8-3-16*

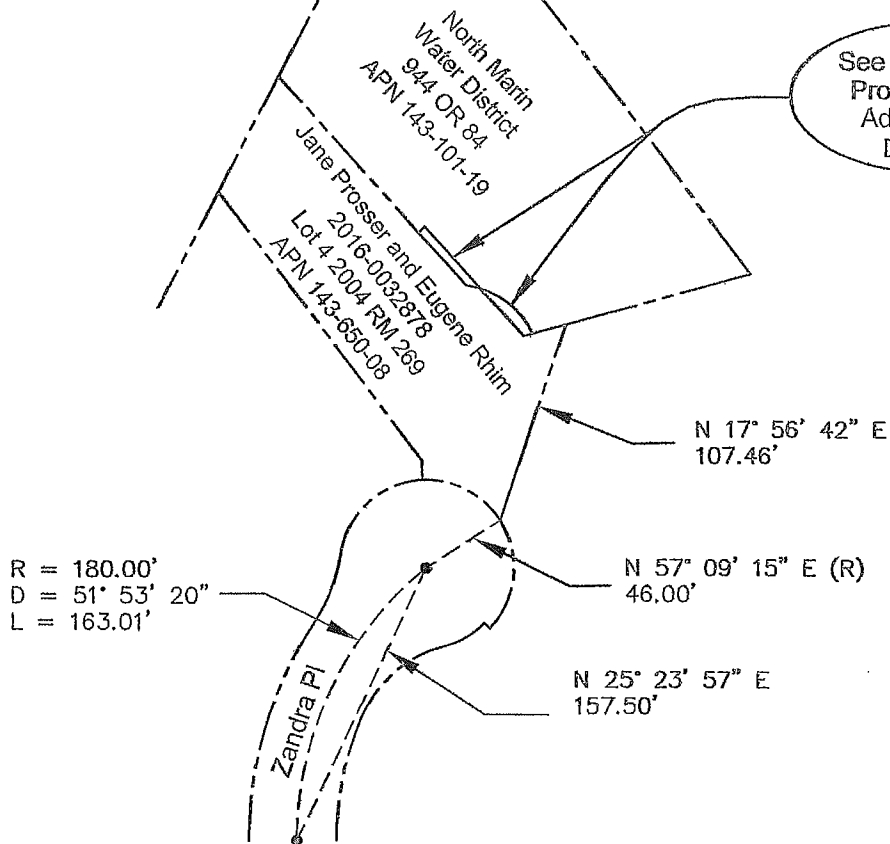


Legend

- Existing Property Boundary
- Adjusted Property Boundary
- Street Monument 2004 RM 269

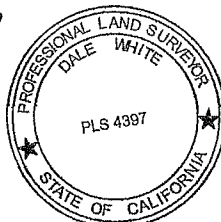


Scale: 1" = 100'



White & Prescott  
Engineering and Surveying  
10 Commercial Blvd  
Novato, CA

*Dale White*  
8-3-16



North Marin Water District  
Plum Tank Land Swap

Exhibit B

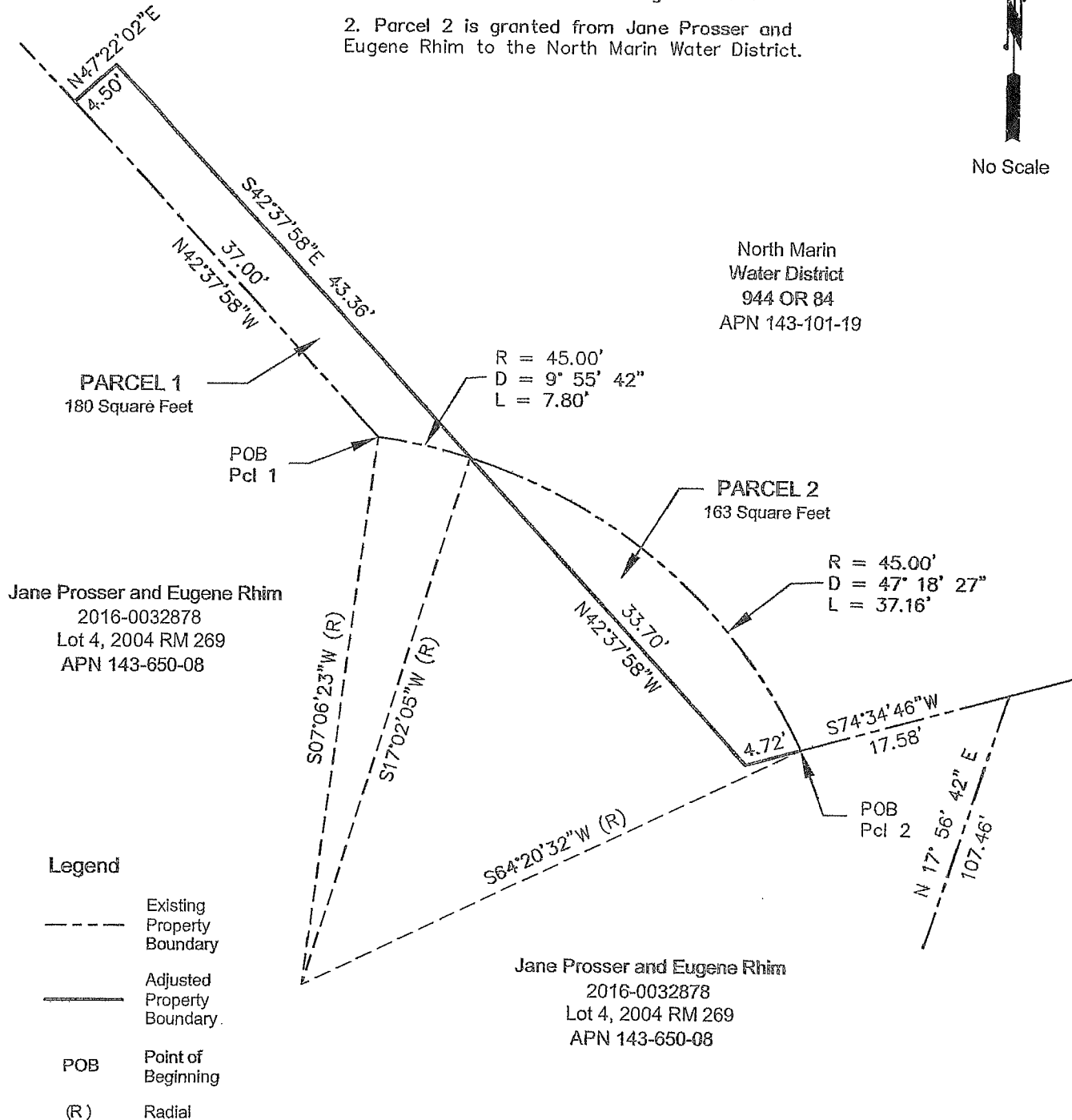
Sheet 1 of 2

# Notes

1. Parcel 1 is granted from the North Marin Water District to Jane Prosser and Eugene Rhim.
2. Parcel 2 is granted from Jane Prosser and Eugene Rhim to the North Marin Water District.

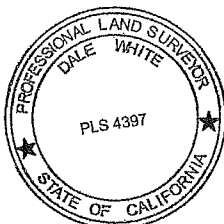


No Scale



White & Prescott  
Engineering and Surveying  
10 Commercial Blvd  
Novato, CA

*Dale White*  
8-3-16



North Marin Water District  
Plum Tank Land Swap

Exhibit B

Sheet 2 of 2

Recording requested by and  
When Recorded Mail To:

Jane Prosser  
Eugene Rhim  
15 Zandra Place  
Novato, CA 94945

Documentary Transfer Tax \$0.00  
(value less than \$100)

Record Without Fee Per G.C. 27383

A.P.N. 143-101-19

J-25 & 2587

Space above this line  
for Recorder's use

### CORPORATION GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

**NORTH MARIN WATER DISTRICT, a public corporation organized and existing under the County Water District Law of the State of California**

hereby grants to


**Jane Prosser and Eugene Rhim**

all of its right, title and interest in that real property in the County of Marin, State of California described in Exhibit A attached hereto and made a part hereof, and shown as Parcel 1 on Exhibit B attached hereto and made a part hereof.

Date: August 25, 2016

NORTH MARIN WATER DISTRICT

By:

  
Chris DeGabriele, General Manager



North Marin Water District

Plum Tank Site  
Land Swap

Grant from NMWD to Jane Prosser and Eugene Rhim

APN 143-101-19

### Exhibit A

A parcel of land in the City of Novato, County of Marin, State of California more particularly described as follows:

Beginning at the westerly terminus of the 45 foot radius curve in the southwesterly line of that certain parcel shown as "North Marin Water District 944 OR 84" as shown on the map of Rudnick Estates filed November 1, 2004 in Book 2004 of Maps at page 269, Marin County Records;

Thence, along the southwesterly line of said parcel, N 42° 37' 58" W 37.00 feet;

Thence, leaving said line, N 47° 22' 02" E 4.50 feet;

Thence S 42° 37' 58" E 43.36 feet to a point on said curve;

Thence, northwesterly along said curve, the center of which bears S 17° 02' 05" W with a radius of 45.00 feet through a central angle of 09° 55' 42" an arc length of 7.80 feet to the point of beginning.

This parcel contains approximately 180 square feet.

*Dale White*  
*8-3-16*

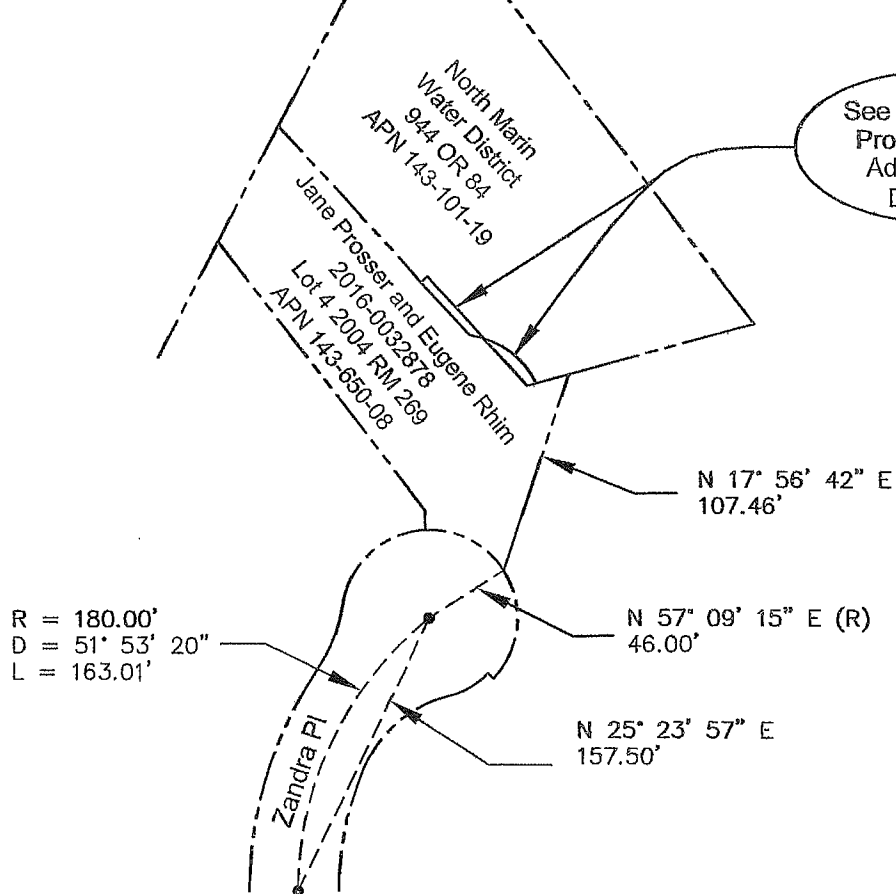


# Legend

- Existing Property Boundary
- Adjusted Property Boundary
- Street Monument 2004 RM 269

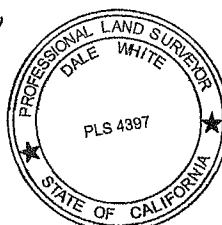


Scale: 1" = 100'



White & Prescott  
Engineering and Surveying  
10 Commercial Blvd  
Novato, CA

*Dale White*  
8-3-16



North Marin Water District  
Plum Tank Land Swap

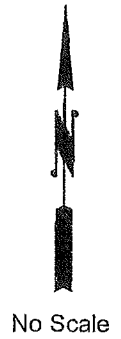
Exhibit B

Sheet 1 of 2



# Notes

1. Parcel 1 is granted from the North Marin Water District to Jane Prosser and Eugene Rhim.
2. Parcel 2 is granted from Jane Prosser and Eugene Rhim to the North Marin Water District.



North Marin  
Water District  
944 OR 84  
APN 143-101-19

**PARCEL 1**  
180 Square Feet

POB  
Pcl 1

R = 45.00'  
D = 9° 55' 42"  
L = 7.80'

**PARCEL 2**  
163 Square Feet

R = 45.00'  
D = 47° 18' 27"  
L = 37.16'

Jane Prosser and Eugene Rhim  
2016-0032878  
Lot 4, 2004 RM 269  
APN 143-650-08

S07°06'23"W (R)

S17°02'05"W (R)

N42°37'58"W

S64°20'32"W (R)

S74°34'46"W  
17.58'

POB  
Pcl 2  
N 17° 56' 42" E  
107.46'

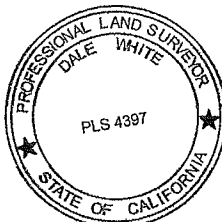
Jane Prosser and Eugene Rhim  
2016-0032878  
Lot 4, 2004 RM 269  
APN 143-650-08

## Legend

- Existing Property Boundary
- Adjusted Property Boundary
- POB Point of Beginning
- (R) Radial

White & Prescott  
Engineering and Surveying  
10 Commercial Blvd  
Novato, CA

*Dale White*  
B-3-16




North Marin Water District  
Plum Tank Land Swap

**Exhibit B**

Sheet 2 of 2

**14**

## MEMORANDUM

To: Board of Directors October 14, 2016  
From: Chris DeGabriele, General Manager   
Subj: Potter Valley Project, FERC Project #77, Pre Application Document Questionnaire  
t:\gm\scwa\potter valley\questionnaire ferc 77.docx

**RECOMMENDED ACTION:** Information Only

**FINANCIAL IMPACT:** None at this time

Attached is a letter from Pacific Gas & Electric Company notifying interested parties that PG&E is taking the initial steps required by the Federal Power Act and the Federal Energy Regulatory Commission (FERC) to obtain a new license for the Potter Valley Project. This is good news. The letter requests assistance in identifying existing relevant and reasonably available information or known potential impacts of the project.

I have taken the opportunity to complete the questionnaire on behalf of the District and solicited input from other water contractors. Valley of the Moon Water District, City of Santa Rosa, and Town of Windsor are also interested in participating in the Potter Valley Project re-licensing proceeding.

Additionally, I have identified that the re-licensing provides an opportunity to revisit the current license provisions, which when adopted in 2002 were intended to result in an approximate 15% reduction in the annual diversions of water from the Eel River basin to the Russian River basin. We now know that this reduction has approached 50%. I'm asking that additional studies be made with regard to the adverse impacts on municipal, industrial and irrigation users of the Russian River resulting from the reductions in diversions are dramatically different from those contemplated in the 2002 PVP Biological Opinion.



**Pacific Gas and  
Electric Company**

Power Generation  
Hydro Relicensing

245 Market Street  
San Francisco, CA 94105

Mailing Address  
Mail Code N11C  
P.O. Box 770000  
San Francisco, CA 94177

September 23, 2016

**To: Interested Parties**

**Re: Potter Valley Hydroelectric Project, FERC Project No. 77  
Pre-Application Document Questionnaire**

Pacific Gas and Electric Company's (PG&E) operating license for the Potter Valley Hydroelectric Project, FERC Project No. 77 (Project) expires April 14, 2022. Consequently, PG&E is taking the initial steps required by the Federal Power Act and the Federal Energy Regulatory Commission's (FERC) Integrated Licensing Process (ILP) to obtain a new license for the Project. The Project is located in Mendocino and Lake Counties and includes Scott Dam and the reservoir it impounds, Lake Pillsbury; Van Arsdale Reservoir, created by Cape Horn Dam; and Potter Valley Powerhouse (**Figure 1**). Complete information regarding the FERC's relicensing process and ILP is provided on FERC's website at:

<http://www.ferc.gov/industries/hydropower/gen-info/licensing/ilp.asp>.

The purpose of this letter is to:

- 1) Notify and inform interested governmental agencies, tribes, non-governmental organizations, and individuals about the pending license expiration; and
- 2) Request your assistance in identifying existing, relevant, and reasonably available information that describes the existing Project environment or known potential impacts of the Project.

The ILP requires that PG&E prepare a Pre-Application Document (PAD) to be filed at FERC with its Notice of Intent (NOI) by the filing deadline of April 14, 2017, five years in advance of license expiration. The PAD identifies for FERC and other entities existing, relevant, and reasonably available information pertaining to the Project to help identify issues and related information needs, develop study requests and study plans, and provide the basis for analyzing Project impacts. To obtain information for the PAD, a license applicant uses information in its possession and relevant information obtained from others.

PG&E has a great deal of information pertaining to the Project, but we recognize we do not have all available information. We would like your assistance identifying additional existing, relevant, and reasonably available information that describes the existing Project environment or known potential impacts of the Project.



You and/or your organization have been identified as a potential source of information for possible inclusion in the PAD. To facilitate the collection of existing, relevant, and reasonably available information attached is a Pre-Application Document Information Questionnaire (Questionnaire).

The Questionnaire seeks the identification of information regarding specific resource subject areas that are addressed in the PAD, including:

- |  |                            |
|--|----------------------------|
| ▪ Geology and soils                                    | ▪ Recreation and land use  |
| ▪ Water resources                                      | ▪ Aesthetic resources      |
| ▪ Fish and aquatic resources                           | ▪ Cultural resources       |
| ▪ Wildlife and botanical resources                     | ▪ Socio-economic resources |
| ▪ Wetlands, riparian, and littoral (shoreline) habitat | ▪ Tribal resources         |
| ▪ Rare, threatened and endangered species              |                            |

To ensure relevant information you have is available for identification in the PAD, **please fill out and return the enclosed Questionnaire on or before October 11, 2016**. Your timely response allows for follow-up by PG&E or PG&E's representative that may be needed and/or helpful. Not responding on or before October 26, 2016 will indicate that you are not aware of any existing, relevant, and reasonably available information describing the existing Project environment or known potential impacts of the Project.

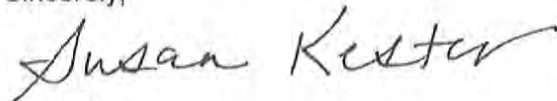
Please send your response via email or regular mail as indicated below.

**By Email:** Send a pdf of the completed questionnaire, comments and/or questions to Julie Smith at [julie.smith@cardno.com](mailto:julie.smith@cardno.com).

**By U.S. Mail:** Send a hardcopy of the completed questionnaire via U.S. mail to: Cardno, Attn: Julie Smith, 701 University Avenue, Suite 200, Sacramento, CA 95825.

Thank you in advance for your help identifying information that meets FERC's criteria for identification in the PAD. If you have any questions about this request, please contact Susan Kester, PG&E Relicensing Project Manager, at (415) 973-7202, or [susan.kester@pge.com](mailto:susan.kester@pge.com).

Sincerely,



Susan Kester  
Pacific Gas and Electric Company  
Relicensing Project Manager

Attachments

1. Potter Valley Project Pre-Application Document Information Questionnaire
2. Potter Valley Project Location Map



**Potter Valley Project, FERC Project No. 77**  
**Relicensing Pre-Application Document Information Questionnaire**

Pacific Gas and Electric Company (PG&E) is taking the initial steps required by the Federal Power Act and the Federal Energy Regulatory Commission's (FERC) Integrated Licensing Process (ILP) to obtain a new license for the Potter Valley Hydroelectric Project, FERC Project No. 77 (Project) located in Mendocino and Lake Counties. The Project features include Scott Dam and the reservoir it impounds, Lake Pillsbury; Van Arsdale Reservoir, created by Cape Horn Dam; and Potter Valley Powerhouse (Figure 1). The current Project license expires on April 14, 2022.

Under the FERC ILP regulations, PG&E is preparing a Pre-Application Document (PAD) that provides FERC and other entities with existing, relevant, and reasonably available information pertaining to the Project to help identify issues and related information needs, develop study requests and study plans, and provide the basis for analyzing Project impacts. The purpose of the Pre-Application Document Information Questionnaire is to help identify sources of existing, relevant, and reasonably available information that are not in PG&E's possession.

1. Information about person completing the questionnaire:

Name & Title: Chris DeGabriele, General Manager  
Organization: North Marin Water District  
Address: P.O. Box 146  
Novato, CA 94948  
Phone: (415)897-4133  
Email Address: cdegabriele@nmwd.com

My preferred method of communication is: ☐ Regular mail ☒ Email ☐ Phone

2. Do you or your organization know of existing, relevant, and reasonably available information that describes the existing Project environment or known potential impacts of the Project?

☒ Yes (If yes, please complete 2a thru 2f.) ☐ No (If no, please go to 3.)

a. If yes, please check the box(es) to indicate the specific resource area(s) that the information relates to:

- |   |   |
|---|---|
| <input type="checkbox"/> Geology and soils                                    | <input type="checkbox"/> Recreation and land use    |
| <input checked="" type="checkbox"/> Water resources                           | <input type="checkbox"/> Aesthetic resources        |
| <input type="checkbox"/> Fish and aquatic resources                           | <input type="checkbox"/> Cultural resources         |
| <input type="checkbox"/> Wildlife and botanical resources                     | <input type="checkbox"/> Socio-economic resources   |
| <input type="checkbox"/> Wetlands, riparian, and littoral (shoreline) habitat | <input type="checkbox"/> Tribal resources           |
| <input type="checkbox"/> Rare, threatened & endangered species                | <input type="checkbox"/> Other resource information |

b. Please briefly describe the information or list available documents: (Additional information may be provided on sheet 4 of this questionnaire.)

1. NMFS Biological Opinion for The proposed license amendment for the Potter Valley Project (FERC Project Number 77-110), Nov 26, 2002

2. SCWA Lake Mendocino Water Supply Reliability Evaluation Report Term 17, (State Water Resources Control Board Order 5/1/2013)



**Potter Valley Project, FERC Project No. 77  
Relicensing Pre-Application Document Information Questionnaire**

- c. Please transmit a copy of the information identified in 2b via email to Julie Smith at [julie.smith@cardno.com](mailto:julie.smith@cardno.com). Information can also be submitted via U.S. Mail to: Cardno, Attn: Julie Smith, 701 University Avenue, Suite 200, Sacramento, CA 95825. If you are unable to provide the materials, please specify where PG&E can obtain the information.

Materials should be available with PG&E and Sonoma County Water Agency

- d. Is there a representative other than yourself you would like to designate as an additional contact for potential follow-up by PG&E or PG&E's representative for the resource area(s) checked above? Please indicate their contact information below: *(Additional information may be provided on sheet 4 of this questionnaire.)*

**Additional Contact Information**

Name & Title: Dan Muelrath, General Manager, Valley of the Moon Water District

Address: P.O. Box 280  
El Verano, CA 95433

Phone: (707)996-1037

Email Address: [dmuelrath@vomwd.com](mailto:dmuelrath@vomwd.com)

Name & Title: See sheet 4 for Additional Contact Information

Address:

Phone:

Email Address:

- e. Based on the specific resources listed in 2a, are you aware of any specific project-related issues pertaining to the identified resource area(s)? *(Additional information may be provided on sheet 4 of this questionnaire.)*

☒ Yes *(Please list specific issues below.)*

☐ No

**Resource Area and Specific Issue**

The Project relicensing provides an opportunity to revisit the current license provisions adopted circa 2002 with the November 26, 2002 "Biological Opinion for the Proposed License Amendment for the Potter Valley Project," and which we believe did not accurately reflect the hydrologic modeling which ostensibly supported the B.O. Reasonable and Prudent Alternative. Page 83 of the B.O. states: "The RPA would also result in an approximate average 15 percent reduction (relative to Article 38 diversions) in the annual diversion of water from the Eel River Basin to the Russian River Basin, which is comparable to the proposed action impacts to the diversion (FERC 2000)."

We now know that the above statement is not true. Based on recent history and the Lake Mendocino Reliability Study, diversions have been reduced by ~50% from the Eel River into the Russian River using the RPA license provisions.



**Potter Valley Project, FERC Project No. 77**  
**Relicensing Pre-Application Document Information Questionnaire**

- f. Based on the resource issues identified in 2e, are you aware of any potential studies or information needs associated with the identified issues? *(Additional information may be provided on sheet 4 of this questionnaire.)*

☒ Yes *(Please list potential studies or information needs below.)* ☐ No

**Potential Studies or Information Needs**

The Project relicensing provides an opportunity to revisit the current license provisions adopted circa 2002 with the November 26, 2002 "Biological Opinion for the Proposed License Amendment for the Potter Valley Project," and which we believe did not accurately reflect the hydrologic modeling which ostensibly supported the B.O. Reasonable and Prudent Alternative. Page 83 of the B.O. states: "The RPA would also result in an approximate average 15 percent reduction (relative to Article 38 diversions) in the annual diversion of water from the Eel River Basin to the Russian River Basin, which is comparable to the proposed action impacts to the diversion (FERC 2000)."

We now know that the above statement is not true. Based on recent history and the Lake Mendocino Reliability Study, diversions have been reduced by ~50% from the Eel River into the Russian River using the RPA license provisions. Additional studies should be made, or information gathered, with regard to the adverse impacts on M&I and Irrigation users of the Russian River that has resulted from, and will continue to result from, the reductions in diversions from the Eel River into the Russian River that are dramatically different from those contemplated in the referenced 2002 B.O.

3. Do you or your organization plan to participate in the Potter Valley Project relicensing proceeding?

☒ Yes ☐ No

4. We are interested in your comments. If you have comments and/or questions regarding the Potter Valley Project, Pre-Application Document, or relicensing, please add below:

**Comments and/or Questions**

**Please return this Questionnaire to PG&E on or before October 11, 2016.** Your timely response allows for follow-up by PG&E or PG&E's representative that may be needed and/or helpful. Not responding on or before October 26, 2016 will indicate you are not aware of existing, relevant, and reasonably available information describing the existing Project environment or known potential effects of the Project.

**Respond by Email:** Send a pdf of the completed questionnaire, comments and/or questions to Julie Smith at [julie.smith@cardno.com](mailto:julie.smith@cardno.com).

**Respond by U.S. Mail:** A hardcopy of the completed questionnaire can be submitted via U.S. mail to: Cardno, Attn: Julie Smith, 701 University Avenue, Suite 200, Sacramento, CA 95825.

**Follow-up Questions for PG&E:** If you have questions for PG&E about this request, please contact Susan Kester, PG&E Relicensing Project Manager, at (415) 973-7202 or [susan.kester@pge.com](mailto:susan.kester@pge.com).





**Potter Valley Project, FERC Project No. 77**  
**Relicensing Pre-Application Document Information Questionnaire**

---

**Additional Information or Comments: (Please indicate applicable section.)**

**2.d. Additional Contact Information**

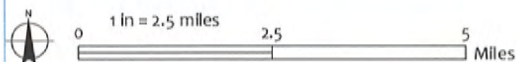
Linda Reed, Interim Director, City of Santa Rosa Water  
69 Stony Circle  
Santa Rosa, CA 95401  
(707)543-3946  
lreed@srcity.org

Toni Bertolero, Public Works Director/Town Engineer, Town of Windsor  
8400 Windsor Road, #100  
Windsor, CA 95492  
(707)838-5978  
tbertolero@townofwindsor.com

Figure 1. Potter Valley Project Area Overview



9/23/2016




15



MEMORANDUM

To: Board of Directors

October 14, 2016

From: Chris DeGabriele, General Manager 

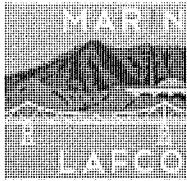
Subj: Marin LAFCo Sphere of Influence Update for Marin Municipal Water District (MMWD)  
t:\gm\lafco\soi mmwd.docx

**RECOMMENDED ACTION:** Information Only

**FINANCIAL IMPACT:** None

Attached please find the Marin LAFCo staff report and accompanying information including a brief excerpt (Chapter 3, Analysis & Recommendation) from the Marin LAFCo Sphere of Influence Update Report for MMWD.

The report, as now shown in the excerpt accurately reflects the history behind the boundary reorganization between North Marin and MMWD in the Hamilton area completed in 2002. The report recommends MMWD's Sphere of Influence be adjusted to remove all of the territory that encompasses Hamilton from the current MMWD Sphere of Influence, something that was not completed at the time of the boundary reorganization in 2002.



# Marin Local Agency Formation Commission

## Regional Service Planning | Subdivision of the State of California

### AGENDA REPORT

October 13, 2016

Item No. 8 (Public Hearing)

October 5, 2016

**TO:** Marin Commissioners

**FROM:** Keene Simonds, Executive Officer

**SUBJECT: Final Report on the Comprehensive Sphere of Influence Update on Marin Municipal Water District and Associated Actions**

The Commission will consider taking two actions tied to its scheduled sphere of influence update on the Marin Municipal Water District. The first action is to receive and file a final report prepared by staff evaluating the current sphere designation and update recommendations therein relative to State law and Commission policies. The second action is to consider adopting a resolution updating the sphere consistent with the recommendations of the final report and headlined by making one immediate modification to remove the Hamilton (Novato) area. Other recommendations focus on policy statements involving Nicasio and include designating it as a priority review ahead of the next scheduled five-year update and working in the interim with Marin Municipal on limited and termed outside service allowances – including trucked water – that do not require conforming sphere changes.

Local Agency Formation Commissions (LAFCOs) are required under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 to establish, amend, and update spheres of influence for all cities and most special districts in California. Spheres serve to designate the territory LAFCOs independently believes represents the appropriate and probable future service areas and jurisdictional boundaries of the affected agencies. All jurisdictional changes and outside municipal service extensions must be consistent with the spheres of the affected local agencies with limited exceptions. LAFCOs must update all spheres every five years and in conjunction with preparing municipal service reviews to assess the level, range, and need of governmental services in the respective county.

### A. Background

#### ***Adopted Study Schedule / Completed Municipal Service Review***

Marin LAFCO's ("Commission") current five-year cycle for preparing municipal service reviews was adopted in June 2014 in step with establishing a formal study schedule. Consistent with this schedule the Commission completed a countywide municipal service review on public water services ("water study") that included an independent evaluation therein of the Marin Municipal Water District (MMWD). The water study was completed in February 2016 and culminated with the Commission adopting a series of written

**Administrative Office**  
Keene Simonds, Executive Officer  
1401 Los Gatos Drive, Suite 220  
San Rafael, California 94903  
T: 415-448-5877  
www.marinlafco.org

Judy Arnold, Regular  
County of Marin  
Damon Connolly, Regular  
County of Marin  
Kate Sears, Alternate  
County of Marin

Carla Condon, Vice Chair  
Town of Corte Madera  
Sashi McEntee, Regular  
City of Mill Valley  
Vacant, Alternate  
City Selection Committee

Jack Baker, Regular  
North Marin Water District  
Craig K. Murray, Regular  
Las Gallinas Valley Sanitary  
Lew Kiou, Alternate  
Almonte Sanitary

Jeffrey Blanchfield, Chair  
Public Member  
Chris Burdick, Alternate  
Public Member

determinations addressing all of the administrative, service, and governance factors required for consideration under the directing legislation (Government Code 56430).

***Adopted Work Plan***  
***Scheduled Sphere Update on MMWD***

The Commission's work plan for 2016-2017 was adopted in June 2016 and – among other projects – schedules a sphere of influence update on MMWD. The scheduled update purposefully follows and draws on the recently completed water study and represents the first review of MMWD since the sphere was established in 1983.<sup>1</sup> The underlying aim of the scheduled update is to update – with or without changes – the sphere to reflect what the Commission believes to represent and facilitate the District's orderly development – and this includes infrastructure planning – over the next five to ten year period relative to Marin LAFCO's regional growth management policies.

***Draft Report***  
***Sphere Update on MMWD***

Staff presented a draft report on the scheduled sphere update on MMWD as part of a public hearing held on August 11, 2016. The presentation of the draft report immediately preceded the initiation of a 40-day public review and comment period and ahead of direction by the Commission to return with a final report and related actions for the October 13, 2016 meeting. To this end, and consistent with Commission direction, the following notices were provided on the draft report as well as the October 13<sup>th</sup> hearing:

- Notice was emailed to MMWD
- Notice was posted online with the Hamilton Community Form
- Notice was published in the Point Reyes Light
- Notice was posted on the Community Bulletin Board in Nicasio <sup>2</sup>
- Notice was published in the Marin Independent Journal <sup>3</sup>

As permissible under State law the noticing on the draft report and the scheduled October 13<sup>th</sup> hearing for the Commission to consider taking final actions on the MMWD sphere update was not directly provided to any landowner or resident within the established study areas. This decision was consistent with the staff recommendation and supplemented by Commission direction to provide community notices through local online resources as well as in local newspapers.

---

<sup>1</sup> It is unknown why earlier municipal service review / sphere of influence update cycles omitted MMWD.

<sup>2</sup> Posting on the Nicasio Community Bulletin Board was provided by Rick Savell. LAFCO staff extends its appreciation to Mr. Savell for this service.

<sup>3</sup> Publication in the Marin Independent Journal was specific to noticing the public hearing scheduled for October 13, 2016 at required under State law.

## **B. Discussion**

This item is for the Commission to consider taking two distinct actions tied to its scheduled sphere update on MMWD. The first action is to formally receive and file a final report from staff evaluating the current sphere designation and recommendations therein relative to State law and Commission policies. The second action is to consider adopting a resolution updating the MMWD sphere consistent with the recommendations of the final report and subject to any desired changes as identified by the Commission. Copies of both documents – final report and resolution – are attached as Attachments One and Two, respectively. A summary of the specific recommendations and actions therein follows.

### ***Final Report***

The final report returns to the Commission nearly enact from the draft version presented on August 11<sup>th</sup> with the addition of three distinct revisions as detailed below. The final report continues to recommend the Commission make one immediate change to the MMWD sphere and this involves removing approximately 1,350 acres and its 1,130 units from the sphere that make up the incorporated area of Hamilton in Novato and identified in the document as A-1. The final report also continues to identify a second modification – albeit not for immediate action but for telegraphing purposes – and this involves the potential future addition to the sphere of up to approximately 23,000 acres and its 299 units representing the unincorporated community of Nicasio; an area identified in the report as B-1 and subject to increasingly groundwater concerns among landowners.

Three additions are also incorporated into the final report and summarized below.

#### **Revision No. 1 /**

##### **Background Information on Hamilton Reorganization**

The final report includes additional details underlying the 2002 reorganization approved by the Commission that detached A-1 from MMWD while concurrently annexing into the North Marin Water District (NMWD). These details – which draw on testimony provided by the NMWD General Manager at the August 11<sup>th</sup> hearing – provide helpful context for the earlier reorganization and as such further support the recommendation to complete the action under LAFCO law by approving a conforming sphere change to remove A-1 from the MMWD sphere. A copy of the agreement between MMWD and NMWD specifying the terms of the underlying change in service responsibilities is also provided as Attachment Three to this agenda report.

#### **Revision No. 2 /**

##### **Background Information on Disadvantaged Unincorporated Communities**

The final report includes additional details concerning the legislative relevance of disadvantaged unincorporated communities (DUCs) under LAFCO law and the associations therein with respect to B-1. This addition aims to better clarify the criteria in determining DUCs as well as the Commission's duty and interest to facilitate the delivery of public water, sewer, and fire protection services to affected lands.

**Revision No. 3 /  
Short-Term Strategy for Nicasio**

The final report includes a new recommendation specific to Study Area B-1 and involves providing a short-term strategy to address potable water service needs in Nicasio over the next 60 plus months. This addition is in the form of a policy statement and involves the Commission recommending LAFCO and MMWD partner to allow limited and termed outside service extensions into Nicasio for existing development byway of truck deliveries to come forward for approval and without conforming sphere changes; the latter of which would be dependent on making special findings under LAFCO law. This addition complements the previously forwarded recommendation also in the form of a policy statement for the Commission to prioritize a review of available service options and sphere scenarios therein as part of the next five-year sphere cycle, and in doing so clearly signal LAFCO's intentions for Nicasio for purposes of generating informing discussions with the community. The addition – importantly – also aligns with feedback generated from the public review process on the draft report and further articulated in the letter received from the Nicasio Land Owners Association and provided as Attachment A.

**Resolution**

Staff has prepared a resolution for Commission consideration to codify the recommendations and central takeaways – including making related policy statements – presented in the final report. Adoption of the resolution as presented would include formal action on the following three items:

**Action No. 1 /  
Removal of the Hamilton Area (A-1) from the MMWD Sphere**

Upon approval a mandatory 30-day reconsideration period is initiated in which any member of the public may request a hearing to consider evidence that pertinent evidence was not considered by the membership in taking the related action. Should no reconsideration be requested and/or approved the Executive Officer shall immediately update the Commission's records to reflect the removal of the Hamilton area from MMWD's sphere.

**Action No. 2 /  
Establish Policy Statement to Commit to Detailed Assessment of Sphere Options and Service Alternatives Therein for the Nicasio Area (B-1)**

Upon approval the referenced policy statement would go immediately in effect and provide explicit direction to the Commission to revisit the matter as part of its next scheduled and obligated sphere update for MMWD to be performed within the next five years under State law. The Commission can rescind the policy statement at any time by a majority vote so long as the matter has been appropriately agendized.



**Action No. 3 /  
Establish Policy Statement to Committee to Partnering with MMWD on Short-Term Service Strategy for the Nicasio Area (B-2)**

Upon approval the referenced policy statement would go immediately in effect and provide explicit direction to the Commission and its staff to engage MMWD on the possibility of addressing short-term service needs in Nicasio while within the parameters of LAFCO law. The Commission can rescind the policy statement at any time by a majority vote so long as the matter has been appropriately agendized.

**C. Analysis**

***Sphere Update***

As detailed in the attached documents staff believes there are two areas meriting Commission attention as part of this scheduled sphere update on MMWD, A-1 (Hamilton) and B-1 (Nicasio). As also detailed staff believes there is sufficient merit under LAFCO law and Commission policy to update the MMWD sphere to reflect one change at time to remove all the territory that comprises A-1. Removal of A-1 is consistent with LAFCO law's underlying objective in requiring sphere designations to reflect what the Commission independently believes marks the current and probable future jurisdictional boundary and service area of the agency. None of the affected lands within A-1 receive service from MMWD at this time, and none are expected to need or seek MMWD services – whether it be potable water, non-potable water, or watershed management – going forward and more definitely not within the 10-year planning horizon established by the Commission. Removal of A-1 from MMWD sphere also serves to memorialize and affirm the Commission's earlier action to designate NMWD as the appropriate potable water service provider for the affected lands in placing the lands in their sphere of influence.

Separately staff believes there is sufficient merit for the Commission to establish two related policy statements to provide short and long-term planning guidance while continuing to exclude the area from the MMWD at this time. The short-term statement provides direction for LAFCO and MMWD to partner on developing a process for limited and termed outside service extension byway of trucked deliveries for existing development to come forward for approval through the auspice of making special public health and safety findings that would temporarily elevate the need for conforming sphere changes. Adoption of this statement does presuppose Commission approval of any specific request or usurp MMWD's legal discretion to seek approval; instead it contemplates only establishing a process in which this type of service arraignment could be accommodated. The long-term statement commits the Commission to building off of the short-term strategy and returning to the matter of what – if any – long-term service relationship is merited between MMWD and Nicasio and making related sphere determinations.

### ***Environmental Review / General Rule Exemption***

The proposed action – the adoption of an updated MMWD sphere and resulting changes therein – qualifies as a project under the California Environmental Quality Act, but exempt from further review under the “general rule” provision pursuant to Regulations Section 15301(b)(3). This exemption applies to this action given it can be seen with reasonable certainty the sphere is a Commission planning policy and any amendment to the MMWD sphere does not make any changes to the environment or authorize any new uses or services.

### **D. Alternatives for Action**

The following alternatives are available to the Commission:

#### Alternative Action One (recommended):

1. Receive and file the attached final report prepared by staff as part of the Commission’s scheduled sphere update on MMWD with direction to staff on any desired additions and or corrections; and
2. Adopt the attached resolution with its mandatory findings to update the MMWD sphere and make related policy statements as recommended in the final report with any changes identified by the majority of the membership.

#### Alternative Action Two:

1. Continue the item and request additional information from staff as needed.

### **E. Recommendation**

It is recommended the Commission proceed with Alternative Action One as outlined in the preceding section.

**F. Procedures for Consideration**

This item has been agendized as part of a noticed public hearing. The following procedures are recommended in the Commission's consideration of this item:

- 1) Open the public hearing;
- 2) Receive verbal report from staff (discretionary);
- 3) Invite comments from any interested audience members (mandatory);
- 4) Commission discussion; and
- 5) Consider closing the public hearing and taking action on the recommendation

Respectfully,



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Keene Simonds  
Executive Officer

Attachments:

- 1) Letter from Nicasio Land Owners Association
- 2) Article from Point Reyes Light
- 3) MMWD and NMWD Service Agreement for Hamilton
- 4) Final Report
- 5) Resolution

# NICASIO LAND OWNERS ASSOCIATION

P.O. BOX 532  
NICASIO CALIFORNIA 94946

September 30, 2016

*Via U.S. Mail and Email*

Keene Simonds  
Executive Officer  
LAFCO  
1401 Los Gamos Drive, Suite 220  
San Rafael, California 94903

Re: Agenda Report item #10, Comprehensive Sphere of Influence  
Update / Marin Municipal Water District, dated August 11, 2016

Dear Mr. Simonds:

Thank you for meeting with Patrick McDonnell and other members of our Association on September 22 regarding the LAFCO proposal to study the potential expansion of the Marin Municipal Water District (MMWD) sphere of influence (SOI) to include the wider Nicasio area.

The Nicasio Land Owners Association supports your proposal for reviewing the potential merits of adding Nicasio to the MMWD sphere of influence. We have invested considerable time and effort in search of solutions to our area's distinctive, long-standing water supply problems and are hopeful that this SOI review will provide a mechanism for both creating a short-term option for our community during the review period, and help all concerned develop a long-term solution that can work for MMWD and Nicasio. Therefore, we look forward to being an active participant in future workshops and other discussions that would lead to the Commission's next five-year update of the SOI.

As background, Nicasio homes and ranches rely exclusively on groundwater for both their domestic and agricultural water supplies. Marin County requires well production testing to demonstrate an adequate water supply before approval of new residential development. In the past, testing

criteria were not stringent enough, or not suited to the local geology, so that a number of residences with underperforming wells were approved. While new well testing criteria appear to have resolved this problem going forward, some Nicasio homeowners carry the legacy of these prior inadequate standards. Today, we have homes that are forced to truck in potable water to meet their basic water needs even during years of normal precipitation, and we also have a larger group of homes that routinely need water deliveries in dry years.

Agriculture is a significant and valued part of the Nicasio community, and we strongly recommend that it be encouraged to participate in the five-year study effort. Among other things, Nicasio ranchers are stewards of rangeland important to the watershed of the Nicasio Reservoir. During prior droughts, water shortages have forced some local ranchers to liquidate their herds, a measure that impacts both the economic viability of cattle ranching and dairy operations and the employment that accompanies them.

A major impediment to solving Nicasio's water supply problem is that municipal water providers, which are the primary sources of both potable and non-potable water hauled by truck, are generally prohibited from supplying water outside their service areas during drought conditions. Without the assurance of long-term, reliable water deliveries, numerous Nicasio homes and ranches face the insecurity of not knowing whether they will be able to obtain sufficient water to meet their basic health, safety and operational needs.

We have discussed these water supply issues with MMWD in the past, and MMWD has offered suggestions for both domestic and non-potable water supply arrangements, thus demonstrating a willingness to explore mutually beneficial options together. We hope that this SOI review will provide a mechanism for developing both a short-term agreement with MMWD, and a platform from which we can craft a worthwhile long-term arrangement.

Keene Simonds  
September 30, 2016  
Page 3

We look forward to participating in further discussions and are available to address questions as they arise.

Cordially,

A handwritten signature in black ink, appearing to read "Stephen C. Lewis". The signature is fluid and cursive, with the first name "Stephen" being more prominent.

Stephen C. Lewis  
President  
Nicasio Landowners Association

cc: (via email)  
Patrick McDonnell  
Eric Blantz  
Sue Kline  
Caroline Bolthouse

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# POINT REYES LIGHT

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## Nicasio's water future up for discussion

By Samantha Kimmey  
09/01/2016

Should Nicasio, where all homes source water from wells vulnerable to drought, be able to tap into Marin's largest water supplier? It's a discussion the county's Local Agency Formation Commission, or LAFCO, is trying to jumpstart.

A draft report released this month, which is now open for public comment, suggests that it may be advisable for Marin Municipal Water District to someday fold 23,000 acres of Nicasio into its "sphere of influence"—or the area that a government or special district serves or could likely serve in the future.

Though residents would likely eschew a new pipeline, they may be interested in a firm agreement to secure trucked water in difficult times, which Nicasio attempted with Marin Municipal during past dry times, without success.

"This report is the first signal that, hey, there's a process under state law as to how to provide potable water. We want to look into this. What say you?" said Keene Simonds, LAFCO's executive director.

One of LAFCO's duties is to report on local agencies' spheres of influence every five years, each time offering a "10-year horizon" on likely boundary changes. According to LAFCO, governments and special districts should only offer routine municipal services in areas within those spheres of influences, whether that means an actual pipeline or an agreement to truck water.

In its new report, the commission is not suggesting an immediate change; instead, it says the conversation could start now, with the potential to make changes in five years, the next time it provides an update on the sphere. The time lag gives the commission an opportunity for a more thorough analysis.

The commission's interest in Nicasio, which has about 300 homes, first arose during a county water study it completed earlier this year, Mr. Simonds said. The new reports says there is "growing interest" from landowners in receiving water assistance because of problems with wells.

A small number of people always struggle with water because soil conditions in some areas of town are not ideal for holding groundwater.

During the recent drought, more people than usual started trucking in water, said Eric Blantz, a board member of the Nicasio Landowners Association, in 2014. At that time, locals discussed communal purchases of water from Marin Municipal, but those conversations stalled, in part because the drought was also taxing that district's own water sources; Marin Municipal said agreements outside its service area were contingent on it having a "surplus" of water.

After discussions with M.M.W.D. were put on hold, North Marin Water District agreed to sell the town trucked water, Mr. Blantz said. But, he added, N.M.W.D. did not believe it was its responsibility for routinely supplying Nicasio with extra water.

LAFCO says an agreement between Nicasio and M.M.W.D. for regular water deliveries would need the commission's approval, which the report said would be "difficult to enact without conforming to the agency's sphere of influence."

The commission also notes that, until this year, Nicasio was considered a "disadvantaged unincorporated community," defined as a community whose median income is less than 80 percent of the state median income. The commission is charged with improving these communities' access to water, sewer and fire protection services.

That may come as a surprise to some, given that properties in Nicasio sell for millions of dollars. The designation was made three or four years ago by the Department of Water Resources, Mr. Simonds said, based on 2010 census data.

More current data shows Nicasio's median income is \$69,000 a year—substantially above the state median of \$61,000.

But Mr. Simonds said the commission could theoretically come up with its own definition based on local incomes. Nicasio still sits well below Marin's median income of \$91,000, he said.

A review over the next five years would help the commission determine whether interest is broad or limited to just a few landowners. That information is critical, because though the state will bear the cost of analyzing the town's options, securing service from Marin Municipal would likely take a serious financial commitment from the village.

Mr. Simonds also said there may be concerns about whether regular water service could be "growth inducing," an issue the commission will examine. "That's certainly a sensitive topic to LAFCO," he said.

Yet he also noted that it is becoming "harder, not easier, to rely on groundwater. So in the long term, what should government do? That is what we are tasked with addressing."

Eventually, LAFCO could draft a few water service options, including different geographic boundaries and conduits for service, as well as the costs, infrastructure requirements and other consequences for each.

Mr. Blantz, the landowner association board member, said he had not known of the report before being alerted by the Light, but he welcomed it. "My reading of it currently is, essentially, that it increases the likelihood of us being able to advance conversations with M.M.W.D." to secure trucked water. He said locals hope to meet with the commission "to talk directly about the report and time frames and what this means."

Today, the situation is better because of the recent wet season, and some of the concerns have quieted, Mr. Blantz said. Still, the town would probably like the security of an agreement of some kind. And though the impacts of climate change are unclear, some worry that if rainfall patterns change—particularly if steady rains decline and bigger storms become the norm—groundwater reserves may suffer.

"People here have no desire or appetite for what would be involved in piping water into Nicasio. I don't think that's in the cards. But if the sphere of influence or an 'annex' includes an obligation to provide water without plumbing, those conversations would all be worth having," he said. "Hopefully we now have the political space and the meteorological space to work something out."

The draft report is available at [marinlafco.com/PDF/staff-reports/2016/8-11-16\\_AgendaItem10\\_MMWD-SOI.pdf](http://marinlafco.com/PDF/staff-reports/2016/8-11-16_AgendaItem10_MMWD-SOI.pdf). Comments can be emailed to [ksimonds@marinlafco.org](mailto:ksimonds@marinlafco.org) (<mailto:ksimonds@marinlafco.org>) by Sept. 30.



## CHAPTER THREE ANALYSIS & RECOMMENDATIONS

### 3.0 ANALYSIS FOCUS

Consistent with CKH the underlying purpose of this report is to provide context and related analysis in step with the Commission's directive to review and update MMWD's sphere of influence with any appropriate modifications therein. To this end, staff has performed its own assessment of the current MMWD sphere of influence designation with the premising interest to identify modifications that facilitate the District's logical development relative to the factors prescribed by the Legislature and further defined under Commission policy. This also includes – and consistent with earlier input from Commissioners – orienting this process to identify (a) modifications that appear merited now as well as those (b) changes that may be merited in the near future but require additional study and analysis. Markedly, this latter category responds to the Commission's interests to “telegraph” potential sphere of influence modifications ahead of actual action with the goal of engaging the affected agency and communities with the expectation of returning to the topic with more information as part of the next five-year update.

This report's analysis on potential sphere of influence modifications to MMWD is the first such review of the District since 1983 and takes into account two distinct study category types. The first category type considers potential changes that appear warranted now and based on existing information and analysis. The second category type considers potential changes that generate some level of merit, but requires additional informational and related analysis before making specific recommendations. This latter category is consistent with the Commission's interest to begin “**telegraphing**” significant matters and provide advance notice to agencies and the public with respect to potential future undertakings by Marin LAFCO.

### 3.1 STUDY CATEGORIES

#### A. Selection

As introduced in the preceding section the analysis on potential modifications to the MMWD sphere of influence is the work of staff and divided into two categories. The first – Study Category “A” – represents those areas that existing information and analysis appears sufficient in recommending an action (i.e., addition or subtraction from the sphere). The second – Study Category “B” – represents those areas that existing information and analysis suggests there may be merit for a modification, but given the scope of the potential change additional work is needed to reach a more informed recommendation before reaching any conclusions. An accounting of the areas selected and evaluated therein under both of categories follows.

## Study Category A / Areas Meriting Immediate Action

A review of the MMWD sphere of influence with respect to potential modifications now based on existing information and analysis identifies one selection for Commission consideration. This selection is identified as A-1 and would involve the removal of the former Hamilton military base in southern Novato from the MMWD sphere of influence. This modification would serve as a belated cleanup to a 2002 reorganization approved by the Commission that detached the approximate 1,350 acres and its 1,130 dwelling units out of MMWD and

Staff has identified one potential change for immediate consideration by the Commission as part of this sphere update. This involves A-1 and it covers the incorporated area of **Hamilton** in Novato and spans approximately 1,350 acres and 1,130 residential units. It appears appropriate to remove A-1 from the NMWD sphere now and as a belated administrative clean-up to an earlier reorganization approved by LAFCO.

concurrently annexed into the North Marin Water District (NMWD).<sup>1</sup> A review of the referenced reorganization file from 2002 makes no apparent reference to the reasons why the MMWD sphere of influence went unchanged as a result of the boundary change despite action being taken to concurrently expand NMWD's sphere of influence. (Further information regarding the reorganization is detailed in the accompanying footnote and sourced to comments provided by NMWD during the public hearing held on the earlier draft document.<sup>2</sup>) Analysis performed as part of this update fails to identify a reason to continue to keep the affected area within the MMWD given the District's services – including potable water and watershed management – do not appear needed now or within the immediate future. This latter comment is highlighted by noting NMWD has assumed all potable water services to A-1.

Additional and technical details – including assessor parcels and existing uses – relating to the lands comprising A-1 are provided as Appendix A.

<sup>1</sup> A-1's reported size - 1,350 acres and 1,130 dwelling units - is based on information generated by Marin LAFCO and sourced to MarinMap (GIS). The acreage size differs from the approximated size provided in the 2002 reorganization file of the subject lands totaling 980 acres. This difference in acreage totals appears primarily tied to GIS including all public right-of-ways in Hamilton.

<sup>2</sup> The 2002 reorganization of the Hamilton area was jointly requested by MMWD and NMWD and aimed at resolving a standing dispute between the two agencies with respect to service rights to the subject lands. Water service to the Hamilton area was initially established by MMWD in the 1930s and upon the subject lands' initial development as a military base through a federally funded transmission line that connected MMWD's distribution system in San Rafael. Hamilton was substantively expanded in the late 1950s and in doing so a separate water service connection was established to the newly formed NMWD. This dual service relationship in which MMWD and NMWD were now both serving different portions of the Hamilton area eventually generated a long-standing disagreement between the two agencies as to the ultimate service going forward and in step with the subject lands being decommissioned and being transferred over to the City of Novato for development. By the late 1990s NMWD had established itself as the predominate water service provider having established service to the remaining 282-unit Coast Guard housing development as well as the then-newly redeveloped 154-unit Villa Townhome (Lanham Village) site. The agreement reached by the two agencies resulting in the referenced reorganization filed and approved by Marin LAFCO in 2002 resolved the dispute with NMWD assuming water service responsibility for all of Hamilton going forward.

## Study Category B / Areas Meriting Additional Analysis

A review of the MMWD sphere of influence with respect to potential modifications that may be merited – and as such warrant identification in this update as a formal placeholder – but require additional information and analysis given their significant before making an informed recommendation identifies one selection for Commission consideration. This selection is identified as B-1 and would involve the addition of some or all of the 23,000 acres and 299 residential units that make up the unincorporated community of Nicasio.<sup>3</sup> The potential merits of the addition of B-1 to the sphere of influence are three-fold and headlined by noting such an expansion would respond to the increasing underperformance of groundwater sources within the community and the adverse effects therein on sustaining existing development. Second, and related but distinct from the preceding item, there has been

Staff has identified one potential and significant change for future consideration by the Commission in the course of preparing this update. This involves B-1 and it covers the unincorporated **Nicasio** community and spans approximately 23,000 acres and developed to date with 299 residential units. It appears appropriate to formally designate B-1 as a priority review ahead of the next schedule five-year sphere update and in doing so clearly signal LAFCO's intent to more fully explore long-term options for purposes of generating proactive and informing discussions. In the interim it also appears appropriate for LAFCO to work with MMWD to allow limited and termed outside service extensions into B-1 byway of truck deliveries and without conforming sphere changes under the authorizing allowance of making public health and safety findings.

reported increasing interest and action among landowners to truck in potable water from MMWD – as well as other public and private providers – as a short-term remedy in supplementing underperforming wells. This type of activity, notably and when repeated, becomes subject to Commission oversight under Government Code Section 56133; a statute that makes such approvals difficult to enact without conformance to the agency's sphere of influence. Third, the Nicasio community teeters in qualifying as a disadvantaged unincorporated community (DUC) as defined under CKH.<sup>4</sup> Markedly, areas that qualify as DUCs generate additional attention and action by the Commission under Government Code Section 56425(e)(5). This statute – notably and in combination with other statutes – directs the Commission to expand any water, wastewater, or fire

<sup>3</sup> The 23,000 acres identified in the report as constituting Nicasio explicitly follows the associated census designation.

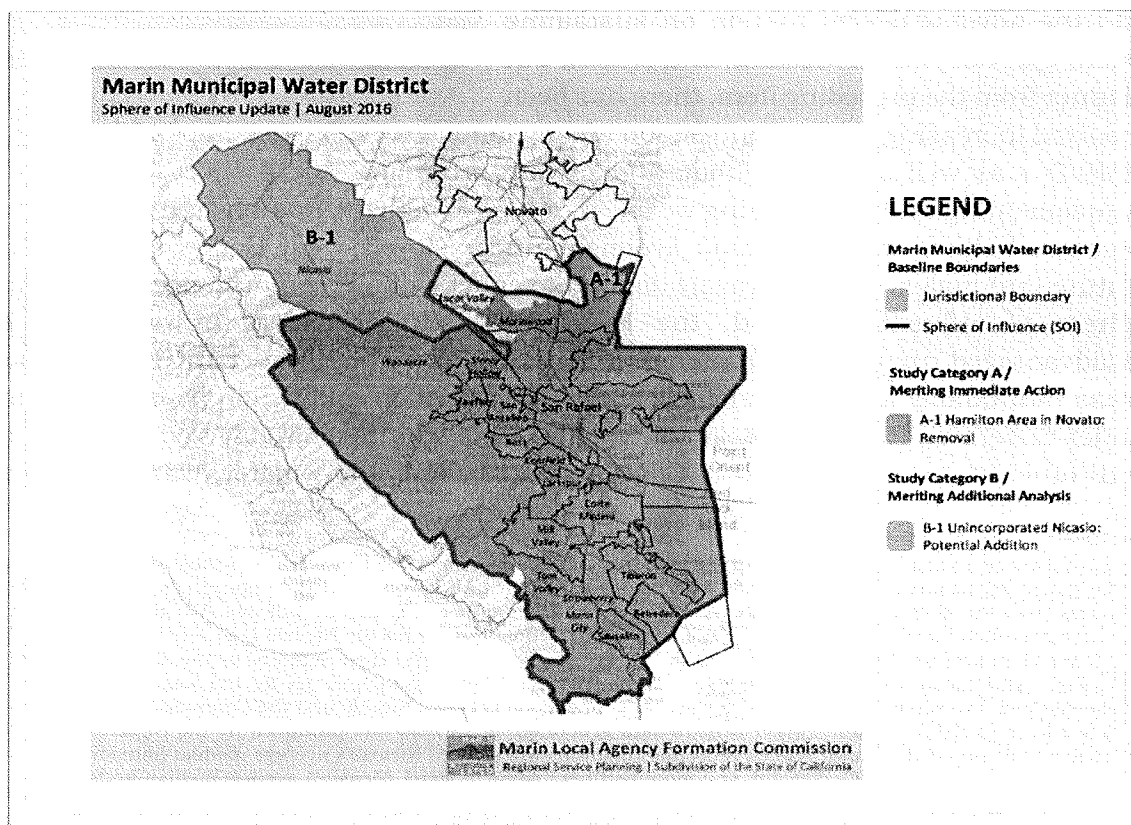
<sup>4</sup> The statewide definition of a DUC is any area as designated by LAFCO with a median household income that is 80% or less than the statewide average and was enacted in 2012 as result of Senate Bill 244 (Wolk). In preparing the source document for this sphere update the median household income for the Nicasio area was identified at \$69,000 and based on averages generated between the five-year study period (09-13) as compiled by the American Community Survey. This amount falls above the statewide median household income average for the same period of \$61,000. Nevertheless, two separate items provide relevant connections between Nicasio and the Commission's responsibilities as it relates to DUCs. First, earlier census data generated for Nicasio and produced by the Department of Water Resources in step with its own related reporting requirements showed Nicasio's average median household income as of 2010 qualifying as a DUC. Second, and more pertinent going forward, Nicasio's average median household income for the study period finished well under the Marin County average tally of \$91,000; a difference of nearly 25%. This latter data comparison is important should the Commission were ever to choose – or be prompted by additional legislation – to establish a local policy in defining DUCs.

protection agency's sphere of influence to include adjacent DUCs with added emphasis thereafter on achieving annexations.

It is pertinent to note the preceding analysis and conclusion therein for the Commission to formally designate B-1 as a priority review ahead of the next schedule five-year sphere update is premised on fully vetting long-term service options for Nicasio. Short-term and more immediate needs within Nicasio – and specific to those landowners in need for trucked potable water supplies to offset underperforming groundwater sources – nevertheless also merit consideration by the Commission. To this end, and as a short-term focus, it would appear appropriate for the Commission to work with MMWD to allow limited and termed outside service extensions into B-1 byway of truck deliveries and without conforming sphere changes under the authorizing allowance of making public health and safety findings. This short-term focus or remedy – importantly – does not presuppose MMWD's interest/ability to seek approvals for outside service extensions nor does it presuppose Commission approval of any specific request received.

Additional and technical details – including assessor parcels and existing uses – relating to the lands comprising B-1 are provided as Appendix B.

## B. Map



## 3.2 RECOMMENDATIONS

The preceding analysis produces a staff recommendation for the Commission to make one modification to the MMWD sphere of influence as part of this scheduled comprehensive update process. This recommended modification is to remove all of the territory that comprises Study Category A-1 (Hamilton) from the sphere of influence. Removal of A-1 is consistent with CKH's underlying objective in requiring sphere of influence designations to reflect what the Commission independently believes marks the current and probable future jurisdictional boundary and service area of the agency. None of the affected lands within A-1 receive service from MMWD at this time, and none are expected to need or seek District services – whether it be potable water, non-potable water, or watershed management – going forward and more definitely not within the 10 year planning horizon established by the Commission. Removal of A-1 from MMWD sphere of influence also serves to memorialize and affirm the Commission's earlier action to designate NMWD as the appropriate potable water service provider for the affected lands in placing the lands in their sphere of influence.

Similarly the preceding analysis also produces a staff recommendation the Commission formally encourage more discussion going forward regarding the potential merits of adding some or all of Study Area B-1 (Nicasio) to the MMWD sphere of influence. This discussion would be anticipation of revisiting the topic in greater detail – and potentially for action – in the next five-year update cycle for reasons provided and highlighted by addressing the Commission's interests under Government Code Sections 56133 and 56425. Deferring this topic in earnest to the next scheduled update process would also provide MMWD the opportunity to internally engage the matter in more detail and allow the Commission to prioritize its earlier determination to assess consolidation opportunities (merits and demerits) involving MMWD and NMWD; the results of which may substantively effect discussions on B-1. Nevertheless, and as a short-term remedy in the intervening 60 month period, it is recommended the Commission agree to work with MMWD to allow limited and termed outside service extensions into B-1 byway of truck deliveries and without conforming sphere changes under the authorizing allowance of making public health and safety findings.

The following statements have been prepared in support of the above recommendations on an updated MMWD sphere of influence and address the Commission's mandatory review factors required under CKH. The statements collectively address the MMWD sphere of influence as a whole and assume the recommended modifications are enacted.

### **Present and Planned Land Uses in the Area**

Lands in the updated MMWD sphere of influence are predominately developed for urban type uses as planned for by the 11 affected land use authorities that are separately subject to Commission review and oversight directly or indirectly. Agricultural and open-space uses within the updated sphere of influence are relatively limited and generally tied to publicly owned open space and includes MMWD's watershed holdings that collectively generate the District's primary potable supplies.

### **Present and Probable Need for Public Facilities and Services in the Area**

Lands within the updated MMWD sphere of influence directly reflect the District's existing potable water service area and/or its watershed holdings; the latter of which directly contributes to the former.

### **Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide**

The Commission's recently completed municipal service review on countywide public water services indicates MMWD has generally established adequate administrative, service, and financial capacities to accommodate present and planned uses within the updated sphere of influence.

### **Existence of any Social or Economic Communities of Interest in the Area if the Commission Determines they are Relevant**

Lands in the updated MMWD sphere of influence have established social and economic interdependencies with the District that are distinct from neighboring areas and premised on the existing delivery of potable water and/or watershed management services. This update affirms and strengthens these ties.

### **Present and Probable Need for Public Facilities and Services of Any Disadvantaged Unincorporated Communities Within or Adjacent to the Sphere**

There are two disadvantaged unincorporated communities (DUCs) within the updated MMWD sphere of influence: Alto and Marin City. Both of these communities are already within the MMWD jurisdictional boundary and receive services therein. There are no other DUCs within or adjacent to the updated sphere of influence under the statewide definition in CKH. Nevertheless, the unincorporated community of Nicasio lies immediately adjacent to the updated sphere of influence and previously qualified as a DUC, and as such may once again qualify in the near future. Accordingly, the Commission has flagged the need for more proactive discussions and analyses with MMWD regarding the potential addition of Nicasio into the sphere of influence in anticipation of revisiting the topic in the next five-year update process.

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**DISBURSEMENTS - DATED OCTOBER 13, 2016**

Date Prepared 10/11/16

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 9/30/16	\$131,609.89
EFT*	US Bank	Federal & FICA Taxes PPE 9/30/16	56,498.31
EFT*	State of California	State Taxes & SDI PPE 9/30/16	10,107.52
EFT*	CalPERS	Pension Contribution PPE 9/30/16	33,612.98
1	Allied Heating & Air Conditioning	Quarterly Maintenance on HVAC System (9/1-11/30/16)	416.20
2	Allied Electronics	Regulator Valve Limit Switches (2)	355.55
3	Athens Administrators	Replenish Workers' Comp Checks Issued (9/1-9/30/16)	8,871.59
4	AT&T	Leased & Data Lines	387.02
5	AYS Engineering Group	Prog Pymt#1: Consultation, Monitoring, Soil Profiling & Testing for Oceana Marin Disposal Fields Project (Balance Remaining on Contract \$24,235)	765.00
6	Bennett Trenchless Engineers	Prog Pymt#7: RW Expansion Project: Hwy 101 Crossing (Balance Remaining on Contract \$25,869)	9,665.30
7	Bold & Polisner	Audit Letter (\$231), Director's Compensation (\$21), Employee Assisted Housing (\$273), Office Relocation (\$399), Potter Valley Relicense (\$1,594), Public Records Act (\$252), RW Exp Central (\$3,927) & SWRCB Drought	6,780.99
8	Brusatori, Debra	Novato "Cash for Grass" Rebate Program	325.00
9	Bryan, Karry	Novato "Washer Rebate" Program	50.00
10		Vision Reimbursement	183.61
11	CDW-Government	Battery Back-up	118.76



Seq	Payable To	For	Amount
12	Curtis & Tompkins Analytical L	Lead Testing for San Mateo Tank Recoat Project	87.00
13	Elgort, David	Novato "Toilet Rebate" Program	300.00
14	Evoqua Water Technologies	Service on Deionization System	222.50
15	Fisher Scientific	Standards (\$172), Dilution Water for Micro Biology Test (\$171), Nitrogen, Desiccator for Solids Test (\$365), pH Electrode Solution & Reagent for Hardness Test (Lab)	784.44
16	Friedman's Home Improvement	Pitch Fork	38.22
17	Gibson, Ryan	Novato "Toilet Rebate" & "Washer Rebate" Program	350.00
18	Giesen, Donald and Cassandra	Refund Deposit-New Development Water Conservation Restriction	1,000.00
19	Golden Gate Petroleum	Gasoline (\$2.33/gal) & Diesel (\$2.09/gal)	1,344.20
20	Grainger	Multi-Purpose Lubricant (12-16 oz cans), Pitch Fork (\$107), Air Fresheners, Hard Hat (Ladd), Batteries (AA & AAA) (\$73), Grinding Wheels (6), 3/4" Couplings (10) & Confined Space Signs (30) (7" x 10") (\$444)	813.75
21	Hartnett, Kendra	Novato "Washer Rebate" Program	50.00
22	Kaiser Foundation Health Plan	DMV/DOT Physicals (Breit, Joe Corda & K. Lemos)	345.00
23	Maltby Electric	Electrical Supplies	166.34
24	Marin County Recorder	July-August Official Record Copy (3)	30.00
25	McLellan, WK	Misc Paving (20 Locations)	12,845.36
26	Neopost Northwest	Ink Cartridge for Postage Meter	200.08
27	North Marin Auto Parts	Gas Hood Struts, Sanding Discs (5) & Battery (\$97)	152.80
28	North Bay Gas	Grinding Discs, Cut-off Wheels (\$93) & September Cylinder Rental (\$142)	234.93

Seq	Payable To	For	Amount
29	Novato Builders Supply	Lumber, Rock & Wedge Anchor & Concrete (1/2 yd) (\$103)	126.00
30	Novato Disposal Service	October Trash Removal	438.29
31	Pace Supply	8" Gaskets (30) (\$111), Bushings (3), Service Saddles (3) (\$141), Coupling, Nipples (24), Corp Stops (30) (\$488) & Tees (4)	807.37
32	Pape Machinery	Power Relay	34.83
33	Pini Hardware	Threaded Rods (4), Keys (2), Cable Clamps (4), Rake (STP), Spray Paint (4-12 oz cans), Wire Wheel for Grinder, 1/4" Copper Tubing, 2 gal Pails (2), Cement Anchor, O-Rings (2), Mineral Spirits, Ball Valve, PVC Unions (2), Spray Nozzle, Hose Washers (10), Plumbing Supplies, Caulk & Mortar Sealer (4) & Hardware for Lighting in GAC Building	237.46
34	Riccardi, David	Novato "Cash for Grass" Program	400.00
35		Cafeteria Plan: Uninsured Medical Reimbursement	532.50
36	Shirrell Consulting Services	Sept Dental Expense	2,958.10
37		Vision & Cafeteria Plan: Uninsured Medical Reimbursement	593.00
38	Syar Industries	Asphalt (6 tons)	762.64
39	Thermo Fisher Scientific	Replacement Heating Element for Lab Water Bath	719.13
40	TPC Trainco	2-Day Predictive Maintenance Training Class (8/24-25) (Ladd)	1,100.00
41	United Parcel Service	Delivery Services: Sent Meter for Testing & Tank Transmitter for Repair	24.35
42	Verizon Wireless	Sept CIMIS Station Data Transfer Fee (2)	42.54
43	Vintage Contractors	Refund Security Deposit on Hydrant Meter Less Final Bill	742.57

Seq	Payable To	For	Amount
44	VWR International	Standards, Endo Broth (\$215), Ampules (40) (\$81) (Lab), Filters (100) (STP) (\$166), Chemical Stirrer (STP) (\$188) & Sodium Metabisulfate (STP) (\$118)	845.67
45	Willett, Trudy	Novato "Toilet Rebate" Program	300.00
46	Wojcieszak, Michlene	Novato "Washer Rebate" Program	50.00
		<b>TOTAL DISBURSEMENTS</b>	<b><u>\$57,598.09</u></b>

The foregoing payroll and accounts payable vouchers totaling \$57,598.09 are hereby approved and authorized for payment.



Auditor-Controller

10/10/16

Date



General Manager

10/11/2016

Date

## **DISBURSEMENTS - DATED OCTOBER 6, 2016**

Date Prepared 10/4/16

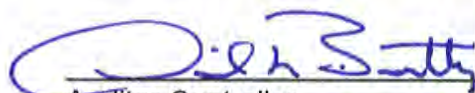
The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

<u>Seq</u>	<u>Payable To</u>	<u>For</u>	<u>Amount</u>
1	Aberegg, Michael	Progress Pymt#13: San Mateo Tank Recoat Project (Balance Remaining on Contract \$36,305)	\$550.00
2	Ability USA	On-site Job Physical Requirements Assessment (\$450) & Fit for Duty Exam (Barrilleaux)	675.00
3	Alliquip Universal	Quik Couplings for Vacuum Trailer Hose (8)	274.75
4	Athens Administrators	Oct Workers' Comp Admin Fee	1,000.00
5	AT&T	Internet Service @ P RTP	80.00
6	Backflow Distributors	Backflow Security Cage	458.34
7	CalPERS	Oct Health Insurance Premium (Employees \$46,844, Retirees \$10,510 & Employee Contrib \$12,076)	69,429.32
8	Clark, Robert E.	Exp Reimb: Airfare to AWWA Conference in San Diego (10/24-10/27)	242.20
9	Eagle Eye Mgmt Services	Refund Security Deposit on Hydrant Meter Less Final Bill	597.46
10	Eurofins Eaton Analytical	Lab Testing	1,000.00
11	Fabulous Framers	Frames for Architectural Renderings of Lynwood & San Marin P/S	455.01
12	Fast Blinds	Blinds for Construction Lunchroom	495.00
13	Favaloro, Jack	Refund Overpayment on Open Account	2,757.54
14	Fisher Scientific	Chlorine Reagents (2,000) (\$328), Standards (\$106), Buffers (2) & Endo Broth (\$71) (Lab)	564.18
15	Golden Gate Petroleum	Gas (\$2.23/gal) & Diesel (\$2.19/gal)	1,534.04
16	Grainger	Pressure Transducer & Connectors (2) (Bahia \$290 & San Marin East P/S \$290), Hand Sanitizer (4-8oz bottles) & Smoke Alarms (3) (Lab & HVAC Rooms) (\$121)	727.08

Seq	Payable To	For	Amount
17	Groeniger	Gaskets (20) & Couplings (25) (\$374)	504.33
18	Hach	Samples Cells (6), Lamp (\$67) & Reagents (2) (\$111) (STP)	268.53
19	Hardy Diagnostics	Standards & Control Organisms (2) (\$134) (Lab)	230.63
20	Herb's Pool Service	Refund Security Deposit on Hydrant Meter Less Final Bill	998.58
21	Idexx Laboratories	Micro-Controls (Lab)	218.98
22	InfoSend	August Processing Fee for Water Bills (\$1,428) & Postage (\$3,956)	5,382.63
23		Cafeteria Plan: Uninsured Medical Reimbursement	4.49
24	Lincoln Life	Deferred Compensation PPE 9/30/16	13,552.78
25		Cafeteria Plan: Uninsured Medical Reimbursement	416.66
26	Nationwide Retirement Solution	Deferred Compensation PPE 9/30/16	1,250.00
27	Neopost USA	Postage Meter Rental	85.73
28	NSI Solutions	Quality Control Standards (Lab)	152.95
29	Office Depot	11.5" X 17.5" Laminator (Const)	86.96
30	Pace Supply	2" Couplings (48) (\$665), Nipples (2), Corp Stops (3) (\$591) & Valves (4)	1,276.23
31	PG&E	Refund RW Load Security Deposit Less Charge for 6 RW Loads	70.00
32		Childcare Reimbursement	208.33
33	Sebastopol Bearing & Hydraulic	V-Belt (4)	36.22
34	Sequoia Safety Supply	Ibuprofen (600), Brief Relief Urine Bags (100) (\$253) & Safety Gloves (24)	352.51
35		Cafeteria Plan: Uninsured Medical Reimbursement	242.00
36	State Water Resources Control	D2 Operation Certificate Renewal (Budget \$80) (3/17-2/20) (Bena)	80.00

Seq	Payable To	For	Amount
37	Thatcher of California	Ferric Chloride (10 tons) (STP)	4,194.11
38	United Parcel Service	Delivery Services: Sent Gate Opener Radio for Repair	5.00
39	USA BlueBook	Combo Tip for Flag Marker	43.72
40	Utiliworks Consulting	Prog Pymt#6: August AMI Consulting (Balance Remaining on Contract \$99,395)	22,692.36
41	VWR International	Chlorate Standard (Lab)	77.64
42	White & Prescott	Prog Pymt#18 & 19: Plum Tank Lot Line Adjustment (\$120) & Norman Tank Water Line Easement (\$720) (Balance Remaining on Contract \$27,480)	840.00
43	Wiley Price & Radulovich	Annual Letter to Outside Auditors	78.00
<b>TOTAL DISBURSEMENTS</b>			<b><u>\$134,189.29</u></b>

The foregoing payroll and accounts payable vouchers totaling \$134,189.29 are hereby approved and authorized for payment.



Auditor-Controller

10/4/16

Date



General Manager

10/4/2016

Date

## MEMORANDUM

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: Self-Insured Workers' Comp – 1st Quarter Status Report  
t:\acl\word\personnel\wclself ins status 0916.docx

October 14, 2016

### RECOMMENDED ACTION: None

### FINANCIAL IMPACT: Cumulative Savings of \$594,342

The District returned to self-insuring its workers compensation liability effective July 1, 2011, after the low-cost proposal for first-dollar workers' compensation coverage increased 20% over the prior year, to \$159,331. The avoided-cost since returning to self-insurance is calculated at \$566,371. When the Reserve for Future Medical (which is the estimated cost to fully resolve open claims) is added, the total cash outlay avoided to date, including interest earned on the cost avoided, is \$594,342. This cash is set-aside in a reserve for future claims.

Through the first three months of FY17, the District incurred two claims. Attached are charts showing a 10-year history of annual claims cost (average \$37,000 per year) and 10-year history of claims frequency (average 7 claims per year).

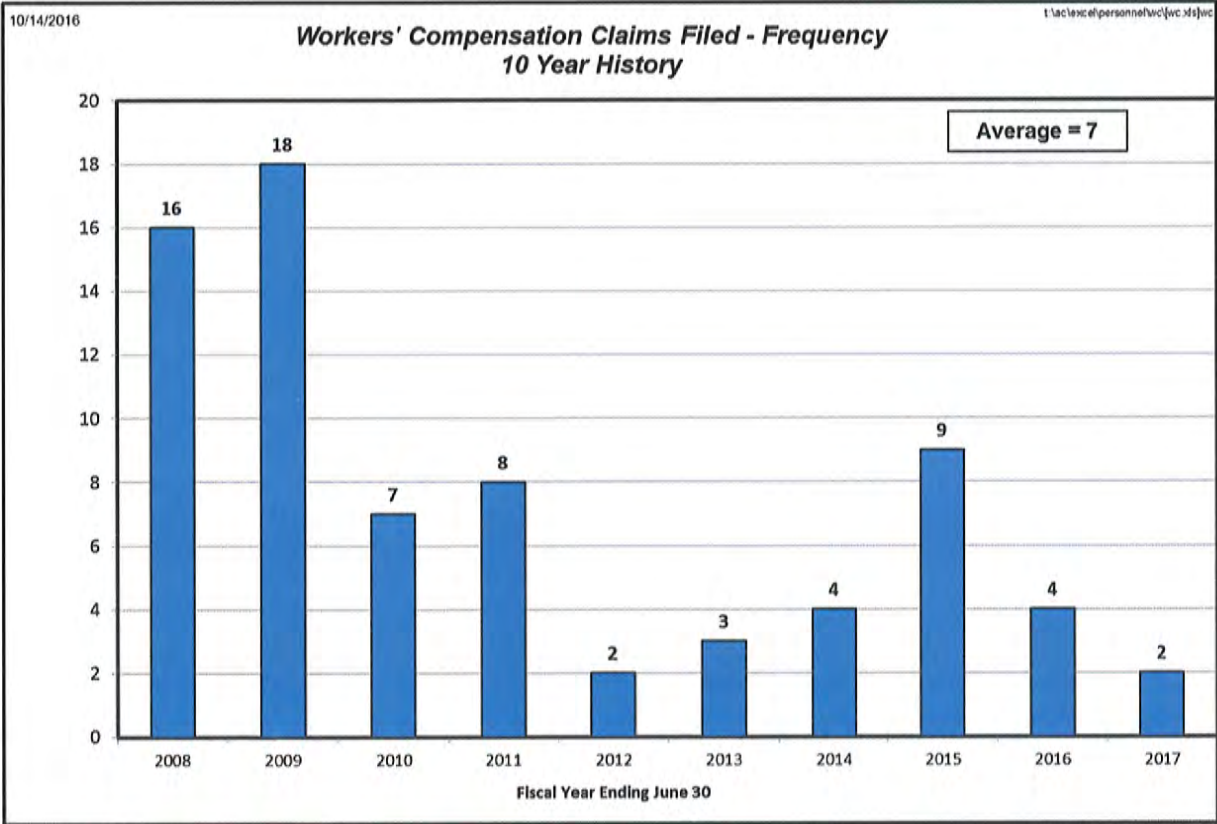
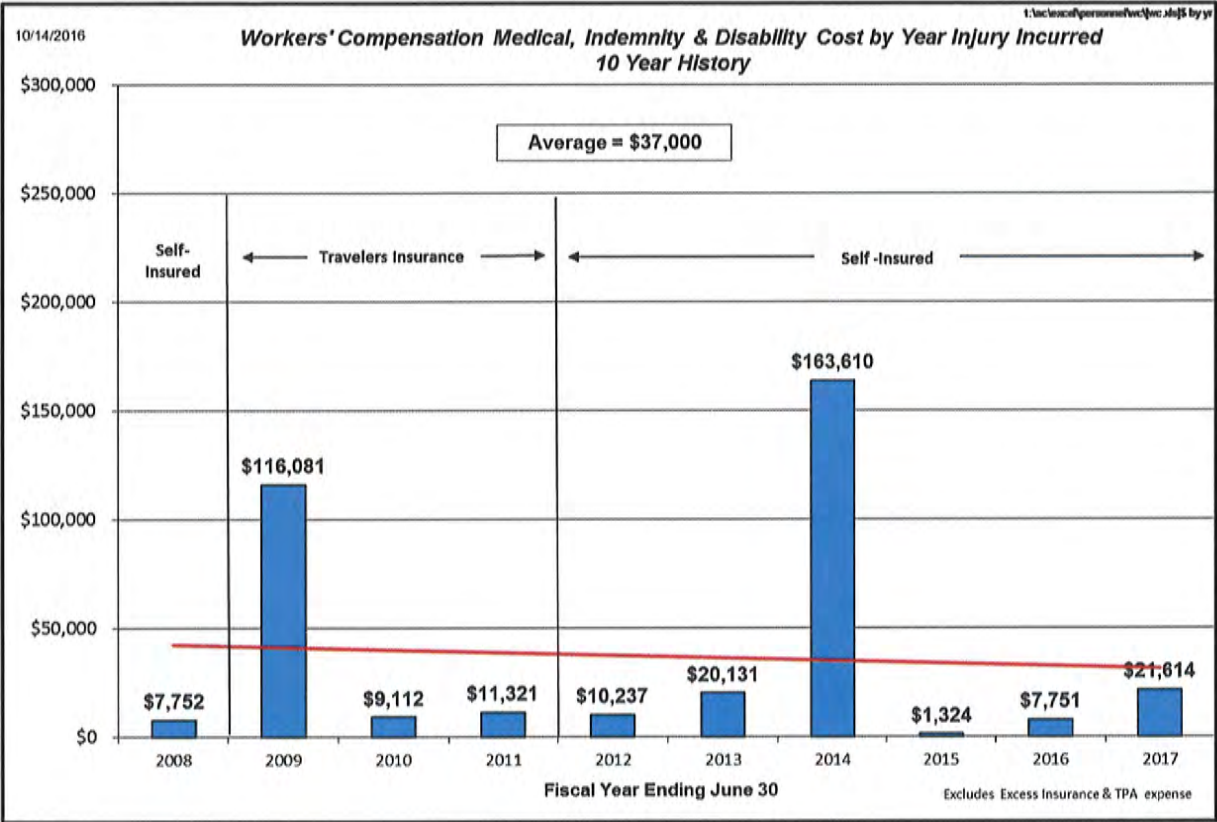
	<b>FY12 through FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>Cumulative</b>
Premium Avoided	\$641,669 <sup>1</sup>	\$203,722 <sup>2</sup>	\$212,135 <sup>3</sup>	\$47,750 <sup>4</sup>	\$1,105,276
<b>Self-Insurance Cost</b>					
Medical/Indemnity Cost	(173,381)	(1,324)	(7,751)	(7,251)	(189,707)
Third Party Administration	(36,000)	(12,000)	(12,000)	(3,000)	(63,000)
Excess Insurance Premium	(142,584)	(50,708)	(54,462)	(13,853)	(261,606)
Legal/Miscellaneous	(20,597)	(1,048)	(2,946)	0	(24,592)
Net Cost Avoided	\$269,106	\$138,642	\$134,976	\$23,647	\$566,371
Reserve for Future Medical	0	0	0	14,363	14,363
Total Cash Outlay Avoided	\$269,106	\$138,642	\$134,976	\$38,010	\$580,734
Interest on Cash Outlay Avoided	1,478	3,953	6,022	2,155	13,608
Savings	\$270,584	\$142,595	\$140,998	\$40,165	\$594,342

<sup>1</sup> Proposed annual premium of \$159,331 (FY12), \$170,574 (FY13) and \$311,764 (FY14).

<sup>2</sup> Alaska National Insurance Company was the low cost proposal with an annual premium of \$203,722.

<sup>3</sup> New York Marine and General Insurance Company was the low cost proposal with an annual premium of \$212,135.

<sup>4</sup> Allied World Assurance the low cost proposal with an annual premium of \$191,000.





## MEMORANDUM

To: Board of Directors

October 14, 2016

From: Nancy Williamson, Senior Accountant

Subj: Information – FY17 1st Quarter Labor Cost Report

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**RECOMMENDED ACTION:** Information Only

**FINANCIAL IMPACT:** None

Total labor cost increased \$38,788 (2.0%)<sup>1</sup> from the prior year same period. Attached in graphical format is a five-year comparative summary of total labor cost (Attachment A), overtime cost (Attachment B) and temporary employee cost (Attachment C) expended during the 1<sup>st</sup> quarter of each fiscal year. Also attached is a summary of total labor cost vs. budget (Attachment D), which shows that labor cost came in 5.3% under budget for the fiscal year-to-date, due primarily to the vacant Chief Engineer, Pipe Worker and EM Tech Apprentice 1 positions.

Department	Increase / (Decrease) in Labor Cost vs prior FY	% Change <sup>1</sup>
Administration	\$33,136	6.7%
Engineering	\$15,009	4.8%
Operations/Maint	(\$22,549)	(3.0%)
Construction/Maint	\$13,192	3.8%
Net Increase/(Decrease)	\$38,788	2.0%

### Comment on Change from Prior Year

**Administration:** Labor Cost increased \$33,136, or 6.7%. The increase is primarily due to the 5 step/spot adjustment increases and the 2.16% labor cost increase effective October 1 of 2015.

**Engineering:** Labor Cost increased \$15,009, or 4.8%. The increase is primarily due to the aforesaid 2.16% labor cost increase.

**Operations/Maintenance:** Labor Cost decreased \$22,549, or 3.0%. The decrease was primarily due the retirement of Vernon Stafford on December 31, 2015 and the resignation of Mike Baccei on May 15, 2016. The decrease was offset by the addition of David Ladd to the Operations/Maintenance Program Assistant I position on October 19, 2015, Roy Foster and Benjamin Steele to the Assistant Distribution/TP Operator positions on February 16, 2016, 6 step increases, and the 2.16% labor cost increase.

**Construction/Maintenance:** Labor Cost increased \$13,192, or 3.8%. The increase was due to the addition of laborers Nicholas Barrilleaux on September 1, 2015 and Kyle Bergstrom on January 11, 2016 to the crew, 5 step-increases and the 2.16% labor cost increase.

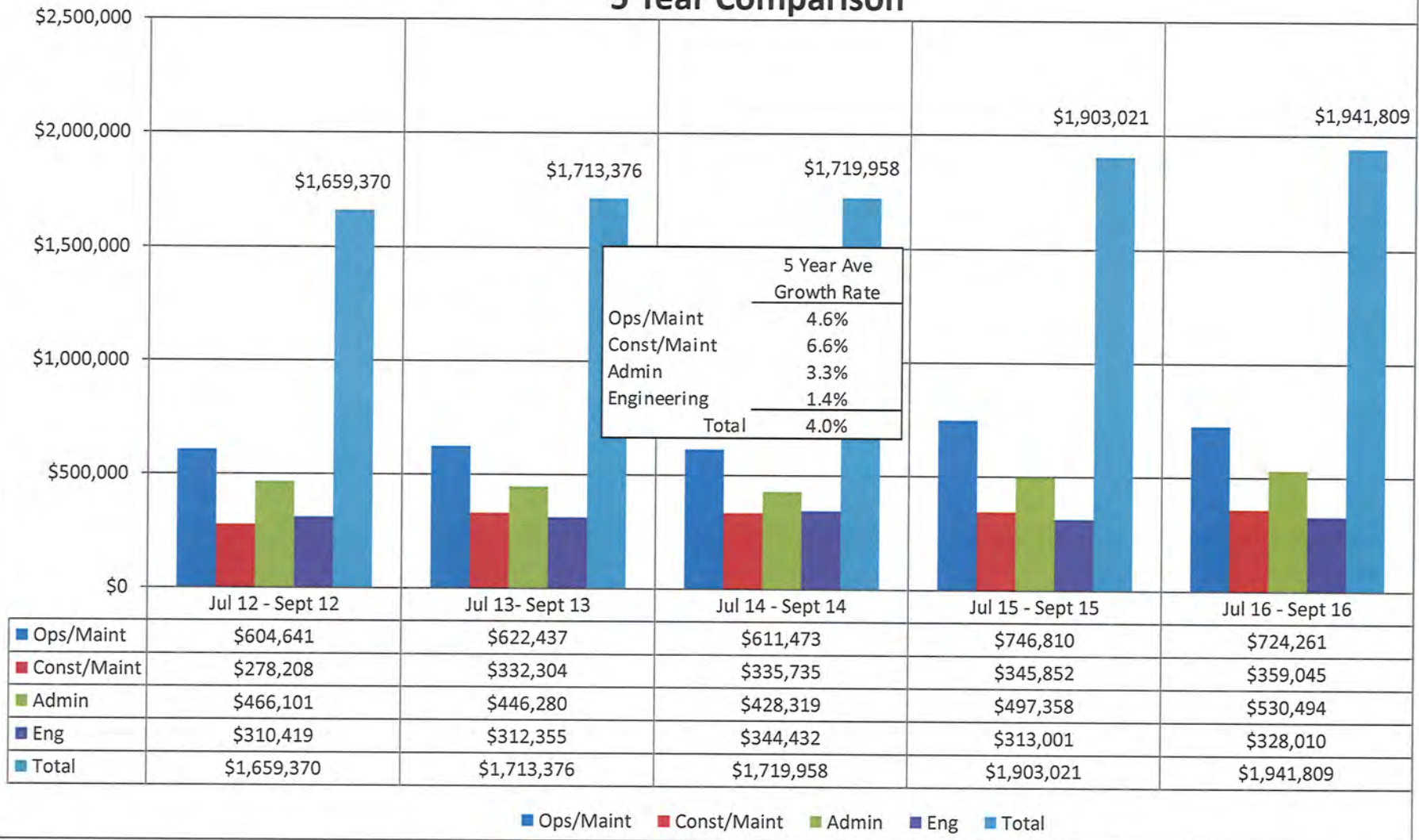
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<sup>1</sup> Labor amount for FY16 was adjusted for the first quarter of the fiscal year from \$1,744,549 to \$1,903,021 because the incorrect amount of sick leave days was used when calculating the overhead rate in FY16 (it was corrected in November 2015).

10/14/16

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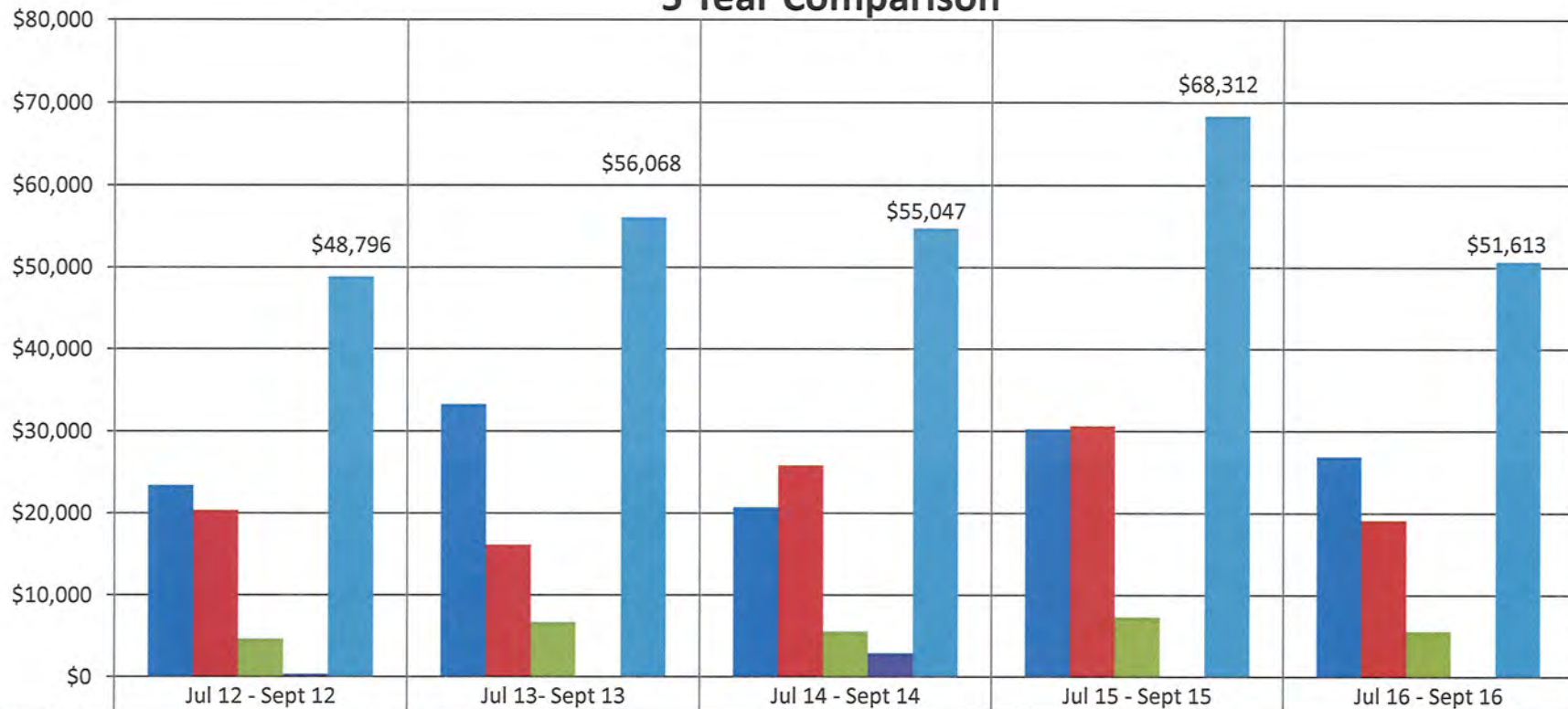
## Total Labor Cost NMWD Fiscal Year through September 5 Year Comparison



10/14/16

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## Overtime Cost NMWD Fiscal Year through September 5 Year Comparison



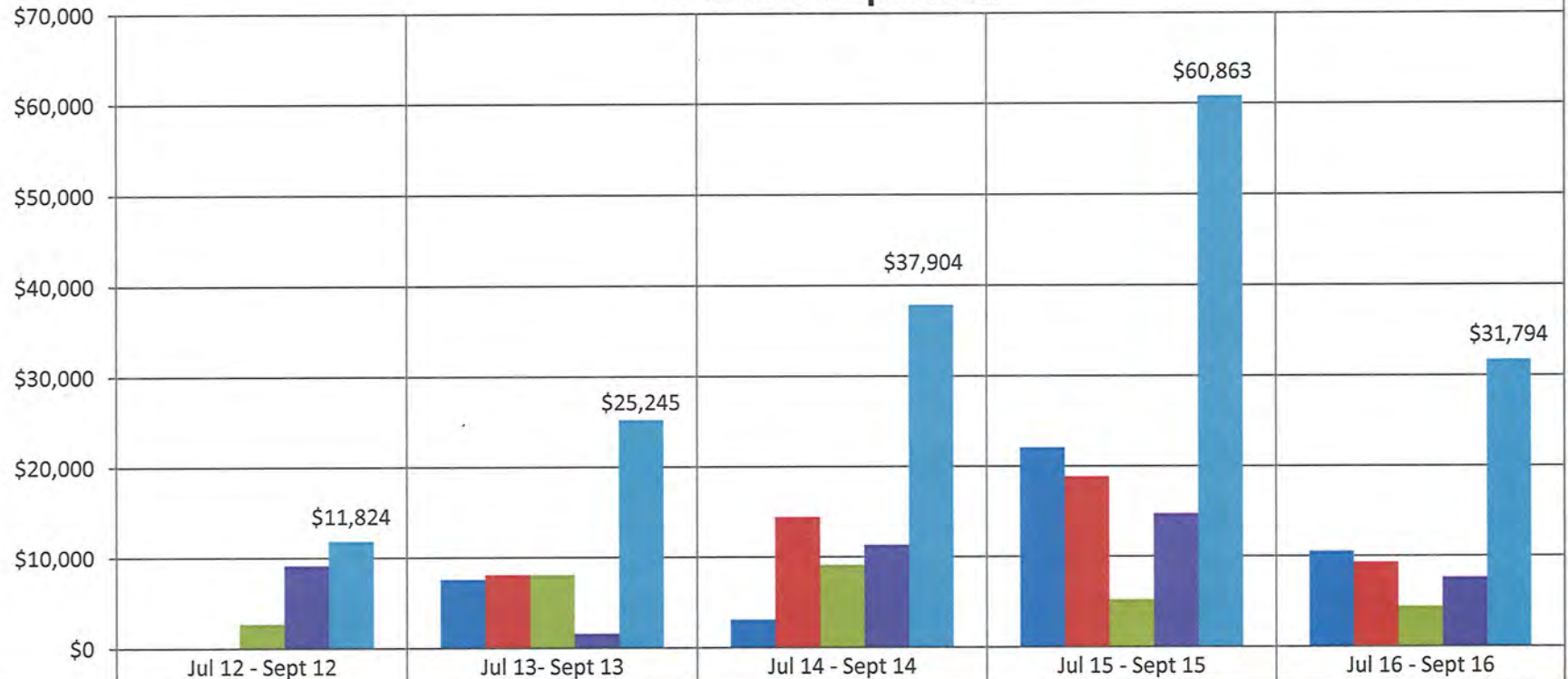
■ Ops/Maint	\$23,396	\$33,231	\$20,703	\$30,231	\$26,867
■ Const/Maint	\$20,406	\$16,172	\$25,857	\$30,694	\$19,172
■ Admin	\$4,653	\$6,665	\$5,563	\$7,304	\$5,574
■ Eng	\$342	\$0	\$2,925	\$84	\$0
■ Total	\$48,796	\$56,068	\$55,047	\$68,312	\$51,613

■ Ops/Maint   ■ Const/Maint   ■ Admin   ■ Eng   ■ Total

10/14/16

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## Temporary Employee Cost NMWD Fiscal Year through September 5 Year Comparison



Ops/Maint	\$0	\$7,557	\$3,088	\$22,088	\$10,538
Const/Maint	\$0	\$8,039	\$14,393	\$18,832	\$9,234
Admin	\$2,704	\$8,065	\$9,114	\$5,240	\$4,434
Eng	\$9,120	\$1,585	\$11,309	\$14,704	\$7,588
Total	\$11,824	\$25,245	\$37,904	\$60,863	\$31,794

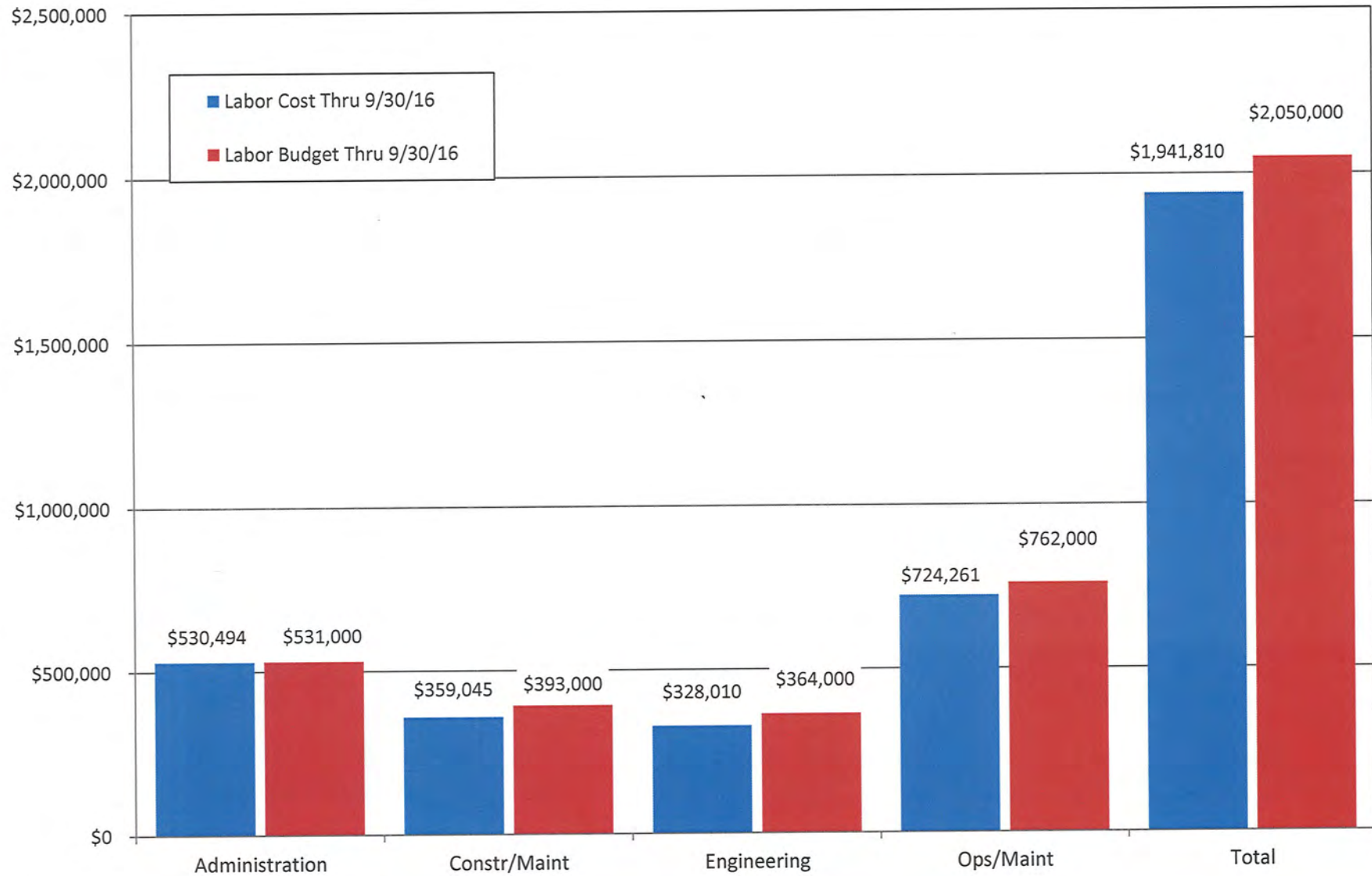
■ Ops/Maint   
 ■ Const/Maint   
 ■ Admin   
 ■ Eng   
 ■ Total



10/14/16

t:\finance\hrs\rtlabor cost compared to budget fy17\salary chart.xls

## Total Labor Cost vs. Budget NMWD Fiscal Year through September





**NORTH MARIN  
WATER DISTRICT**

BOD  
MISC

October 12, 2016

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

**PHONE**  
415.897.4133

**FAX**  
415.892.8043

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info@nmwd.com

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www.nmwd.com

Patrick Barnes, PE  
2016 Chair - Marin Public Works Association  
Director of Public Works/Town Engineer  
Town of Tiburon  
1505 Tiburon Blvd.  
Tiburon, CA 94920

**Subject:** Comments on Proposed 2016 Revisions to Marin County Uniform Construction Standards – Trench Cut Repairs

Dear Mr. Barnes:

Thank you for the opportunity to comment on above proposed Uniform Construction Standard (UCS) revisions included in your letter dated September 19, 2016 (Attachment 1). Comments on the proposed UCS revisions are summarized below. North Marin Water District recommends these changes since the UCS revisions as now proposed would result in an approximate five-fold increase in pavement restoration cost when compared to the standards now required. Specific changes to some of the proposed revisions are also included in Attachments 1-3.

<u>Drawing No.</u>	<u>Comment</u>
TOC-2	No comment on proposed change in red to update Table of Contents
155	No comment on proposed change in red regarding Type B Retaining Wall
235	No comment on proposed change in red regarding Type "C" Catch Basin width
245	No comment on proposed change in red regarding Type "E" Catch Basin width
330	We agree with the typo correction in the T-Cut width from 48 feet to 48 inches.
350	No comment on proposed change in red on Note 8.
360	Comments to Notes 1 and 2 are shown in Attachment 1
370	This drawing (Attachment 2) should be deleted because it is too generalized and doesn't correlate well with the other paving notes NMWD recommends that paving restoration requirements should be based on DWG 360 and DWG 380.
380	Comment to Note 2 is shown in Attachment 3

NMWD is in receipt of your letter dated October 3, 2016 in which you describe the timeline used by MPWA to consider revised Marin County trench repair standards and assert that the process in arriving at the current standards proposed was open to participation by affected public agencies. Unfortunately, NMWD was not included in the process and has only recently been apprised of the subject changes, thus are requesting final adoption be delayed. We reiterate that request herein and ask that no final determination be made until the January 2017 MPWA meeting at the earliest.

Mr. Patrick Barnes  
Proposed Changes to Trench Restoration Standards  
October 12, 2016

NMWD provides retail water service (potable and recycled) principally in Novato and the small coastal communities adjacent to Tomales Bay in West Marin. We also provide sewage collection and treatment service in the small coastal community of Oceana Marin adjacent to Dillon Beach. The District owns, operates and maintains over 350 miles of pipelines and related facilities to provide these vital community services. NMWD is a special district governed by an independent Board of Directors elected by the registered voters within our service territory. NMWD was formed in 1948 and the most recent Marin LAFCo Municipal Service Review does not recommend any dissolution of the District. I'm pleased to inform you that NMWD has an excellent reputation among the customers we serve and within the jurisdictions wherein our facilities reside. We maintain excellent standards and stand behind our work, including necessary restoration of pavement.

We also understand the necessity for maintaining quality pavement and street sections to serve the transportation needs within these communities and the desire to cost effectively address those needs. Nevertheless, the California Water Code establishes that "the District shall restore the property crossed as near as may be to its former state or so as not to have impaired unnecessarily its usefulness." NMWD's desire is to cooperatively work with MPWA and other Marin County public agencies to achieve reasonable UCS revisions which cost effectively meet the multiple needs of the communities served.

Sincerely,



Chris DeGabriele  
General Manager

cc: Raul Rojas, Director of Public Works  
County of Marin  
3501 Civic Center Dr., Rm. 404  
San Rafael, CA 94903

Craig Tackabery  
County of Marin  
3501 Civic Center Dr., Rm. 404  
San Rafael, CA 94903

Andy Poster  
City of Mill Valley  
25 Corte Madera Ave  
Mill Valley, CA 94941

Jonathon Goldman  
City of Sausalito  
420 Litho St  
Sausalito, CA 94965

Julian Skinner  
City of Larkspur  
400 Magnolia Ave  
Larkspur, CA 94929

Robert Zadnik  
Town of Belvedere  
450 San Rafael, Ave  
Belvedere, CA 94920

Russell Thompson  
City of Novato  
922 Machin Ave  
Novato, CA 94945

Sean Condry  
Town of San Anselmo  
525 San Anselmo Ave  
San Anselmo, CA 94960

Bill Guerin  
City of San Rafael  
1400 5th Ave.  
San Rafael, CA 94901

# Researching Dams' Effect on Eel River Salmon

SLAKING ALONG CALIFORNIA'S NORTH COAST is the Eel River, the state's third-largest watershed, which, along with its tributaries, covers 3,684 square miles and crosses five counties.

Along the upper part of the river sits the controversial Potter Valley Project, a massive power-generating facility that consists of two dams and a tunnel that divert water to the Potter Valley in the Russian River watershed.

Advocacy groups and others say the dams have had a serious impact on the river's salmon populations and have called for the dams to be removed.

Now, as the government prepares to consider relicensing the project, Environmental Science & Management Professors Alison O'Dowd and William Trush, along with several HSU students, are working to get a better understanding of how the dams affect the salmon.

"SALMON ARE NOT ONLY a charismatic species but they're indicative of watershed health. So if the salmon aren't doing well then the amphibians, invertebrates, and other aquatic organisms probably aren't doing well either," says O'Dowd.

The plummeting population of Eel River salmonids paints a grim picture. Before 1900, there were an estimated 500,000 salmonids (70,000 coho and 175,000 Chinook salmon, and 255,000 steelhead), according to the National Marine Fisheries Service.

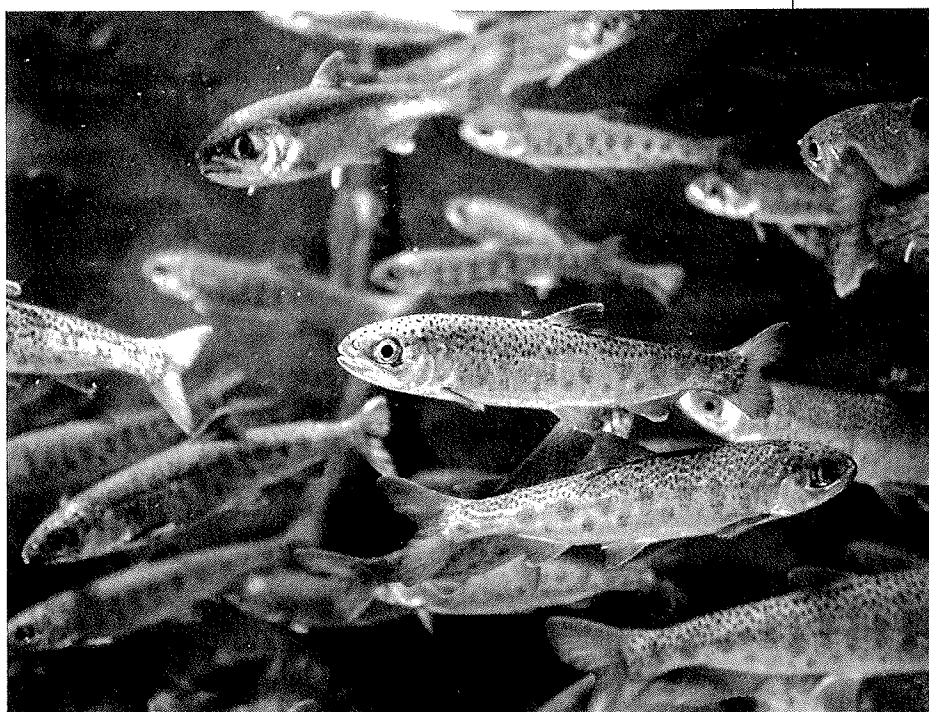
Today, there are an average of 15,000 salmonids returning each year—a 97 percent drop in population that environmentalists have partially attributed to the PG&E-owned Potter Valley Project. The project began in 1908 with the completion of the Cape Horn Dam. Scott Dam was completed in 1922 and that year, the Federal Energy Regulatory Commission granted the project a 50-year license.

Over the next decade, the Commission will review licenses for about 150 dams, including Scott Dam, which is set to expire in 2022.

IN THE MEANTIME, local environmental advocacy group Friends of the Eel River, which has been fighting for the removal of the dams for the last 20 years, looked to O'Dowd and Trush to study blockwater releases. Blockwater is a set volume of water (e.g. 2,500 acre-feet) released from dams as a single pulse or as multiple pulses.

The impetus for their research, conducted through the HSU's River Institute, was the plight of fish that lingered between the two dams. Under natural conditions, rising water temperatures and lower flows are Mother Nature's signals for juvenile salmon to begin migrating out to the ocean.

However, fish rearing in the artificially cool and consistently flowing waters between the dams lingered into the summer



months so that by the time the fish left and made their way downstream to the lower dam, they swam in water that was much warmer and potentially lethal, and with lower flow conditions.

O'Dowd and Trush hope to explore pre-dam flow conditions in the main stem of the river to help guide management of blockwater releases and inform the dam relicensing process. "That's why we're doing the science," says O'Dowd, "to see how we can best help the recovery of these threatened fish species."

To flush the fish downstream and help their outmigration, blockwater dam releases were conducted in 2012, 2014, 2015, and 2016. The most recent water release in May was based on recommendations from O'Dowd and Trush, along with input from various agencies and nongovernmental organizations.



# Submeters: A New Incentive for California Tenants to Save Water

A new California law requires water meters to be installed at individual apartments starting with new developments in 2018. Debra Carlton with the California Apartment Association explains how this will work.

WRITTEN BY  
Matt Weiser

PUBLISHED ON  
Oct. 13, 2016



An apartment building in the Westlake section of Los Angeles. A new state law requires water meters to be installed in individual apartments in new multifamily developments after January 1, 2018. Currently, tenants don't receive individual water bills and have no idea how much water they consume. Mark J. Terrill, AP

IF YOU LIVE in an apartment in California, you don't pay for the water you use – not directly, anyway.

Apartments in California, with few exceptions, don't have individual water meters, known as submeters. Instead, water usage is wrapped up in the rent payment, which means

tenants have no idea how much water they're using, and no direct financial incentive to conserve.

This also means millions of Californians aren't helping the state survive its ongoing drought. A survey of Los Angeles apartment owners in 2015 revealed that total water use remained unchanged — and even increased, in some cases — despite the governor's 25 percent conservation order.

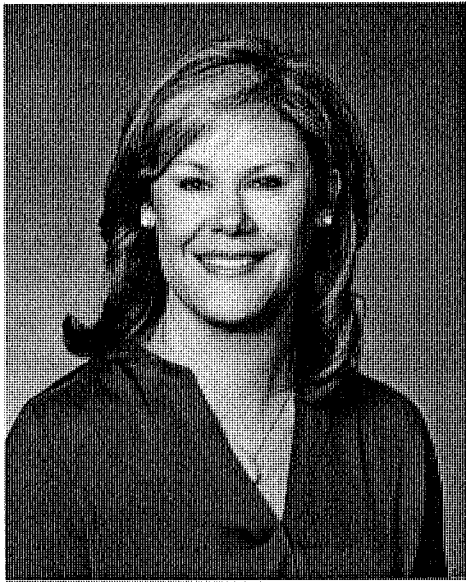
A 2004 study, funded by the U.S. Environmental Protection Agency, found submetering cut water use by 15 percent on average — simply by giving tenants information about their water consumption.

Nine states have allowed submetering for years, including Arizona and Texas. Now, California will be joining them. On September 26, Gov. Jerry Brown signed Senate Bill 7, a law drafted by Sen. Lois Wolk, D-Davis. It requires new apartment buildings constructed after January 1, 2018, to include submeters for every rental unit and to bill of tenants accordingly.

Although such laws have been proposed repeatedly over the years without results, this one saw no organized opposition and received broad support from the Sierra Club, Friends of the River, California Rural Legal Assistance Foundation and others.

To better understand how this new law will work, Water Deeply recently spoke with Debra Carlton, senior vice president of public affairs at the California Apartment Association, a group that represents thousands of landlords and also supported the bill.

## **Water Deeply: Why did your group support this law?**



Debra Carlton of the California Apartment Association says that landlords are on board with a new law requiring submetering of water in apartments built after January 1, 2018. (Debra Carlton)

Debra Carlton: It's kind of fascinating. We've been working on this topic for over 10 years, trying to get some clarity in the law, because many property owners already do this.

Back in the 1970s, we created a law saying an owner could install a submeter and they would be considered a utility. Then came all these questions about billing and disclosure. There were some legal questions that were raised about making sure tenants had appropriate notice and

weren't misled. That's really why we came to the table, to clear up those questions. And also to clarify some inconsistencies in the law.

There were some inconsistencies about whether you could bill a tenant and charge a tenant [the] cost to send them a bill, just like a utility company does today. You'll see in this new legislation there are allowable administration fees and late fees, things like that.

## **Water Deeply: Why were those things important to apartment owners?**

Carlton: I think to limit liability. To make it clear to both sides – landlords and tenants – and to lessen any disputes that might arise in the future.

The biggest deal, of course, is to make sure we conserve water in the larger California picture. Studies have shown us that, really, the most appropriate way to do it is through water submeters or meters directly.

## **Water Deeply: This new law doesn't apply to all apartments, correct?**

Carlton: It only applies to new apartments built after January 1, 2018. That's the mandate to install submeters. But if you have an existing property and you've installed submeters or you're planning to, you would have to follow the requirements of this law, like the disclosures and the way in which you bill.

## **Water Deeply: Are there many landlords in that situation?**

Carlton: Yes. Certainly a lot of our larger owners do. Now that we've clarified how it works and you can impose administrative fees, etc. I think that makes them feel much more comfortable that they won't face any sort of liability on how it's implemented.

## **Water Deeply: How will this new law change the development cost of multifamily projects?**

Carlton: The estimates for new construction, for buying meters and having them installed, is approximately \$150 per meter, per unit. This law does prohibit a local municipality from charging you extra fees to hook up these submeters when it has nothing to do with the local municipality – which has happened.

Tenants will pay their (submetered) water bill to the landlord. Then the landlord turns around and pays the “master” water bill for the total property to the municipality or the water agency, which has no direct role in billing the tenants. Everything has to be justified through the master bill. That’s why there are all these disclosure requirements in the statute.

## **Water Deeply: Did any of your landlord members oppose this bill?**

Carlton: We had no opposition from our group or any other non-affiliated groups. Obviously, it took us a long time to get here. But we finally found the right direction, the right avenue to go. So by now we had no interest groups that were landlord-related that opposed the bill.

We’ve had quite a number of bills that we’ve attempted along the way. For various reasons, we couldn’t come to agreement with either the tenant community or the local municipalities. There was just all sorts of things in our way. Finally, there was a window of opportunity and we were able to come to an agreement.

## **Water Deeply: Did the drought have a role in getting this law adopted?**

Carlton: Absolutely. There’s no question about that. We saw studies over last decade, too, that said the only way to get individuals to conserve is if they receive a bill for their actual water use. Some property owners have tried doing it via estimates – dividing up the master bill by the number of units. But the most effective and efficient way was through actual reading of the submeters.

## **Water Deeply: Will this law change how multifamily properties are designed?**

Carlton: I don't think it's going to necessarily change their design, because they have been anticipating this law is coming. I think most of them will design their properties in a way so this works.

That's, of course, why we moved the effective date of the law so far out to 2018. It gives them to time to make any adjustments they may have to make.

## **Water Deeply: Will submetering actually save landlords money in the long run?**

Carlton: If an owner was previously including water in the rent and tenants weren't doing anything to conserve, they're certainly going to see a savings.

I think what we we're finding, also, in some cities where you have some pretty huge penalties for overconsumption, there was no way to really encourage a tenant to conserve. And it's hard to adjust rent to compensate for that. But water is one of the most unknown bills or uses. So I think it's going to make things a little more fixed and understood.

## **Water Deeply: How will it affect costs for tenants – both rent and water bills?**

Carlton: It really depends. It could change for a tenant who has never received a bill before. I think that's what probably has held us back for so long in getting a law passed – the fear

of a tenant now paying for something that they maybe thought they had not been paying for.

If tenants were receiving a bill that wasn't really tied at all to a meter – some received a divided bill that related back to a master meter – they're going to see a new bill that's very specific.

But the overriding issue was conservation. That became the priority policy here, and I think that's why we were able to move the legislation this year. I think that's a valuable component even if tenants were, in the past, concerned about getting a bill. It wasn't working when it came to conservation. So we finally were able to pass the bill.

## **Water Deeply: How much water will submetering save?**

Carlton: There's a lot of estimates out there. One study estimated anywhere from a 20 to 25 percent water savings – maybe even as high as 30 percent a month. It just depends on the people and how much they care.

## **Water Deeply: What about retrofitting existing multifamily buildings. Why wasn't that part of this bill?**

Carlton: It was discussed. I think the concern was the potential for dramatic costs if you're having to cut into walls and pipes and make those changes. That's not to say it's not being done. It's just that we couldn't really estimate because of the diversity in types of buildings and age of buildings.

Certainly in your low-level, smaller properties, it's much easier to do. I would say high rises are very different to do. One of the points in the legislation was asking the state

building commission to look at the cost of installing submeters in new high-rise construction. That will be work that is forthcoming. I think they're finding, with the new types of submeters, that it's positive and not as cost-prohibitive as they thought.

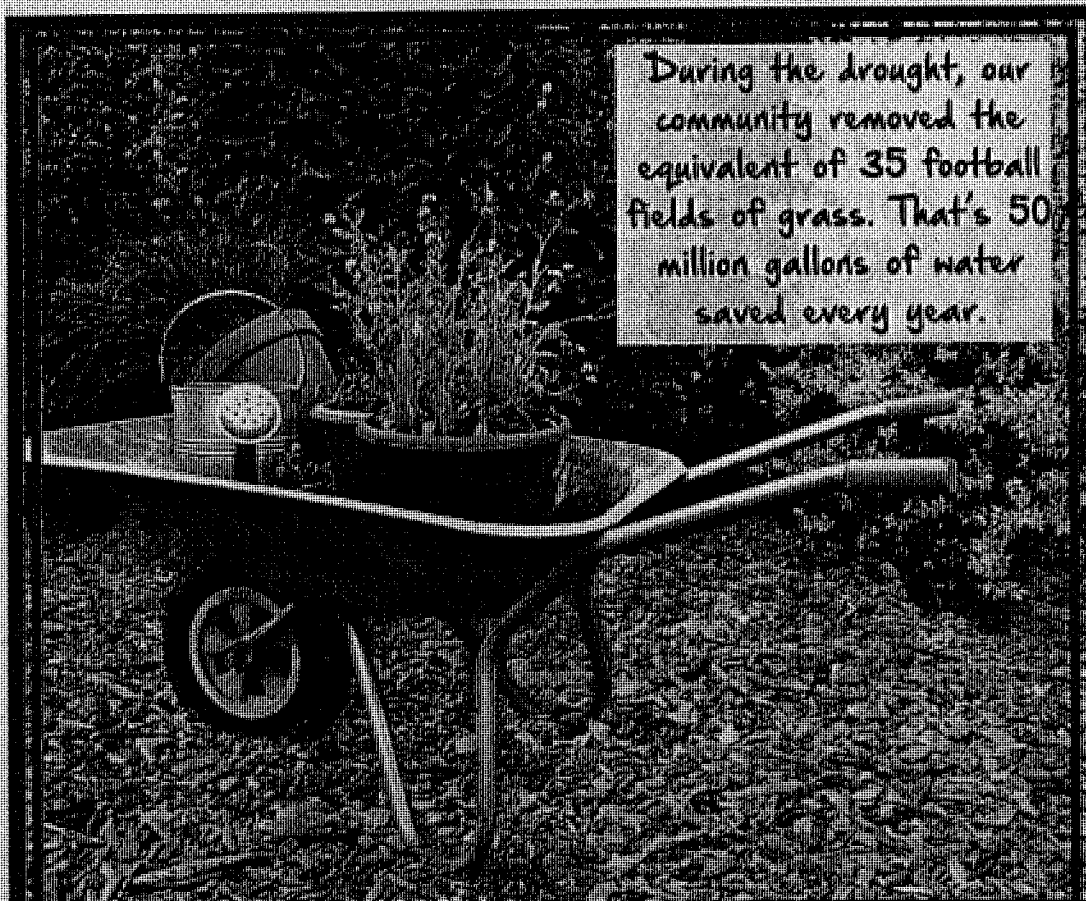


✓ lives in Novato, with his wife. Steve is a business owner active in the community, supporting the community effort to rebuild

tion. Events like this introduce the community to Novato Theater programs and also promote the ongoing effort to raise funds for

Behind the Strides" Collin Moore, class of 2016 and a freshman at UC Berkeley, was a finalist in the Feature Story category for his

discrimination: many other vol  
As a volunteer  
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