

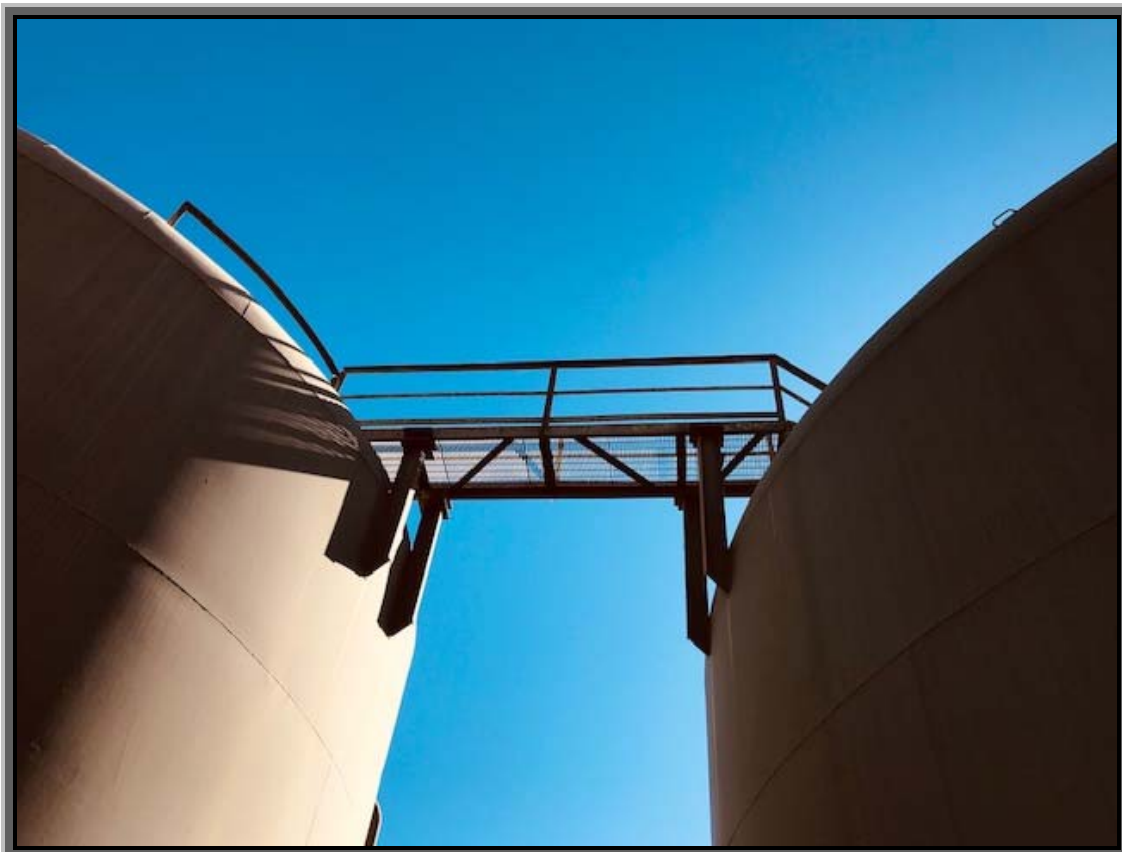


NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019





NORTH MARIN WATER DISTRICT

Name	Title	Elected/ Appointed	Current Term
Michael Joly	President	Appointed	02/17 - 12/20
James Grossi	Vice-President	Elected	12/18 - 12/22
Jack Baker	Director	Elected	12/15 - 12/20
Rick Fraites	Director	Elected	12/18 - 12/22
Stephen Petterle	Director	Elected	12/15 - 12/20

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

North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2020 and 2019

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

Prepared by:
Finance Department
Julie Blue, Auditor-Controller

**North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2020 and 2019**

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Introductory Section



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December 1, 2020

Board of Directors
North Marin Water District

It is our pleasure to submit the Annual Financial Report for the North Marin Water District (District) for the fiscal years ended June 30, 2020 and 2019, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared the data incorporated in this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that the Governmental Accounting Standards Board believes necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found on page 11 of this report.

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District has been providing water service to its customers since 1948. The District is governed by a five-member Board of Directors, with each Director elected from one of five geographical areas from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. As of June 30, 2020, the District employed 50 regular employees, plus temporary and seasonal employees as the workload dictates. There are currently 22 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 20,554 potable water service connections and 91 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 782 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 235 service connections.

District Services, continued

Residential customers comprise approximately 90% of the District's customer base and consume approximately 80% of the water produced annually by the District. The District purchases approximately 75% 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 1.9 billion gallons of water in fiscal year 2020 and 1.9 billion gallons in 2019 from the Agency.

Economic Condition, Outlook and Major Initiatives

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

Since March 2020, the economic condition for the District's service area has experienced some challenges with the onset of the COVID-19 pandemic. Local restaurants, educational, fitness and religious facilities, as well as local entertainment and recreation venues have been required to cease their operations in response to federal, state, and local government mandates in efforts to promote public health and safety and mitigate the risk of spreading the COVID-19 virus. This pandemic was never expected/anticipated to have occurred; therefore, a majority of the general population and local businesses were not prepared for the immediate effects and day-to-day adjustments.

On April 2, 2020, Governor Newsom issued Executive Order (EO) N-42-20. The District has complied with the order by suspending disconnection/shut off of water service of customer connections for nonpayment (Health and Safety Code: Section 116902, Subdivision (c)). Though the EO restricts water shutoffs due to nonpayment while the State responds to the COVID-19 health emergency, the obligation of water customers to pay for water service is not eliminated or reduced, nor is the District prevented from charging its customers for such ongoing services.

As a Special District, the risk/exposure of revenue loss, during these unprecedented times, for the District is minimal. Generation of revenue is a result of assessing Board of Director approved rates and charges rather than relying on voter approved tax assessments. It is the intent of the governing body to ensure the costs of providing goods and services to the general public on a continuing basis be recovered primarily through approved rates and charges.

The Russian River water delivery system operated by the Agency typically provides 75% of Novato's water supply. Novato rainfall in fiscal year 2020 totaled 18.95" which was about 70% of the historical average annual rainfall. In fiscal year 2020 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 686 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 treatment facilities combined to provide 229 million gallons of highly treated recycled wastewater to large landscape irrigation customers and various commercial car washes in Novato.

Economic Condition, Outlook and Major Initiatives, continued

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

A 6% rate revenue increase for customers in the Novato service area was authorized by the Board of Directors effective October 1, 2020. At \$773 per year, the cost of water service for a typical Novato detached single-family home using 84,000 gallons of water a year remains a good value for Novato customers.

District Water Supply

Stafford Lake – Local Source Provides 25% 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 2020 and 2019, 2,105 AF (686 MG) and 1,740 AF (567 MG) respectively, was produced by the Stafford Lake Water Treatment Plant.

Russian River – Provides 75% of the District’s Annual Supply

Russian River water originates from both the Eel River and the Russian River watersheds northeast of the City of Ukiah (Lake Mendocino) and west of Healdsburg (Lake Sonoma). Lake Mendocino’s Coyote Dam impounds the Eel River diversions and winter runoff from the local watershed. Lake Sonoma’s Warm Springs Dam impounds winter runoff from the Dry Creek and Warm Springs watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet the regions’ water supply needs, which totaled 45,650 acre feet in fiscal year 2020. 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 2020 and 2019, the District received 5,887 AF (1,918 MG) and 5,714 AF (1,862 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 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, US Treasury 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 bi-monthly service charge; whereas, sewer rates are comprised exclusively of a fixed charge.

Audit and Financial Reporting

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

Awards and Acknowledgements

For the eleventh 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 2019 and 2018 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 2020.

Awards and Acknowledgements, continued

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

Respectfully submitted,



Drew McIntyre
General Manager

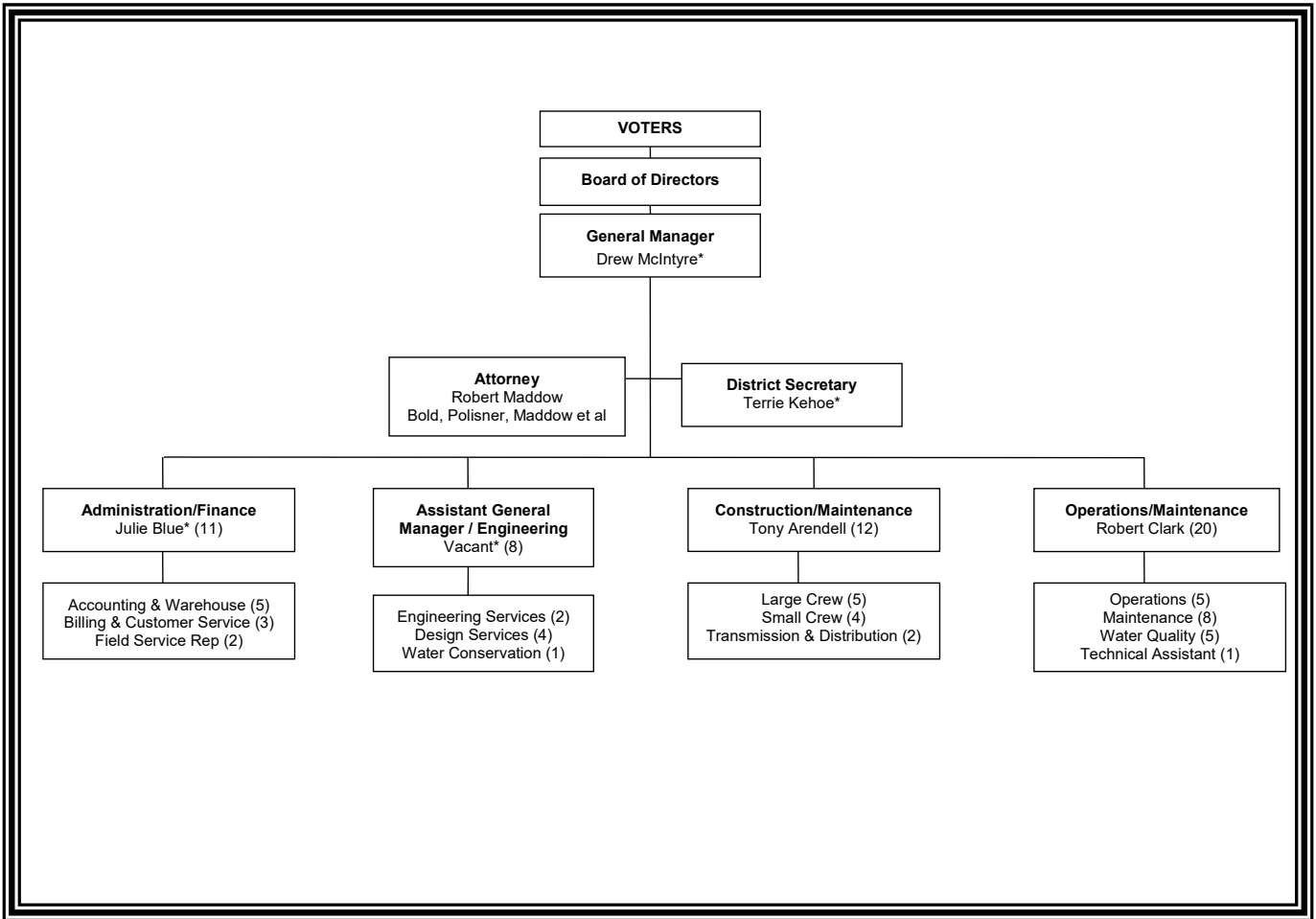


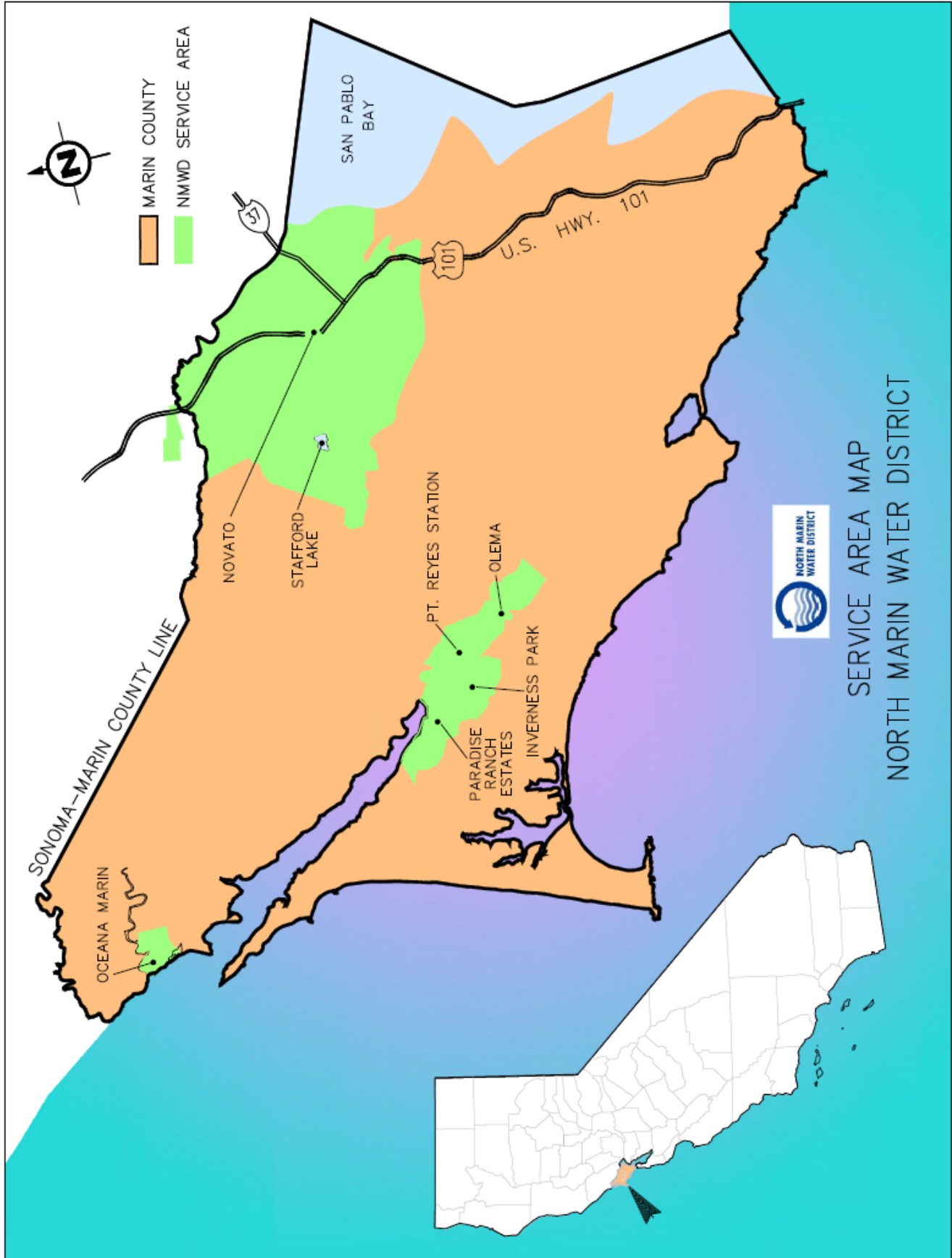
Julie Blue
Auditor-Controller

North Marin Water District Organizational Chart

**As of
June 30, 2020**

Budgeted FTE: 54







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, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
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Certified Public Accountants

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Independent Auditor's Report

Board of Directors
North Marin Water District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Marin Water District (District), which comprises the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our 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, 2020 and 2019, respectively, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of Matter

Prior Period Restatement

As described in note 13 to the financial statements, the District restated net position related to a loan receivable for the interconnection agreement with Marin Municipal Water District, for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11 through 17 and the required supplementary information on pages 64 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audit was 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 8, the supplementary information of combining schedules on pages 67 through 70, and the statistical section on pages 71 through 86 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2020, 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 87 and 88.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

December 1, 2020

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

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, 2020 and 2019. 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 2020, the District's net position increased 3.1% or \$3,549,268 to \$116,713,765 due to ongoing operations in the amount of \$786,285, \$2,762,983 from capital contributions and the effect of a prior period adjustment to net position. See note 13 for further information. In fiscal year 2019, the District's net position increased 3.5% or \$3,811,841 to \$113,164,497. The increase of \$3,811,841 was primarily due to increases of \$1,890,132 from ongoing operations, and \$1,921,709 from capital contributions.
- In fiscal year 2020, the District's total revenues increased 9.1% or \$2,053,034 to \$24,665,442. In fiscal year 2019, the District's total revenues decreased by 0.3% or \$70,909 to \$22,612,408.
- In fiscal year 2020, the District's operating revenues decreased 9.3% or \$2,024,675 to \$23,796,921. In fiscal year 2019, the District's operating revenues decreased 1.5% or \$321,848 to \$21,772,246.
- In fiscal year 2020, the District's non-operating revenues increased by 3.4% or \$28,359 to \$868,521. In fiscal year 2019, the District's non-operating revenues increased by 42.6% or \$250,939 to \$840,162.
- In fiscal year 2020, the District's total expenses including depreciation increased 15.2% or \$3,156,881 to \$23,879,157. In fiscal year 2019, the District's total expenses including depreciation decreased 0.1% or \$15,156 to \$20,722,276.
- In fiscal year 2020, the District's operating expenses before depreciation increased 18.5% or \$3,035,813 to \$19,407,305. In fiscal year 2019, the District's operating expenses before depreciation decreased 0.5% or \$89,538 to \$16,371,492.
- In fiscal year 2020, the District's non-operating expenses increased by 22.9% or \$206,007 to \$1,105,636. In fiscal year 2019, the District's non-operating expenses increased by 6.8% or \$57,296 to \$899,629.
- In fiscal year 2020, the District's capital contributions increased by 43.8% or \$841,274 to \$2,762,983. In fiscal year 2019, the District's capital contributions decreased by 52.2% or \$2,098,332 to \$1,921,709.

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.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Required Financial Statements, continued

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

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

These two statements report the District's *net position* and changes in it. One 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.

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 23 through 63.

Statements of Net Position

	Condensed Statements of Net Position				
	2020	As Restated 2019	Change	As Restated 2018	Change
Assets:					
Current assets	\$ 26,114,495	21,264,146	4,850,349	19,850,154	1,413,992
Non-current assets	6,530,899	8,671,306	(2,140,407)	9,445,784	(774,478)
Capital assets, net	138,412,091	137,498,651	913,440	136,589,808	908,843
Total assets	171,057,485	167,434,103	3,623,382	165,885,746	1,548,357
Deferred outflows of resources	3,137,492	2,788,721	348,771	3,538,325	(749,604)
Liabilities:					
Current liabilities	6,781,505	5,707,594	1,073,911	6,218,548	(510,954)
Non-current liabilities	49,776,023	50,810,377	(1,034,354)	52,966,629	(2,156,252)
Total liabilities	56,557,528	56,517,971	39,557	59,185,177	(2,667,206)
Deferred inflows of resources	923,684	540,356	383,328	886,238	(345,882)
Net position:					
Net investment in capital assets	108,197,378	105,092,277	3,105,101	104,921,863	170,414
Restricted for capital projects and debt	-	71,715	(71,715)	2,186,164	(2,114,449)
Unrestricted	8,516,387	8,000,505	515,882	2,244,629	5,755,876
Total net position	\$ 116,713,765	113,164,497	3,549,268	109,352,656	3,811,841

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 \$116,713,765 and \$113,164,497 as of June 30, 2020 and 2019, respectively.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Statements of Net Position, continued

By far the largest portion of the District's net position (93% as of June 30, 2020 and 2019, 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 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$8,516,387 and \$8,000,505. See note 12 for the amount of spendable net position that may be utilized in future years.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>As Restated 2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 23,796,921	21,772,246	2,024,675	22,094,094	(321,848)
Non-operating revenue	868,521	840,162	28,359	589,223	250,939
Total revenue	<u>24,665,442</u>	<u>22,612,408</u>	<u>2,053,034</u>	<u>22,683,317</u>	<u>(70,909)</u>
Expense:					
Operating expense	19,407,305	16,371,492	3,035,813	16,461,030	(89,538)
Depreciation and amortization	3,366,216	3,451,155	(84,939)	3,434,069	17,086
Non-operating expense	1,105,636	899,629	206,007	842,333	57,296
Total expense	<u>23,879,157</u>	<u>20,722,276</u>	<u>3,156,881</u>	<u>20,737,432</u>	<u>(15,156)</u>
Net income(expense) before capital contributions	786,285	1,890,132	(1,103,847)	1,945,885	(55,753)
Capital contributions	<u>2,762,983</u>	<u>1,921,709</u>	<u>841,274</u>	<u>4,020,041</u>	<u>(2,098,332)</u>
Change in net position	<u>3,549,268</u>	<u>3,811,841</u>	<u>(262,573)</u>	<u>5,965,926</u>	<u>(2,154,085)</u>
Net position, beginning of year	113,164,497	109,352,656	3,811,841	100,697,886	8,654,770
Prior period adjustment	-	-	-	2,688,844	(2,688,844)
Net position, beginning of year – as restated	<u>113,164,497</u>	<u>109,352,656</u>	<u>3,811,841</u>	<u>103,386,730</u>	<u>5,965,926</u>
Net position, end of year	<u>\$ 116,713,765</u>	<u>113,164,497</u>	<u>3,549,268</u>	<u>109,352,656</u>	<u>3,811,841</u>

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 3.1% or \$3,549,268 to \$116,713,765 primarily due to increases of \$786,285 from ongoing operations, \$2,762,983 from capital contributions, and a prior period adjustment to net position in the amount of \$2,529,211 for a loan receivable related to the interconnection agreement with Marin Municipal Water District. See note 13 for further information. In 2019, the District's net position increased 3.5% or \$3,811,841 to \$113,164,497. The increase of \$3,811,841 was primarily due to increases of \$1,890,132 from ongoing operations, \$1,921,709 from capital contributions.

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

In 2020, the District's total revenues increased 9.1% or \$2,053,034 to \$24,665,442. The District's operating revenues increased by 9.3% or \$2,024,675 to \$23,796,921 due primarily to increases of \$1,856,997 in water consumption sales and \$158,324 in bi-monthly meter service charges.

In 2020, the District's non-operating revenues increased by 3.4% or \$28,359 to \$868,521 due primarily to increases of \$66,487 in net investment earnings, \$18,816 in gain on sale of property and equipment, which were offset by a decrease of \$57,124 in other non-operating revenues.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Statements of Revenues, Expenses and Changes in Net Position, continued

In 2020, the District's capital contributions increased by 43.8% or \$841,274 to \$2,762,983 due primarily to increases of \$485,912 in developer contributions, \$316,207 in state and local capital grants, and \$39,155 in connection fees.

In 2019, the District's total revenues increased by 0.1% or \$14,458 to \$22,612,408. The District's operating revenues decreased by 1.5% or \$321,848 to \$21,772,246 due primarily to decreases of \$427,396 in water consumption sales and \$155,846 in water sales to other agency, which were offset by an increase of \$246,068 in bi-monthly service charges.

In 2019, the District's non-operating revenues increased by 42.6% or \$250,939 to \$840,162 due primarily to an increase of \$249,649 in net investment earnings.

In 2019, the District's capital contributions decreased by 52.2% or \$2,098,332 to \$1,921,709 due primarily to decreases of \$1,562,596 in developer contributions and \$548,615 in state and local capital grants.

In 2020, the District's total expenses including depreciation increased 15.2% or \$3,156,881 to \$23,879,157. The District's operating expenses increased 18.5% or \$3,035,813 to \$19,407,305 due primarily to increases of \$1,604,321 in source of supply, \$516,522 in water treatment, \$258,884 in transmission and distribution, \$194,214 in general and administrative, \$187,772 in pumping expense, \$183,624 in water facilities operations, \$48,595 in water conservation, \$24,211 in customer service, and \$17,670 in sewage and collection treatment.

In 2020, the District's depreciation and amortization decreased by 2.5% or \$84,939 to \$3,366,216 due primarily to the maturation of existing capital assets depreciation and additional depreciation for replacement assets.

In 2020, the District's non-operating expenses increased by 22.9% or \$206,007 to \$1,105,636 due primarily to an increase of \$305,711 in capital contribution to Novato Sanitation District for capital construction, which was offset by decreases of \$79,207 in interest expense on long-term debt and \$20,497 in other non-operating expenses.

In 2019, the District's total expenses including depreciation decreased 0.1% or \$15,156 to \$20,722,276. The District's operating expenses decreased 0.5% or \$89,538 to \$16,371,492 due primarily to decreases of \$435,980 in water treatment, \$231,823 in customer service, \$86,708 in water facilities operations, \$85,930 in transmission and distribution, \$77,442 in source of supply, and \$36,444 in sewage collection and treatment, which were offset by increases of \$837,641 in general and administrative and \$32,238 in pumping expense.

In 2019, the District's depreciation and amortization increased by 0.5% or \$17,086 to \$3,451,155 due primarily to the maturation of existing capital assets depreciation and additional depreciation for replacement assets.

In 2019, the District's non-operating expenses increased by 6.8% or \$57,296 to \$899,629 due primarily to an increase of \$128,236 in interest expense on long-term debt, offset by \$86,180 in prior year debt issuance costs.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Total District Revenues

	<u>2020</u>	<u>As Restated 2019</u>	<u>Change</u>	<u>As Restated 2018</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 18,194,168	16,337,171	1,856,997	16,764,567	(427,396)
Monthly meter service charge	4,968,620	4,810,296	158,324	4,564,228	246,068
Sewer service charges	264,372	252,720	11,652	239,890	12,830
Water sale to other agency	-	-	-	155,846	(155,846)
Other charges and services	369,761	372,059	(2,298)	369,563	2,496
Total operating revenues	<u>23,796,921</u>	<u>21,772,246</u>	<u>2,024,675</u>	<u>22,094,094</u>	<u>(321,848)</u>
Non-operating revenues:					
Property tax revenue	120,821	115,706	5,115	109,927	5,779
Investment earnings	549,477	436,684	112,793	182,169	254,515
Interest earnings from note receivable – BPGL	18,549	48,002	(29,453)	48,536	(534)
Interest earnings from loan receivable – MMWD	64,182	81,035	(16,853)	85,367	(4,332)
Rental revenue	86,597	91,532	(4,935)	105,406	(13,874)
Gain on sale of property and equipment	18,816	-	18,816	-	-
Other non-operating revenues	10,079	67,203	(57,124)	57,818	9,385
Total non-operating revenues	<u>868,521</u>	<u>840,162</u>	<u>28,359</u>	<u>589,223</u>	<u>250,939</u>
Total revenues	<u>\$ 24,665,442</u>	<u>22,612,408</u>	<u>2,053,034</u>	<u>22,683,317</u>	<u>(70,909)</u>

In 2020 and 2019, total District revenues increased \$2,053,034 and decreased \$70,909, respectively.

Total District Expenses

	<u>2020</u>	<u>As Restated 2019</u>	<u>Change</u>	<u>As Restated 2018</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Source of supply	\$ 7,096,645	5,492,324	1,604,321	5,569,766	(77,442)
Pumping	646,366	458,594	187,772	426,356	32,238
Water facilities operations	1,176,833	993,209	183,624	1,079,917	(86,708)
Water treatment	2,647,688	2,131,166	516,522	2,567,146	(435,980)
Transmission and distribution	3,560,513	3,301,629	258,884	3,387,559	(85,930)
Sewage collection and treatment	145,183	127,513	17,670	163,957	(36,444)
Customer service	534,552	510,341	24,211	742,164	(231,823)
General and administrative	3,201,515	3,007,301	194,214	2,169,660	837,641
Water conservation	398,010	349,415	48,595	354,505	(5,090)
Depreciation and amortization	3,366,216	3,451,155	(84,939)	3,434,069	17,086
Total operating expenses including depreciation expense	<u>22,773,521</u>	<u>19,822,647</u>	<u>2,950,874</u>	<u>19,895,099</u>	<u>(72,452)</u>
Non-operating expenses:					
Interest expense – long-term debt	796,147	875,354	(79,207)	747,118	128,236
Capital contribution to Agency	305,711	-	305,711	-	-
Debt issuance costs	-	-	-	86,180	(86,180)
Other non-operating expenses	3,778	24,275	(20,497)	9,035	15,240
Total non-operating expenses	<u>1,105,636</u>	<u>899,629</u>	<u>206,007</u>	<u>842,333</u>	<u>57,296</u>
Total expenses	<u>\$ 23,879,157</u>	<u>20,722,276</u>	<u>3,156,881</u>	<u>20,737,432</u>	<u>(15,156)</u>

In 2020 and 2019, total District expenses increased \$3,156,881 and decreased by \$15,156, respectively.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Capital Asset Administration

Changes in capital asset amounts for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 25,353,552	4,002,970	(22,913,895)	6,442,627
Depreciable assets	173,097,983	23,190,581	(129,436)	196,159,128
Accumulated depreciation	<u>(60,952,884)</u>	<u>(3,366,216)</u>	<u>129,436</u>	<u>(64,189,664)</u>
Total capital assets, net	<u>\$ 137,498,651</u>	<u>23,827,335</u>	<u>(22,913,895)</u>	<u>138,412,091</u>

Changes in capital asset amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 25,964,598	4,405,064	(5,016,110)	25,353,552
Depreciable assets	168,132,910	4,971,044	(5,971)	173,097,983
Accumulated depreciation	<u>(57,507,700)</u>	<u>(3,451,155)</u>	<u>5,971</u>	<u>(60,952,884)</u>
Total capital assets, net	<u>\$ 136,589,808</u>	<u>5,924,953</u>	<u>(5,016,110)</u>	<u>137,498,651</u>

At the end of fiscal year 2020 and 2019, the District's investment in capital assets amounted to \$138,412,091 and \$137,498,651, respectively (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-progress, etc. (See note 6 for further information)

Debt Administration

Changes in long-term debt amounts for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2020</u>
Long-term debt:				
Loans payable	\$ 35,236,198	-	(2,332,799)	32,903,399
Total long-term debt	<u>\$ 35,236,198</u>	<u>-</u>	<u>(2,332,799)</u>	<u>32,903,399</u>

Changes in long-term debt amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2019</u>
Long-term debt:				
Bonds payable	\$ 72,000	-	(72,000)	-
Loans payable	<u>37,513,463</u>	<u>-</u>	<u>(2,277,265)</u>	<u>35,236,198</u>
Total long-term debt	<u>\$ 37,585,463</u>	<u>-</u>	<u>(2,349,265)</u>	<u>35,236,198</u>

(See note 9 for further information)

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

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.

Basic Financial Statements

**North Marin Water District
Statements of Net Position
June 30, 2020 and 2019**

	2020	As Restated 2019
Current assets:		
Cash and cash equivalents (note 2)	\$ 14,794,597	8,980,983
Restricted – cash and cash equivalents (note 2)	1,184,440	1,498,122
Restricted – investments (note 2)	3,479,480	4,715,320
Accrued interest receivable	81,874	88,871
Accounts receivable – water and sewer sales and services	4,402,160	4,221,181
Accounts receivable – governmental agencies	662,879	162,445
Accounts receivable – other	251,761	220,474
Notes receivable (note 3)	37,271	263,785
Loan receivable (note 3)	144,968	141,138
Notes receivable – employee housing assistance loans, net (note 4)	-	39,200
Materials and supplies inventory	628,948	701,952
Prepaid expenses and deposits	446,117	230,675
Total current assets	26,114,495	21,264,146
Non-current assets:		
Restricted – investments (note 2)	2,790,301	3,744,249
Notes receivable (note 3)	1,136,458	2,027,949
Loan receivable (note 3)	2,079,140	2,224,108
Notes receivable – employee housing assistance loans, net (note 4)	525,000	675,000
Capital assets, not being depreciated (note 6)	6,442,627	25,353,552
Depreciable capital assets, net (note 6)	131,969,464	112,145,099
Total non-current assets	144,942,990	146,169,957
Total assets	171,057,485	167,434,103
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 10)	341,851	172,404
Deferred pension outflows (note 11)	2,795,641	2,616,317
Total deferred outflows of resources	\$ 3,137,492	2,788,721

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Net Position, continued
June 30, 2020 and 2019

	<u>2020</u>	<u>As Restated 2019</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,899,318	1,265,960
Accrued wages and related payables	285,184	280,870
Accrued claims payable (note 7)	23,537	54,541
Customer advances and deposits	1,272,311	1,886,908
Accrued interest payable – long-term debt	157,614	166,595
Long-term liabilities – due within one year:		
Compensated absences (note 8)	176,238	136,644
Loans payable (note 9)	1,967,303	1,916,076
Total current liabilities	<u>6,781,505</u>	<u>5,707,594</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 8)	528,715	409,931
Loans payable (note 9)	30,936,096	33,320,122
Total other post-employment benefits liability (note 10)	4,658,025	4,520,164
Net pension liability (note 11)	13,653,187	12,560,160
Total non-current liabilities	<u>49,776,023</u>	<u>50,810,377</u>
Total liabilities	<u>56,557,528</u>	<u>56,517,971</u>
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 10)	121,829	-
Deferred pension inflows (note 11)	801,855	540,356
Total deferred inflows of resources	<u>923,684</u>	<u>540,356</u>
Net position: (note 12, 13)		
Net investment in capital assets	107,946,623	105,092,277
Restricted for capital projects and debt service	-	71,715
Unrestricted	8,767,142	8,000,505
Total net position	<u>\$ 116,713,765</u>	<u>113,164,497</u>

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>As Restated 2019</u>
Operating revenues:		
Water consumption sales	\$ 18,194,168	16,337,171
Bi-monthly meter service charge	4,968,620	4,810,296
Sewer service charges	264,372	252,720
Other charges and services	<u>369,761</u>	<u>372,059</u>
Total operating revenues	<u>23,796,921</u>	<u>21,772,246</u>
Operating expenses:		
Source of supply	7,096,645	5,492,324
Pumping	646,366	458,594
Water facilities operations	1,176,833	993,209
Water treatment	2,647,688	2,131,166
Transmission and distribution	3,560,513	3,301,629
Sewage collection and treatment	145,183	127,513
Customer service	534,552	510,341
General and administrative	3,201,515	3,007,301
Water conservation	<u>398,010</u>	<u>349,415</u>
Total operating expenses	<u>19,407,305</u>	<u>16,371,492</u>
Operating income before depreciation	4,389,616	5,400,754
Depreciation expense – capital recovery	<u>(3,366,216)</u>	<u>(3,451,155)</u>
Operating income	<u>1,023,400</u>	<u>1,949,599</u>
Non-operating revenues(expenses):		
Property tax revenue	120,821	115,706
Investment earnings	549,477	436,684
Interest earnings from note receivable – BPGL	18,549	48,002
Interest earnings from loan receivable – MMWD	64,182	81,035
Rental revenue	86,597	91,532
Interest expense – long-term debt	(796,147)	(875,354)
Capital contribution to Agency	(305,711)	-
Gain on sale of property and equipment	18,816	-
Other non-operating revenues	10,079	67,203
Other non-operating expenses	<u>(3,778)</u>	<u>(24,275)</u>
Total non-operating revenues, net	<u>(237,115)</u>	<u>(59,467)</u>
Net income before capital contributions	<u>786,285</u>	<u>1,890,132</u>
Capital contributions:		
Developers and others	895,050	409,138
Connection fees	1,531,535	1,492,380
Capital grants – state and local	<u>336,398</u>	<u>20,191</u>
Capital contributions	<u>2,762,983</u>	<u>1,921,709</u>
Change in net position	3,549,268	3,811,841
Net position, beginning of year – as restated (note 13)	<u>113,164,497</u>	<u>109,352,656</u>
Net position, end of year	<u>\$ 116,713,765</u>	<u>113,164,497</u>

See accompanying notes to the basic financial statements

**North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>As Restated 2019</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 23,180,897	21,920,631
Cash paid to employees for salaries and wages	(5,608,011)	(4,844,737)
Cash paid to vendors and suppliers for materials and services	<u>(11,529,616)</u>	<u>(11,734,384)</u>
Net cash provided by operating activities	<u>6,043,270</u>	<u>5,341,510</u>
Cash flows from non-capital financing activities:		
Property tax revenue	<u>120,821</u>	<u>115,706</u>
Net cash provided by non-capital financing activities	<u>120,821</u>	<u>115,706</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,288,074)	(2,253,967)
Proceeds from capital contributions and connection fees	2,762,983	2,166,709
Principal paid on long-term debt	(2,332,799)	(2,349,265)
Interest paid on long-term debt	<u>(805,128)</u>	<u>(845,093)</u>
Net cash used in capital and related financing activities	<u>(4,663,018)</u>	<u>(3,281,616)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,688,518	6,336,267
Purchases of investments	(2,474,000)	(4,719,000)
Principal received on notes receivable	1,118,005	669,723
Principal received on loans receivable	141,138	163,965
Principal received on employee housing assistance loans	-	495,000
Investment earnings	<u>525,198</u>	<u>422,034</u>
Net cash provided by investing activities	<u>3,998,859</u>	<u>3,367,989</u>
Net increase in cash and cash equivalents	5,499,932	5,543,589
Cash and cash equivalents, beginning of year	<u>10,479,105</u>	<u>4,935,516</u>
Cash and cash equivalents, end of year	<u>\$ 15,979,037</u>	<u>10,479,105</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 14,794,597	8,980,983
Restricted assets – cash and cash equivalents	<u>1,184,440</u>	<u>1,498,122</u>
Total cash and cash equivalents	<u>\$ 15,979,037</u>	<u>10,479,105</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, 2020 and 2019

	2020	As Restated 2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,023,400	1,949,599
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense – capital recovery	3,366,216	3,451,155
Rental revenue	86,597	91,532
Other non-operating revenue	10,079	67,203
Other non-operating expenses	(3,778)	(24,275)
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	(180,979)	292,189
Accounts receivable – governmental agencies	(500,434)	(92,615)
Accounts receivable – other	(31,287)	(209,924)
Materials and supplies inventory	73,004	(237,238)
Prepaid expenses and other deposits	(215,442)	(160,247)
Decrease(Increase) in deferred outflows of resources		
Other post-employment benefits related	(169,447)	(172,404)
Pension related	(179,324)	922,008
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	1,633,358	(1,375,564)
Accrued wages and related payables	4,314	8,441
Accrued claims payable	(31,004)	(43,040)
Customer advances and deposits	(614,597)	820,808
Compensated absences	158,378	59,118
Other post-employment benefit liability	137,861	396,599
Net pension liability	1,093,027	(214,564)
(Decrease)Increase in deferred inflows of resources		
Other post-employment benefits related	121,829	-
Pension related	261,499	(187,271)
Total adjustments	5,019,870	3,391,911
Net cash provided by operating activities	\$ 6,043,270	5,341,510
Non-cash investing, capital and financing transactions:		
Change in fair value of investments	\$ 49,825	57,836
Change in capital contributions – grants	\$ -	2,270,095

See accompanying notes to the basic financial statements

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(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, 2020 and 2019

(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:

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

1. Use of Estimates

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

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

3. 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.

4. 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.

5. 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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

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

5. Fair Value Measurements, continued

- **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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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

11. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate 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 the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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

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

11. Deferred Outflows of Resources, continued

Pensions

- Deferred outflow which 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.
- Deferred outflow for the net differences between the actual and expected experience which 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 Plan.
- Deferred outflow for the net changes in assumptions which 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 Plan.
- Deferred outflow for the net change due to differences in the changes in proportions of the net pension liability which 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 Plan.

12. 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. Employees hired after 10/1/2000 may apply their unused sick leave credit to enhance CalPERS retirement benefits but are not eligible to receive any pay for accrued unused sick leave from the District.

13. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 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: July 1, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

14. 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 additions to/deductions 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, 2020 and 2019

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

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

14. 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: June 30, 2018
- Measurement Date: June 30, 2019
- Measurement Period: July 1, 2018 to June 30, 2019

15. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

Pensions

- Deferred inflow 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.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which 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 Plan.

16. Water and Sewer Sales

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

17. 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.

18. 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.

19. 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, 2020 and 2019

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

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

20. 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*.

21. 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:

	2020	2019
Cash and cash equivalents	\$ 14,794,597	8,980,983
Restricted – cash and cash equivalents	1,184,440	1,498,122
Total cash and cash equivalents	\$ 15,979,037	10,479,105
Restricted – investments	\$ 3,479,480	4,715,320
Restricted – investments non-current	2,790,301	3,744,249
Total restricted investments	\$ 6,269,781	8,459,569
Total cash and investments	\$ 22,248,818	18,938,674

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

	2020	2019
Cash on hand	\$ 350	350
Deposits with financial institutions	617,814	288,046
Deposits with County of Marin Treasury	1,051,188	1,602,447
Investments	20,579,466	17,047,831
Total cash and investments	\$ 22,248,818	18,938,674

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(2) Cash and Investments, continued

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

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

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

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

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

Custodial Credit Risk

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

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(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 pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

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, 2020, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 months or less	13 to 24 months	25-60 months
Local Agency Investment Fund	\$ 14,379,986	14,379,986	-	-
Certificates-of-deposit	5,193,000	2,473,000	2,720,000	-
U.S. Treasury note	1,006,480	1,006,480	-	-
Total	\$ 20,579,466	17,859,466	2,720,000	-

Investments at June 30, 2019, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 months or less	13 to 24 months	25-60 months
Local Agency Investment Fund	\$ 8,602,964	8,602,964	-	-
Certificates-of-deposit	5,933,000	3,214,000	2,473,000	246,000
U.S. Treasury note	2,511,867	1,501,320	1,010,547	-
Total	\$ 17,047,831	13,318,284	3,483,547	246,000

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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings at June 30, 2020, consisted of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Ratings AA+ to AA-</u>
Local Agency Investment Fund	\$ 14,379,986	N/A	14,379,986	-
Certificates-of-deposit	5,193,000	N/A	5,193,000	-
U.S. Treasury note	1,006,480	N/A	-	1,006,480
Total	<u>\$ 20,579,466</u>		<u>19,572,986</u>	<u>1,006,480</u>

Credit ratings at June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Ratings AA+ to AA-</u>
Local Agency Investment Fund	\$ 8,602,964	N/A	8,602,964	-
Certificates-of-deposit	5,933,000	N/A	5,933,000	-
U.S. Treasury note	2,511,867	N/A	-	2,511,867
Total	<u>\$ 17,047,831</u>		<u>14,535,964</u>	<u>2,511,867</u>

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 the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investments at June 30, 2020:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates-of-deposit	\$ 5,193,000	-	5,193,000	-
U.S. Treasury note	1,006,480	1,006,480	-	-
Total investments measured at fair value	6,199,480	<u>1,006,480</u>	<u>5,193,000</u>	<u>-</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	14,379,986			
Total	<u>\$ 20,579,466</u>			

The District has the following recurring fair value measurements as of June 30, 2020:

- U.S. Treasury securities of \$1,006,480 are valued using quoted market prices (Level 1 inputs).
- Certificates of deposit of \$5,193,000 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment Fund of \$14,379,986 is valued at amortized cost.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(2) Cash and Investments, continued

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

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	\$ 5,933,000	-	5,933,000	-
U.S. Treasury note	2,511,867	2,511,867	-	-
Total investments measured at fair value	8,444,867	2,511,867	5,933,000	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	8,602,964			
Total	\$ 17,047,831			

The District has the following recurring fair value measurements as of June 30, 2019:

- U.S. Treasury securities of \$2,511,867 are valued using quoted market prices (Level 1 inputs).
- Certificates of deposit of \$5,933,000 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment Fund of \$8,602,964 is valued at amortized cost.

(3) Notes Receivable

Changes in notes and loans receivable amounts for 2020 were as follows:

	As Restated Balance 2019	Additions	Principal Payments	Balance 2020	Current Portion	Long-term Portion
Notes receivable:						
Black Point Golf Links	\$ 1,081,103	-	(1,081,103)	-	-	-
Marin Country Club	1,210,631	-	(36,902)	1,173,729	37,271	1,136,458
Total notes receivable	2,291,734	-	(1,118,005)	1,173,729	37,271	1,136,458
Loans receivable:						
Marin Municipal Water District	2,365,246	-	(141,138)	2,224,108	144,968	2,079,140
Total notes and loans receivable	\$ 4,656,980	-	(1,259,143)	3,397,837	182,239	3,215,598

Changes in notes and loans receivable amounts for 2019 were as follows:

	As Restated Balance 2018	Additions	Principal Payments	As Restated Balance 2019	Current Portion	Long-term Portion
Notes receivable:						
Black Point Golf Links	\$ 1,302,617	-	(221,514)	1,081,103	226,884	854,219
Marin Country Club	1,658,840	-	(448,209)	1,210,631	36,901	1,173,730
Total notes receivable	2,961,457	-	(669,723)	2,291,734	263,785	2,027,949
Loans receivable:						
Marin Municipal Water District	2,529,211	-	(163,965)	2,365,246	141,138	2,224,108
Total notes and loans receivable - \$	5,490,668	-	(833,688)	4,656,980	404,923	4,252,057

Black Point Golf Links

The District has entered into a contractual agreement with Black Point Golf Links, which now goes by Stone Tree Golf Club, whereby the golf club agreed to reimburse the District for construction costs incurred for a new recycled water pipeline, in-lieu of connection fees. The reimbursement is collected in bi-monthly installments through February 2024, including interest at a rate of 2.40%. As of June 30, 2020 and 2019, the balance was paid-in-full and \$1,081,103, respectively.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(3) Notes Receivable, continued

Marin Country Club

On June 10, 2015, the District entered into a contractual agreement with the Marin Country Club, which whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water facility, in-lieu of connection fees. Marin Country Club is the primary customer of the Central Service Area pipeline of which this receivable contributes significantly to related District debt. (See note 9 for further information). The reimbursement is collected in bi-monthly installments through November 2047, including interest at a rate ranging from 1.00% to 2.80%. At June 30, 2020 and 2019, the remaining balance was \$1,173,729 and \$1,210,631, respectively.

As of June 30, the amount receivable under the contract is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 37,271	11,582	48,853
2022	37,646	11,208	48,854
2023	38,024	10,830	48,854
2024	38,406	10,448	48,854
2025	38,791	10,063	48,854
2026-2030	199,878	44,391	244,269
2031-2035	210,117	34,152	244,269
2036-2040	220,881	23,388	244,269
2041-2045	232,196	12,073	244,269
2046-2047	120,519	1,613	122,132
Total	1,173,729	169,748	1,343,477
Less: current portion:	<u>(37,271)</u>		
Total Long-term \$	<u>1,136,458</u>		

Marin Municipal Water District – Interconnection Agreement AEEP

In February 2019, the District entered into an agreement with Marin Municipal Water District (MMWD) for the purpose of providing the basis for and mechanism whereby Marin Municipal and North Marin can each, as a first priority, continue to meet the needs of their respective customers, and simultaneously, to the extent feasible, utilize their respective water systems and surplus system capacity in a coordinated manner for the benefit of the customers of both District's.

In recognition of the District's investment in the cost of construction of the Aqueduct Energy Efficiency Project (AEEP), MMWD made an initial contribution of \$480,000 and \$3,142,883 in loan payments as fair compensation of the AEEP capital cost. The reimbursement is collected in annual installments through July 1, 2032, including interest at a rate of 2.71%.

During the fiscal year 2020, the District determined the agreement should have been recorded in its records as a loan. A prior period adjustment has been recorded. Please see Note 13 for more information.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(3) Notes Receivable, continued

Marin Municipal Water District – Interconnection Agreement AEEP, continued

As of June 30, the amount receivable under the agreement is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 144,968	60,352	205,320
2022	148,902	56,418	205,320
2023	152,942	52,378	205,320
2024	157,092	48,228	205,320
2025	161,355	43,965	205,320
2026-2030	874,878	151,722	1,026,600
2031-2033	583,971	31,989	615,960
Total	2,224,108	445,052	2,669,160
Less: current portion:	(144,968)		
Total Long-term \$	2,079,140		

(4) Notes Receivable – Employee Housing Assistance Loans

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

The following is a listing of employee housing assistance loans and their corresponding origination dates as follows:

<u>Origination</u>	<u>2020</u>	<u>2019</u>
Sept. 2004	\$ -	39,200
Nov. 2007	-	150,000
March 2015	250,000	250,000
June 2018	275,000	275,000
Total	525,000	714,200
Less: current portion:	-	(39,200)
Total Long-term \$	525,000	675,000

(5) Internal Balances

Due To/From Other Funds and Transfers

As of June 30, 2020 and 2019 there were no internal balances, respectively.

Transfers between funds as of June 30, 2020, were as follows:

<u>Purpose</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Contribution	Novato Recycled	Novato Water	\$ 689,600

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(5) Internal Balances, continued

In 2020, the Novato Recycled system transferred \$689,600, in net position to the Novato Water system for the purpose of transferring funds previously borrowed for the Recycled Water Central Expansion Project back to Novato after receiving an early loan payoff from Black Point Golf Links for the SRF Loan. (See the Supplementary Schedules on pages 67 through 68 for further information)

Transfers between funds as of June 30, 2019, were as follows:

<u>Purpose</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Contribution	Novato Recycled	Novato Water	\$ <u>1,239,907</u>

In 2019, the Novato Recycled system transferred \$1,239,907, in net position to the Novato Water system for the purpose of transferring funds previously borrowed for the Recycled Water Central Expansion Project back to Novato after receiving a State revolving fund loan and grant funds. (See the Supplementary Schedules on pages 67 through 68 for further information)

(6) Capital Assets

Construction-In-Progress

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

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

	<u>2020</u>	<u>2019</u>
Developer construction – Novato Water	\$ 1,450,652	613,771
Other construction – Novato Water	1,430,935	6,880,431
Other construction – Novato Recycled	470,660	15,743,265
Other construction – West Marin Water	1,372,760	556,010
Other construction – Oceana Marin Sewer	<u>244,529</u>	<u>86,984</u>
Total construction-in-progress per year	<u>\$ 4,969,536</u>	<u>23,880,461</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(6) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	23,880,461	4,002,970	(22,913,895)	4,969,536
Total non-depreciable assets	<u>25,353,552</u>	<u>4,002,970</u>	<u>(22,913,895)</u>	<u>6,442,627</u>
Depreciable assets:				
Distribution system	86,339,778	20,630,823	-	106,970,601
Treatment plant	22,056,723	547,903	-	22,604,626
Storage facilities	23,082,820	1,510,278	-	24,593,098
Transmission system	29,405,627	-	-	29,405,627
Source facilities	5,675,845	-	-	5,675,845
Sewer facilities	1,258,111	-	-	1,258,111
Structures and improvements	1,902,893	216,472	-	2,119,365
Other plant and equipment	3,376,186	285,105	(129,436)	3,531,855
Total depreciable assets	<u>173,097,983</u>	<u>23,190,581</u>	<u>(129,436)</u>	<u>196,159,128</u>
Accumulated depreciation:				
Distribution system	(32,431,350)	(1,567,781)	-	(33,999,131)
Treatment plant	(9,653,179)	(704,280)	-	(10,357,459)
Storage facilities	(7,464,309)	(469,226)	-	(7,933,535)
Transmission system	(4,221,080)	(254,255)	-	(4,475,335)
Source facilities	(2,295,793)	(107,411)	-	(2,403,204)
Sewer facilities	(657,503)	(29,060)	-	(686,563)
Structures and improvements	(1,345,281)	(41,273)	-	(1,386,554)
Other plant and equipment	(2,884,389)	(192,930)	129,436	(2,947,883)
Total accumulated depreciation	<u>(60,952,884)</u>	<u>(3,366,216)</u>	<u>129,436</u>	<u>(64,189,664)</u>
Total depreciable assets, net	<u>112,145,099</u>	<u>19,824,365</u>	<u>-</u>	<u>131,969,464</u>
Total capital assets, net	<u>\$ 137,498,651</u>	<u>23,827,335</u>	<u>(22,913,895)</u>	<u>138,412,091</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(6) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	24,491,507	4,405,064	(5,016,110)	23,880,461
Total non-depreciable assets	<u>25,964,598</u>	<u>4,405,064</u>	<u>(5,016,110)</u>	<u>25,353,552</u>
Depreciable assets:				
Distribution system	84,577,710	1,762,068	-	86,339,778
Treatment plant	21,184,413	872,310	-	22,056,723
Storage facilities	20,999,594	2,083,226	-	23,082,820
Transmission system	29,405,627	-	-	29,405,627
Source facilities	5,596,066	79,779	-	5,675,845
Sewer facilities	1,203,030	55,081	-	1,258,111
Structures and improvements	1,902,893	-	-	1,902,893
Other plant and equipment	3,263,577	118,580	(5,971)	3,376,186
Total depreciable assets	<u>168,132,910</u>	<u>4,971,044</u>	<u>(5,971)</u>	<u>173,097,983</u>
Accumulated depreciation:				
Distribution system	(30,703,189)	(1,728,161)	-	(32,431,350)
Treatment plant	(8,977,019)	(676,160)	-	(9,653,179)
Storage facilities	(7,005,381)	(458,928)	-	(7,464,309)
Transmission system	(3,972,992)	(248,088)	-	(4,221,080)
Source facilities	(2,184,117)	(111,676)	-	(2,295,793)
Sewer facilities	(630,923)	(26,580)	-	(657,503)
Structures and improvements	(1,303,856)	(41,425)	-	(1,345,281)
Other plant and equipment	(2,730,223)	(160,137)	5,971	(2,884,389)
Total accumulated depreciation	<u>(57,507,700)</u>	<u>(3,451,155)</u>	<u>5,971</u>	<u>(60,952,884)</u>
Total depreciable assets, net	<u>110,625,210</u>	<u>1,519,889</u>	<u>-</u>	<u>112,145,099</u>
Total capital assets, net	<u>\$ 136,589,808</u>	<u>5,924,953</u>	<u>(5,016,110)</u>	<u>137,498,651</u>

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(7) Accrued Claims Payable

The District self-insures its workers' compensation obligation and established a risk financing internal service fund where assets are set aside for claim settlements associated with the risk of loss up to certain limits for workers' compensation claims.

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

The balance at June 30 consists of the following:

	2020	2019
Accrued claims payable, beginning of year	\$ 54,541	97,581
Current year claims recognized	-	11,911
Current year claims paid	-	(11,911)
Prior year claims incurred	-	-
Prior year claims paid	(31,004)	(43,040)
Accrued claims payable, end of year	\$ 23,537	54,541

(8) Compensated Absences

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

Changes to compensated absences for 2020 were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
\$ 546,575	906,745	(748,367)	704,953	176,238	528,715

Changes to compensated absences for 2019 were as follows:

Balance 2018	Earned	Taken	Balance 2019	Current Portion	Long-term Portion
\$ 487,457	929,401	(870,283)	546,575	136,644	409,931

(9) Long-term Debt

Changes in long-term debt amounts for 2020 were as follows:

	Balance 2019	Additions	Principal Payments	Balance 2020	Current Portion	Long-term Portion
Long-term debt:						
Loans payable:						
2005 DWR loan – Novato Water	\$ 9,241,577	-	(828,522)	8,413,055	421,701	7,991,354
2005 SWRCB loan – Novato Recycled	1,968,463	-	(226,124)	1,742,339	231,551	1,510,788
2011-2012 SWRCB loans – Novato Recycled N & S	7,197,587	-	(443,323)	6,754,264	453,876	6,300,388
2011 B of M loan – Novato Water	4,844,924	-	(321,053)	4,523,871	332,634	4,191,237
2011 B of M loan – West Marin Water	711,182	-	(47,128)	664,054	48,827	615,227
2016 SWRCB Loan – Novato Recycled Central	6,912,465	-	(206,649)	6,705,816	208,714	6,497,102
2018 JP Morgan Chase Loan – Novato Water	4,360,000	-	(260,000)	4,100,000	270,000	3,830,000
Total loans payable	35,236,198	-	(2,332,799)	32,903,399	1,967,303	30,936,096
Total long-term debt	\$ 35,236,198	-	(2,332,799)	32,903,399	1,967,303	30,936,096

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(9) Long-term Debt, continued

Changes in long-term debt amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2019</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Long-term debt:						
Bonds payable:						
1980 Revenue bonds – PRE-1	\$ 26,000	-	(26,000)	-	-	-
1981 Revenue bonds – PR-6	46,000	-	(46,000)	-	-	-
Total bonds payable	<u>72,000</u>	<u>-</u>	<u>(72,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loans payable:						
2005 DWR loan – Novato Water	10,050,647	-	(809,070)	9,241,577	411,801	8,829,776
2005 SWRCB loan – Novato Recycled	2,189,287	-	(220,824)	1,968,463	226,124	1,742,339
2011-2012 SWRCB loans – Novato Recycled N & S	7,630,605	-	(433,018)	7,197,587	443,323	6,754,264
2011 B of M loan – Novato Water	5,155,631	-	(310,707)	4,844,924	321,053	4,523,871
2011 B of M loan – West Marin Water	756,790	-	(45,608)	711,182	47,127	664,055
2016 SWRCB Loan – Novato Recycled Central	7,130,503	-	(218,038)	6,912,465	206,648	6,705,817
2018 JP Morgan Chase Loan – Novato Water	4,600,000	-	(240,000)	4,360,000	260,000	4,100,000
Total loans payable	<u>37,513,463</u>	<u>-</u>	<u>(2,277,265)</u>	<u>35,236,198</u>	<u>1,916,076</u>	<u>33,320,122</u>
Total long-term debt	<u>\$ 37,585,463</u>	<u>-</u>	<u>(2,349,265)</u>	<u>35,236,198</u>	<u>1,916,076</u>	<u>33,320,122</u>

Bonds Payable

1980 Revenue Bonds – Issue PRE-1

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

The bonds are scheduled to mature in 2020. Principal is payable annually on April 1st and interest is payable semi-annually on October 1st and April 1st at a rate of 5.000%. At June 30, 2019, the District had paid the bonds in-full.

1981 Revenue Bonds – Issue PR-6

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

The bonds are scheduled to mature in 2022. Principal is payable annually on July 1st and interest is payable semi-annually on July 1st and January 1st at a rate of 5.000%. At June 30, 2019, the District had paid the bonds in-full.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(9) Long-Term Debt, continued

Loans Payable

2005 DWR Loan – Novato Water segment

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 421,701	100,536	522,237
2022	858,580	185,895	1,044,475
2023	879,223	165,251	1,044,474
2024	900,362	144,112	1,044,474
2025	922,010	122,465	1,044,475
2026-2030	<u>4,431,179</u>	<u>268,956</u>	<u>4,700,135</u>
Total	8,413,055	<u>987,215</u>	<u>9,400,270</u>
Less current portion	<u>(421,701)</u>		
Total non-current	\$ <u>7,991,354</u>		

2005 SWRCB Loan – Novato Recycled Water segment

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 231,551	41,816	273,367
2022	237,108	36,259	273,367
2023	242,798	30,569	273,367
2024	248,626	24,741	273,367
2025	254,593	18,774	273,367
2026-2027	<u>527,663</u>	<u>19,071</u>	<u>546,734</u>
Total	1,742,339	<u>171,230</u>	<u>1,913,569</u>
Less current portion	<u>(231,551)</u>		
Total non-current	\$ <u>1,510,788</u>		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(9) Long-Term Debt, continued

Loans Payable, continued

2011-2012 SWRCB Loans – Novato Recycled Water segment – North and South Service Areas

In fiscal year 2011, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$4,364,335 with an interest rate of 2.60% per annum for the construction of the Recycled Water Expansion project – North Service Area. As of June 30, 2013, eligible costs for reimbursement were \$4,364,335 plus \$11,270 in capitalized interest charges for a total loan of \$4,375,605. Principal and interest payments of \$281,892 are due and payable annually on the loan until fiscal year 2033.

In fiscal year 2012, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$5,480,740 with an interest rate of 2.20% per annum for the construction of the Recycled Water Expansion project – South Service Area. 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>
2021	\$ 453,876	160,423	614,299
2022	464,681	149,618	614,299
2023	475,745	138,554	614,299
2024	487,075	127,224	614,299
2025	498,676	115,623	614,299
2026-2030	2,677,378	394,117	3,071,495
2031-2034	1,696,833	80,531	1,777,364
Total	6,754,264	1,166,090	7,920,354
Less current portion	(453,876)		
Total non-current	\$ 6,300,388		

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 2032. A principal and interest payment of \$46,067 is payable monthly on the 27th day of each month. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 381,461	171,339	552,800
2022	394,701	158,099	552,800
2023	408,400	144,400	552,800
2024	422,223	130,577	552,800
2025	437,229	115,571	552,800
2026-2030	2,424,399	339,601	2,764,000
2031-2032	719,512	17,555	737,067
Total	5,187,925	1,077,142	6,265,067
Less current portion	(381,461)		
Total non-current	\$ 4,806,464		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(9) Long-Term Debt, continued

Loans Payable, continued

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

In fiscal year 2016, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for financing the construction of the Recycled Water Expansion project – Central Service Area for an amount not-to-exceed \$10,450,708. Of this amount, \$7,130,503 is a 30-year loan at 1% interest and \$3,320,205 is grant funded.

As noted in note 3, the District entered into a contractual agreement with the Marin Country Club whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water pipeline, in-lieu of connection fees. Marin Country Club is the primary customer of the Central Service Area pipeline of which this receivable contributes significantly to the District’s repayment of this loan.

Principal and interest payments on the loan are due each year on December 31st maturing in fiscal year 2048. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 208,714	67,058	275,772
2022	210,802	64,971	275,773
2023	212,910	62,863	275,773
2024	215,039	60,734	275,773
2025	217,189	58,584	275,773
2026-2030	1,118,963	259,901	1,378,864
2031-2035	1,176,041	202,823	1,378,864
2036-2040	1,236,031	142,833	1,378,864
2041-2045	1,299,082	79,784	1,378,866
2046-2048	811,045	16,275	827,320
Total	6,705,816	1,015,826	7,721,642
Less current portion	(208,714)		
Total non-current	\$ 6,497,102		

2018 JP Morgan Chase Loan

In fiscal year 2018, the District entered into an agreement with JP Morgan Chase Bank for a loan in an amount of \$4,600,000 with an interest rate of 2.69% per annum for financing the acquisition and construction of the automated meter information system throughout the District’s Novato service area. Principal and interest payments on the loan are due semi-annually on September 1st and March 1st maturing in fiscal year 2033. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 270,000	110,290	380,290
2022	275,000	103,027	378,027
2023	280,000	95,630	375,630
2024	290,000	88,098	378,098
2025	300,000	80,297	380,297
2026-2030	1,610,000	276,801	1,886,801
2031-2033	1,075,000	58,238	1,133,238
Total	4,100,000	812,381	4,912,381
Less current portion	(270,000)		
Total non-current	\$ 3,830,000		

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(10) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan (Plan) provides OPEB for all permanent full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board of Directors has the authority to establish and amend the benefit terms and financing requirements of the Plan.

Benefits Provided

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.

For retirees between the ages of 55 to 65 with a minimum of 12 years of service, 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 of service, 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. Employees hired after October 1, 2018 require a minimum of 20 years of service to be eligible.

Employees Covered by Benefit Terms

At June 30, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefit payments	34	34
Inactive employees entitled to but not receiving benefit payments	4	4
Active employees	53	53
Total Plan membership	91	91

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. 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. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's contributions were \$229,722 which included \$186,221 of pay-as-you-go contributions and \$43,501 in an implicit subsidy. For the fiscal year ended June 30, 2019, the District's contributions were \$250,340 which included \$202,688 of pay-as-you-go contributions and \$47,652 in an implicit subsidy. At June 30, 2020 and 2019, the contributions were reclassified from expense to reduce the total OPEB liability, respectively.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019 and 2017, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(10) Other Post-employment Benefits (OPEB) Plan, continued

Total OPEB Liability, continued

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2.45 percent
Healthcare cost trend rates	5.90 percent for 2020, 4.90 percent for 2021, 5.70 percent for 2022, and 5.00 percent for 2029 and later years
Retirees' share of benefit-related costs	10 percent of projected health insurance premiums for retirees between ages 55 to 65 with a minimum 12 years of service who retired prior to January 1, 2013. 15 percent of projected health insurance premiums for retirees between ages 55 to 65 with a minimum 12 years of service who retired after January 1, 2013. Employees hired after October 1, 2018 need a minimum of 20 years of service to be eligible.

Notes:

The discount rate was based on the Municipal Bond 20-Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019. Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(10) Other Post-employment Benefits (OPEB) Plan, continued

Changes in the Total OPEB Liability

	Total OPEB Liability 2019-2020	Total OPEB Liability 2018-2019
Balance at Beginning of Year	\$ 4,520,164	4,123,565
Changes for the year:		
Service cost	140,410	137,480
Interest	135,765	150,690
Changes in benefit terms	-	-
Difference between expected and actual experience	(272,373)	163,205
Changes in assumptions or other inputs	363,781	195,564
Benefit payments	(229,722)	(250,340)
Net changes	137,861	396,599
Balance at End of Year	\$ 4,658,025	4,520,164

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Sensitivity in the discount rate as of 2020 was as follows:

	Discount Rate - 1% (1.45%)	Current Discount Rate (2.45%)	Discount Rate + 1% (3.45%)
District's Total OPEB liability	\$ 5,162,694	4,658,025	4,226,748

Sensitivity in the discount rate as of 2019 was as follows:

	Discount Rate - 1% (2.62%)	Current Discount Rate (3.62%)	Discount Rate + 1% (4.62%)
District's Total OPEB liability	\$ 4,966,840	4,520,164	4,135,523

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity in the healthcare trend rate as of 2020 was as follows:

	1% Decrease (4.90% decreasing to 4.00%)	Healthcare Cost Trend Rates (5.90% decreasing to 5.00%)	1% Increase (6.90% decreasing to 6.00%)
District's Total OPEB liability	\$ 4,432,386	4,658,025	4,926,524

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(10) Other Post-employment Benefits (OPEB) Plan, continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates, continued

Sensitivity in the healthcare trend rate as of 2019 was as follows:

	1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
District's Total OPEB liability \$	4,298,561	4,520,164	4,782,371

For the year ended June 30, 2020 and 2019, the District recognized OPEB expense of \$319,965 and \$315,924, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 341,851	-
Differences between actual and expected experience	-	(121,829)
Total	\$ 341,851	(121,829)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 39,422	-
Differences between actual and expected experience	132,982	-
Total	\$ 172,404	-

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(10) Other Post-employment Benefits (OPEB) Plan, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2020, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Actuarially Determined Deferred Outflows and (Inflows) - OPEB Plan			
Fiscal Year Ending June 30:	Net, Changes in Assumptions	Net, Differences between Expected and Actual Experience	Net, Deferred Outflows/(Inflows) of Resources
2021	\$ 61,352	\$ (17,562)	43,790
2022	61,352	(17,562)	43,790
2023	96,166	(17,562)	78,604
2024	78,305	(35,695)	42,610
2025	44,676	(33,448)	11,228
Thereafter	-	-	-
Total	\$ 341,851	\$ (121,829)	220,022

As of June 30, 2019, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Actuarially Determined Deferred Outflows and (Inflows) - OPEB Plan			
Fiscal Year Ending June 30:	Net, Changes in Assumptions	Net, Differences between Expected and Actual Experience	Net, Deferred Outflows/(Inflows) of Resources
2020	\$ (2,469)	\$ 30,223	27,754
2021	(2,469)	30,223	27,754
2022	(2,469)	30,223	27,754
2023	32,345	30,223	62,568
2024	14,484	12,090	26,574
Thereafter	-	-	-
Total	\$ 39,422	\$ 132,982	172,404

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

See page 64 for the Required Supplementary Schedule.

(11) Defined Benefit Pension Plan

Plan Description

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Defined Benefit Pension Plan, continued

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.5% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 62 years of age; 3 year final compensation.

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

	<u>2020</u>		<u>2019</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.5% @ 55	2.0% @ 62	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.951%	6.750%	7.948%	6.250%
Required employer contribution rates	11.432%	6.985%	10.609%	6.842%

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 year ended June 30 the contributions for the Plan were as follows:

	<u>Miscellaneous Plan</u>	
	<u>2020</u>	<u>2019</u>
Contributions – employer	\$ 1,370,702	1,155,358

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Defined Benefit Pension Plan, continued

Net Pension Liability

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

	Proportionate Share of Net Pension Liability	
	2020	2019
Miscellaneous Plan	\$ <u>13,653,187</u>	<u>12,560,160</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, 2019 and 2018, 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, 2018 and 2017, rolled forward to June 30, 2019 and 2018, respectively, 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 change in the proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2020 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2019	0.13034%
Proportion – June 30, 2020	<u>0.13324%</u>
Change – Increase (Decrease)	<u>0.00290%</u>

The District's change in the proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2019 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2018	0.12881%
Proportion – June 30, 2019	<u>0.13034%</u>
Change – Increase (Decrease)	<u>0.00153%</u>

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2020 and 2019, the District recognized pension expense of \$2,545,904 and \$1,675,531, respectively.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

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

Description	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date at June 30	\$ 1,370,702	-	1,155,358	-
Net, differences between actual and expected experience	874,799	-	317,915	-
Net, changes in assumptions	420,256	-	1,080,951	-
Net differences between projected and actual earnings on plan investments	-	(238,700)	62,093	-
Net, differences between actual contribution and proportionate share of contribution	-	(563,155)	-	(514,716)
Net, change due to differences in proportion of net pension liability	129,884	-	-	(25,640)
Total	\$ 2,795,641	(801,855)	2,616,317	(540,356)

As of June 30 2020 and 2019, employer pension contributions of \$1,370,702 and \$1,155,358, were 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 years ended June 30, 2021 and 2020, respectively.

At June 30, 2020, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense (income) as follows.

Actuarially Determined Deferred Outflows and (Inflows) - Miscellaneous Plan

Fiscal Year Ending June 30:	Net, Differences between Expected and Actual Experience	Net, Changes in Assumptions	Net, Differences between Projected and Actual Earnings Pension Plan Investments	Net, Differences between Actual Contribution and Proportionate Share of Contribution	Net, Changes Due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
2021	\$ 330,786	485,736	87,076	(286,107)	36,030	\$ 653,521
2022	360,699	(56,742)	(281,551)	(189,004)	41,179	(125,419)
2023	183,314	(8,738)	(73,138)	(88,044)	52,675	66,069
2024	-	-	28,913	-	-	28,913
2025	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	\$ 874,799	420,256	(238,700)	(563,155)	129,884	\$ 623,084

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Defined Benefit Pension Plan, continued

At June 30, 2019, 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.

Deferred Pension Outflows (Inflows) of Resources, continued

Actuarially Determined Deferred Outflows and (Inflows) - Miscellaneous Plan

Fiscal Year	Net, Differences between Expected and Actual	Net, Changes	Net, Differences between Projected and Actual Earnings	Net, Differences between Actual Contribution and	Net, Changes	Net, Deferred
Ending June 30:	Experience	in Assumptions	Pension Plan Investments	Proportionate Share of Contribution	Due to Differences in Proportions	Outflows/(Inflows) of Resources
2020	\$ 84,716	630,113	416,445	(259,715)	28,837	\$ 900,396
2021	101,643	496,658	58,163	(176,052)	(29,813)	450,599
2022	131,556	(45,820)	(310,464)	(78,949)	(24,664)	(328,341)
2023	-	-	(102,051)	-	-	(102,051)
2024	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	\$ 317,915	1,080,951	62,093	(514,716)	(25,640)	\$ 920,603

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018, actuarial valuation report was determined using the following actuarial assumptions:

Valuation dates	June 30, 2018 and 2017
Measurement dates	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial assumptions:

Discount rate	7.15%
Inflation	2019 and 2018 – 2.50%
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
Period upon which actuarial Experience Survey assumptions were based	2019 and 2018 – 1997–2015
Post Retirement Benefit	2019 and 2018 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

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

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

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

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

<u>Asset Class</u>	<u>New Strategic</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	0.0%	0.00%	0.00%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

* An expected inflation of 2.5% used for this period

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Defined Benefit Pension Plan, continued

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

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

At June 30, 2020, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net Pension Liability	\$ 20,597,446	13,653,187	7,921,192

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net Pension Liability	\$ 19,203,695	12,560,160	7,076,031

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 65-66 for Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2020 and 2019, the District reported no payables for the outstanding amount of contribution to the pension plan

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(12) Net Position

Calculation of net position per fund as of June 30, 2020, was as follows:

	<u>Novato Water</u>	<u>Novato Recycled</u>	<u>West Marin Water</u>	<u>Oceana Marin Sewer</u>	<u>Total</u>
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 4,250,459	470,660	1,476,171	245,337	6,442,627
Depreciable capital assets, net	94,438,500	31,535,583	4,970,472	1,024,909	131,969,464
Capital project loan proceeds unused	19,955	-	193,868	-	213,823
Loan receivable	2,224,108	-	-	-	2,224,108
Current:					
Loans payable	(1,024,335)	(894,141)	(48,827)	-	(1,967,303)
Non-current:					
Loans payable	(16,012,591)	(14,308,278)	(615,227)	-	(30,936,096)
Total net investment in capital assets	<u>83,896,096</u>	<u>16,803,824</u>	<u>5,976,457</u>	<u>1,270,246</u>	<u>107,946,623</u>
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	628,948	-	-	-	628,948
Prepaid expenses and deposits	444,316	-	752	1,049	446,117
Non-current:					
Notes receivable	-	1,136,458	-	-	1,136,458
Notes receivable – employee housing loans	525,000	-	-	-	525,000
Total non-spendable net position	<u>1,598,264</u>	<u>1,136,458</u>	<u>752</u>	<u>1,049</u>	<u>2,736,523</u>
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,123,565	-	-	-	4,123,565
Operating reserve (deficit)*	(4,668,097)	4,854,232	1,367,623	353,296	1,907,054
Total spendable net position (deficit)*	<u>(544,532)</u>	<u>4,854,232</u>	<u>1,367,623</u>	<u>353,296</u>	<u>6,030,619</u>
Total unrestricted net position	<u>1,053,732</u>	<u>5,990,690</u>	<u>1,368,375</u>	<u>354,345</u>	<u>8,767,142</u>
Total net position	<u>\$ 84,949,828</u>	<u>22,794,514</u>	<u>7,344,832</u>	<u>1,624,591</u>	<u>116,713,765</u>

* Deficit is primarily due to recognition of GASBs 68 and 75.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(12) Net Position, continued

Calculation of net position per fund as of June 30, 2019, was as follows:

	<u>Novato Water</u>	<u>Novato Recycled</u>	<u>West Marin Water</u>	<u>Oceana Marin Sewer</u>	<u>As Restated Total</u>
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 8,863,074	15,743,265	659,421	87,792	25,353,552
Depreciable capital assets, net	89,391,550	16,730,223	4,952,370	1,070,956	112,145,099
Capital project loan proceeds unused	26,650	-	437,928	-	464,578
Loan receivable	2,365,246	-	-	-	2,365,246
Current:					
Loans payable	(992,854)	(876,095)	(47,127)	-	(1,916,076)
Non-current:					
Loans payable	(17,453,648)	(15,202,419)	(664,055)	-	(33,320,122)
Total net investment in capital assets	<u>82,200,018</u>	<u>16,394,974</u>	<u>5,338,537</u>	<u>1,158,748</u>	<u>105,092,277</u>
Restricted net position:					
Connection fee reserve	-	-	71,181	-	71,181
Cash reserve for debt service	-	-	534	-	534
Total restricted net position	<u>-</u>	<u>-</u>	<u>71,715</u>	<u>-</u>	<u>71,715</u>
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	701,952	-	-	-	701,952
Prepaid expenses and deposits	226,384	-	-	4,291	230,675
Notes receivable – employee housing loans	39,200	-	-	-	39,200
Non-current:					
Notes receivable	-	2,027,949	-	-	2,027,949
Notes receivable – employee housing loans	675,000	-	-	-	675,000
Total non-spendable net position	<u>1,642,536</u>	<u>2,027,949</u>	<u>-</u>	<u>4,291</u>	<u>3,674,776</u>
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,123,565	-	-	-	4,123,565
Operating reserve	(6,431,902)	4,998,664	1,275,713	359,689	202,164
Total spendable net position	<u>(2,308,337)</u>	<u>4,998,664</u>	<u>1,275,713</u>	<u>359,689</u>	<u>4,325,729</u>
Total unrestricted net position	<u>(665,801)</u>	<u>7,026,613</u>	<u>1,275,713</u>	<u>363,980</u>	<u>8,000,505</u>
Total net position	<u>\$ 81,534,217</u>	<u>23,421,587</u>	<u>6,685,965</u>	<u>1,522,728</u>	<u>113,164,497</u>

* Deficit is primarily due to recognition of GASBs 68 and 75.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(13) Adjustment to Net Position

Loan Receivable – Marin Municipal Water District

In fiscal year 2020, the District determined that its interconnection agreement between the District and Marin Municipal Water District (MMWD) in recognition of the District's investment in the cost of construction of the Aqueduct Energy Efficiency Project (AEEP) should have been recorded in its records as a loan. In March 2014, MMWD made an initial contribution of \$480,000 and agreed to \$3,142,883 in capital payments as fair compensation of the AEEP capital cost. The District recorded a prior period adjustment, an increase to net position, to record the initial loan receivable of \$3,142,883 and a decrease to net position for the payments made from inception of the loan in February 2014.

The adjustment to net position is as follows:

Net position at July 1, 2017, as previously stated	\$ 100,697,886
Effect of adjustment to record initial loan receivable	3,142,883
Effect of adjustment to record loan receivable payments from inception	<u>(454,039)</u>
Subtotal adjustments	<u>2,688,844</u>
Effect of adjustment to record loan receivable payment July 1, 2017	<u>(159,633)</u>
Total adjustment to net position	5,218,055
Change in net position at June 30, 2018, as previously stated	6,125,559
Net position at June 30, 2018, as restated	\$ <u>112,041,500</u>
Net position at July 1, 2018, as previously stated	\$ 109,352,656
Effect of adjustment to record loan receivable payment July 1, 2018	<u>(163,965)</u>
Change in net position at June 30, 2019, as previously stated	3,975,806
Net position at June 30, 2019, as restated	\$ <u>113,164,497</u>

(14) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2020 and 2019, were \$7,153,527 and \$6,736,623, 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, 2020 and 2019

(15) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance policies with a variety of coverage including a \$10.0 million excess general liability policy with a \$100.0 thousand deductible, a \$64,151,092 property and equipment policy with a \$25.0 thousand deductible, a \$1.0 million public official's liability policy with a \$100.0 thousand deductible, a \$1.0 million cyber liability policy with a \$5.0 thousand deductible, a \$674,909 vehicle physical damage policy with a \$5.0 thousand deductible, and a \$250.0 thousand to \$1.0 million employee fidelity bond policy with a \$100.0 thousand deductible. The District also purchased 1st dollar Workers' Compensation insurance with no deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2020, 2019, and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2020, 2019, and 2018.

(16) 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, 2020, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

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

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

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

Governmental Accounting Standards Board Statement No. 87, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

Governmental Accounting Standards Board Statement No. 90, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year.

Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(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, 2020, the District's reserve balances for these obligations were \$0 (Wohler Pipeline) and \$0 (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 \$1,049,963 in remaining costs of existing District capital projects as of June 30, 2020.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit 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.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(18) Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of December 1, 2020, which is the date the financial statements were available to be issued.

Required Supplementary Information

North Marin Water District
Schedule of Changes in the District Total OPEB Liability and Related Ratios
As of June 30, 2020
Last Ten Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 140,410	137,480	145,989
Interest	135,765	150,690	132,454
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(272,373)	163,205	-
Changes in assumptions or other inputs	363,781	195,564	(197,296)
Benefit payments	<u>(229,722)</u>	<u>(250,340)</u>	<u>(375,787)</u>
Net change in total OPEB liability	137,861	396,599	(294,640)
Total OPEB liability - beginning	<u>4,520,164</u>	<u>4,123,565</u>	<u>4,418,205</u>
Total OPEB liability - ending	\$ <u>4,658,025</u>	<u>4,520,164</u>	<u>4,123,565</u>
Covered payroll	\$ <u>5,699,559</u>	<u>5,434,109</u>	<u>5,635,521</u>
Total OPEB liability as a percentage of covered payroll	<u>81.73%</u>	<u>83.18%</u>	<u>73.17%</u>

Notes:

* Historical information presented above follows the measurement periods for which GASB 74 & 75 were applicable. The fiscal year ended June 30, 2018, (valuation date of June 30, 2017) was the first year of implementation required by GASB 74 & 75, therefore only three years are shown.

North Marin Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

<u>Description</u>	<u>Fiscal Year 6/30/2020</u>	<u>Fiscal Year 6/30/2019</u>	<u>Fiscal Year 6/30/2018</u>	<u>Fiscal Year 6/30/2017</u>	<u>Fiscal Year 6/30/2016</u>	<u>Fiscal Year 6/30/2015</u>
District's proportion of the net pension liability	0.13324%	0.13034%	0.12881%	0.12759%	0.12558%	0.10769%
District's proportionate share of the net pension liability \$	13,653,187	12,560,160	12,774,724	11,040,789	8,619,837	6,701,264
District's covered payroll \$	4,878,849	4,953,247	4,600,500	4,542,666	4,305,518	4,106,287
District's proportionate share of the net pension liability as a percentage of its covered payroll	279.84%	253.57%	277.68%	243.05%	200.20%	163.20%
Plan's fiduciary net position as a percentage of the total pension liability	73.56%	74.43%	72.80%	73.98%	78.63%	83.47%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2019, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2019, there were no changes in the assumptions.

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

North Marin Water District
Schedules of Pension Plan Contributions
As of June 30, 2020
Last Ten Years*

<u>Description</u>	<u>Fiscal Year 6/30/2020</u>	<u>Fiscal Year 6/30/2019</u>	<u>Fiscal Year 6/30/2018</u>	<u>Fiscal Year 6/30/2017</u>	<u>Fiscal Year 6/30/2016</u>	<u>Fiscal Year 6/30/2015</u>
Actuarially determined contribution	\$ 1,392,472	\$ 1,175,139	1,037,552	926,656	836,212	930,146
Contributions in relation to the actuarially determined contribution	<u>(1,370,702)</u>	<u>(1,155,358)</u>	<u>(1,017,325)</u>	<u>(926,448)</u>	<u>(828,792)</u>	<u>(669,066)</u>
Contribution deficiency (excess)	<u>\$ 21,770</u>	<u>\$ 19,781</u>	<u>20,227</u>	<u>208</u>	<u>7,420</u>	<u>261,080</u>
District's covered payroll	<u>\$ 4,878,849</u>	<u>\$ 4,953,247</u>	<u>4,600,500</u>	<u>4,542,666</u>	<u>4,305,518</u>	<u>4,305,518</u>
Contributions as a percentage of covered payroll	<u>28.09%</u>	<u>23.33%</u>	<u>22.11%</u>	<u>20.39%</u>	<u>19.25%</u>	<u>15.54%</u>

Notes:

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

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Supplemental Information

Combining Schedules

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2020

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	\$ 10,079,036	3,561,047	854,992	299,522	14,794,597
Restricted – cash and cash equivalents	-	890,072	292,753	1,615	1,184,440
Restricted – investments	3,479,480	-	-	-	3,479,480
Accrued interest receivable	81,874	-	-	-	81,874
Accounts receivable – water and sewer sales	3,833,018	392,067	177,075	-	4,402,160
Accounts receivable – governmental agencies	326,481	-	336,398	-	662,879
Accounts receivable – other	11,300	171,906	-	68,555	251,761
Notes receivable	-	37,271	-	-	37,271
Loan receivable	144,968	-	-	-	144,968
Materials and supplies inventory	628,948	-	-	-	628,948
Prepaid expenses and deposits	444,316	-	752	1,049	446,117
Total current assets	19,029,421	5,052,363	1,661,970	370,741	26,114,495
Non-current assets:					
Restricted – investments	2,790,301	-	-	-	2,790,301
Notes receivable	-	1,136,458	-	-	1,136,458
Loan receivable	2,079,140	-	-	-	2,079,140
Notes receivable – employee housing loans, net	525,000	-	-	-	525,000
Capital assets, not being depreciated	4,250,459	470,660	1,476,171	245,337	6,442,627
Depreciable capital assets, net	94,438,500	31,535,583	4,970,472	1,024,909	131,969,464
Total non-current assets	104,083,400	33,142,701	6,446,643	1,270,246	144,942,990
Total assets	123,112,821	38,195,064	8,108,613	1,640,987	171,057,485
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	341,851	-	-	-	341,851
Deferred pension outflows	2,795,641	-	-	-	2,795,641
Total deferred outflows of resources	3,137,492	-	-	-	3,137,492
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,833,400	47,944	17,974	-	2,899,318
Accrued wages and related payables	209,664	28,194	34,236	13,090	285,184
Accrued claims payable	21,772	659	800	306	23,537
Customer advances and deposits	1,222,111	483	46,717	3,000	1,272,311
Accrued interest payable – long-term debt	36,763	120,851	-	-	157,614
Long-term liabilities – due within one year:					
Compensated absences	176,238	-	-	-	176,238
Loans payable	1,024,335	894,141	48,827	-	1,967,303
Total current liabilities	5,524,283	1,092,272	148,554	16,396	6,781,505
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	528,715	-	-	-	528,715
Loans payable	16,012,591	14,308,278	615,227	-	30,936,096
Other post-employment benefits liability	4,658,025	-	-	-	4,658,025
Net pension liability	13,653,187	-	-	-	13,653,187
Total non-current liabilities	34,852,518	14,308,278	615,227	-	49,776,023
Total liabilities	40,376,801	15,400,550	763,781	16,396	56,557,528
Deferred inflows of resources:					
Deferred other post-employment benefits inflows	121,829	-	-	-	121,829
Deferred pension inflows	801,855	-	-	-	801,855
Total deferred inflows of resources	923,684	-	-	-	923,684
Net position:					
Net investment in capital assets	83,902,791	16,803,824	6,220,517	1,270,246	108,197,378
Unrestricted	1,047,037	5,990,690	1,124,315	354,345	8,516,387
Total net position	\$ 84,949,828	22,794,514	7,344,832	1,624,591	116,713,765

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2019

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	As Restated Total
Current assets:					
Cash and cash equivalents	\$ 3,799,851	3,793,104	1,079,642	308,386	8,980,983
Restricted – cash and cash equivalents	-	890,072	607,995	55	1,498,122
Restricted – investments	4,715,320	-	-	-	4,715,320
Accrued interest receivable	88,871	-	-	-	88,871
Accounts receivable – water and sewer sales	3,788,473	259,581	171,863	1,264	4,221,181
Accounts receivable – governmental agencies	162,445	-	-	-	162,445
Accounts receivable – other	155,155	-	-	65,319	220,474
Notes receivable	-	263,785	-	-	263,785
Loan receivable	141,138	-	-	-	141,138
Notes receivable – employee housing loans, net	39,200	-	-	-	39,200
Materials and supplies inventory	701,952	-	-	-	701,952
Prepaid expenses and deposits	226,384	-	-	4,291	230,675
Total current assets	<u>13,818,789</u>	<u>5,206,542</u>	<u>1,859,500</u>	<u>379,315</u>	<u>21,264,146</u>
Non-current assets:					
Restricted – investments	3,744,249	-	-	-	3,744,249
Notes receivable	-	2,027,949	-	-	2,027,949
Loan receivable	2,224,108	-	-	-	2,224,108
Notes receivable – employee housing loans, net	675,000	-	-	-	675,000
Capital assets, not being depreciated	8,863,074	15,743,265	659,421	87,792	25,353,552
Depreciable capital assets, net	89,391,550	16,730,223	4,952,370	1,070,956	112,145,099
Total non-current assets	<u>104,897,981</u>	<u>34,501,437</u>	<u>5,611,791</u>	<u>1,158,748</u>	<u>146,169,957</u>
Total assets	<u>118,716,770</u>	<u>39,707,979</u>	<u>7,471,291</u>	<u>1,538,063</u>	<u>167,434,103</u>
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	172,404	-	-	-	172,404
Deferred pension outflows	2,616,317	-	-	-	2,616,317
Total deferred outflows of resources	<u>2,788,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,788,721</u>
Current liabilities:					
Accounts payable and accrued expenses	1,226,300	39,660	-	-	1,265,960
Accrued wages and related payables	215,040	24,577	29,843	11,410	280,870
Accrued claims payable	50,451	1,527	1,854	709	54,541
Customer advances and deposits	1,826,631	14,614	42,447	3,216	1,886,908
Accrued interest payable – long-term debt	39,095	127,500	-	-	166,595
Long-term liabilities – due within one year:					
Compensated absences	136,644	-	-	-	136,644
Loans payable	992,854	876,095	47,127	-	1,916,076
Total current liabilities	<u>4,487,015</u>	<u>1,083,973</u>	<u>121,271</u>	<u>15,335</u>	<u>5,707,594</u>
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	409,931	-	-	-	409,931
Loans payable	17,453,648	15,202,419	664,055	-	33,320,122
Total other post-employment benefits liability	4,520,164	-	-	-	4,520,164
Net pension liability	12,560,160	-	-	-	12,560,160
Total non-current liabilities	<u>34,943,903</u>	<u>15,202,419</u>	<u>664,055</u>	<u>-</u>	<u>50,810,377</u>
Total liabilities	<u>39,430,918</u>	<u>16,286,392</u>	<u>785,326</u>	<u>15,335</u>	<u>56,517,971</u>
Deferred inflows of resources:					
Deferred pension inflows	540,356	-	-	-	540,356
Total deferred inflows of resources	<u>540,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,356</u>
Net position:					
Net investment in capital assets	82,200,018	16,394,974	5,338,537	1,158,748	105,092,277
Restricted for capital projects and debt service	-	-	71,715	-	71,715
Unrestricted	(665,801)	7,026,613	1,275,713	363,980	8,000,505
Total net position	<u>\$ 81,534,217</u>	<u>23,421,587</u>	<u>6,685,965</u>	<u>1,522,728</u>	<u>113,164,497</u>

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 15,940,598	1,463,316	790,254	-	18,194,168
Bi-monthly meter service charge	4,709,222	66,859	192,539	-	4,968,620
Sewer service charges	-	-	-	264,372	264,372
Other charges and services	362,628	84	7,049	-	369,761
Total operating revenues	21,012,448	1,530,259	989,842	264,372	23,796,921
Operating expenses:					
Source of supply	6,718,848	354,861	22,936	-	7,096,645
Pumping	549,018	5,353	91,995	-	646,366
Water facilities operations	1,008,932	107,857	60,044	-	1,176,833
Water treatment	2,480,913	5,606	161,169	-	2,647,688
Transmission and distribution	3,442,219	20,415	97,879	-	3,560,513
Sewage collection and treatment	-	-	-	145,183	145,183
Customer service	506,690	1,326	24,374	2,162	534,552
General and administrative	2,980,570	64,113	117,324	39,508	3,201,515
Water conservation projects	382,764	-	15,246	-	398,010
Total operating expenses	18,069,954	559,531	590,967	186,853	19,407,305
Operating income before depreciation	2,942,494	970,728	398,875	77,519	4,389,616
Depreciation	(2,660,688)	(473,828)	(185,652)	(46,048)	(3,366,216)
Operating income(loss)	281,806	496,900	213,223	31,471	1,023,400
Non-operating revenues(expenses):					
Property tax revenue	5,252	-	55,952	59,617	120,821
Investment earnings	342,612	123,483	72,324	11,058	549,477
Interest earnings from note receivable – BPGL	-	18,549	-	-	18,549
Interest earnings from loan receivable – MMWD	64,182	-	-	-	64,182
Rental revenue	81,043	-	5,304	250	86,597
Interest expense – long-term debt	(491,822)	(280,694)	(23,631)	-	(796,147)
Capital contribution to Agency	-	(305,711)	-	-	(305,711)
Gain on sale of property and equipment	18,816	-	-	-	18,816
Other non-operating revenues	9,862	-	-	217	10,079
Other non-operating expenses	(2,325)	-	(703)	(750)	(3,778)
Total non-operating revenues, net	27,620	(444,373)	109,246	70,392	(237,115)
Net income(loss) before capital contributions	309,426	52,527	322,469	101,863	786,285
Capital contributions:					
Developers and others	885,050	10,000	-	-	895,050
Connection fees	1,531,535	-	-	-	1,531,535
Capital grants – state and local	-	-	336,398	-	336,398
Capital contributions	2,416,585	10,000	336,398	-	2,762,983
Change in net position	2,726,011	62,527	658,867	101,863	3,549,268
Net position transfer (note 5)	689,600	(689,600)	-	-	-
Net position, beginning of year – as restated	81,534,217	23,421,587	6,685,965	1,522,728	113,164,497
Net position, end of year	\$ 84,949,828	22,794,514	7,344,832	1,624,591	116,713,765

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, 2019

	<u>Novato Water</u>	<u>Novato Recycled</u>	<u>West Marin Water</u>	<u>Oceana Marin Sewer</u>	<u>As Restated Total</u>
Operating revenues:					
Water consumption sales	\$ 14,510,861	1,120,488	705,822	-	16,337,171
Bi-monthly meter service charge	4,562,329	62,783	185,184	-	4,810,296
Sewer service charges	-	-	-	252,720	252,720
Other charges and services	364,134	148	7,777	-	372,059
Total operating revenues	19,437,324	1,183,419	898,783	252,720	21,772,246
Operating expenses:					
Source of supply	5,167,409	300,457	24,458	-	5,492,324
Pumping	389,149	3,930	65,515	-	458,594
Water facilities operations	711,175	222,749	59,285	-	993,209
Water treatment	1,945,958	15,503	169,705	-	2,131,166
Transmission and distribution	3,142,281	16,869	142,479	-	3,301,629
Sewage collection and treatment	-	-	-	127,513	127,513
Customer service	485,787	1,118	21,459	1,977	510,341
General and administrative	2,864,101	52,910	64,365	25,925	3,007,301
Water conservation projects	341,784	-	7,631	-	349,415
Total operating expenses	15,047,644	613,536	554,897	155,415	16,371,492
Operating income before depreciation	4,389,680	569,883	343,886	97,305	5,400,754
Depreciation	(2,752,213)	(473,826)	(186,922)	(38,194)	(3,451,155)
Operating income(loss)	1,637,467	96,057	156,964	59,111	1,949,599
Non-operating revenues(expenses):					
Property tax revenue	1,949	-	55,074	58,683	115,706
Investment earnings	296,310	76,542	58,210	5,622	436,684
Interest earnings from note receivable – BPGI	-	48,002	-	-	48,002
Interest earnings from loan receivable – MMWD	81,035	-	-	-	81,035
Rental revenue	86,132	-	5,150	250	91,532
Interest expense – long-term debt	(525,922)	(320,633)	(28,799)	-	(875,354)
Other non-operating revenues	66,521	-	682	-	67,203
Other non-operating expenses	(3,164)	(3,354)	(810)	(16,947)	(24,275)
Total non-operating revenues, net	2,861	(199,443)	89,507	47,608	(59,467)
Net income(loss) before capital contributions	1,640,328	(103,386)	246,471	106,719	1,890,132
Capital contributions:					
Developers and others	409,138	-	-	-	409,138
Connection fees	1,484,380	-	8,000	-	1,492,380
Capital grants – state and local	20,191	-	-	-	20,191
Capital contributions	1,913,709	-	8,000	-	1,921,709
Change in net position	3,554,037	(103,386)	254,471	106,719	3,811,841
Net position transfer	1,239,907	(1,239,907)	-	-	-
Net position, beginning of year – as restated	76,740,273	24,764,880	6,431,494	1,416,009	109,352,656
Net position, end of year – as restated	\$ 81,534,217	23,421,587	6,685,965	1,522,728	113,164,497

See accompanying notes to the basic financial statements

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Statistical Information Section

North Marin Water District Statistical Section

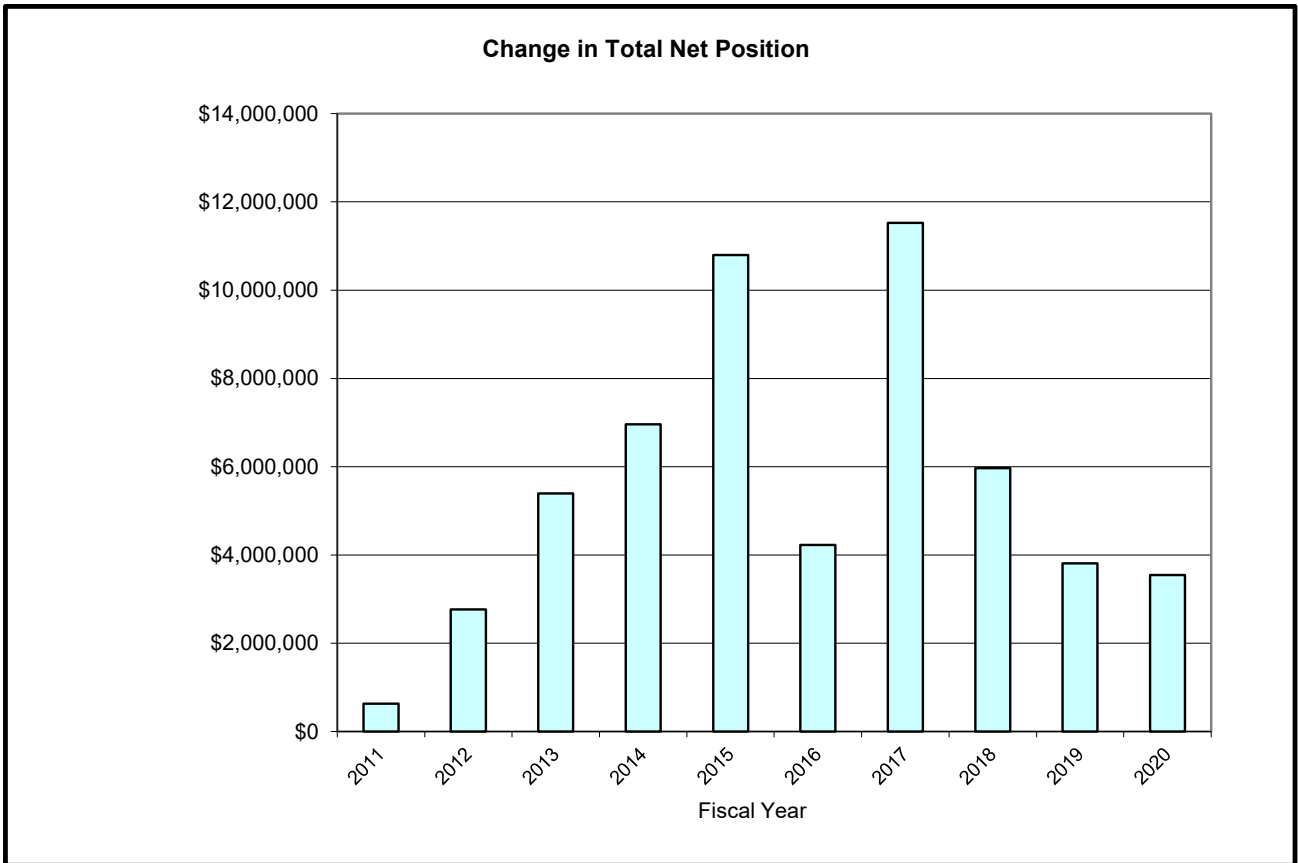
This part of the District's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

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Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	72-76
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	77-80
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.	81-82
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	83-84
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.	85-86

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

	Fiscal Year			
	2011	2012	Restated 2013	Restated 2014
Change in net position:				
Operating revenues (see schedule 2)	\$13,797,012	\$15,435,733	\$18,256,638	\$20,772,429
Operating expenses (see schedule 3)	(11,878,612)	(12,610,862)	(13,140,845)	(13,309,833)
Depreciation and amortization	(2,660,418)	(2,726,598)	(2,793,360)	(3,128,302)
Operating income(loss)	(\$742,018)	\$98,273	\$2,322,433	\$4,334,294
Net non-op revenue(expense) (see schedule 4)	(414,563)	(531,318)	(285,490)	(518,474)
Net income(loss) before capital contributions	(\$1,156,581)	(\$433,045)	\$2,036,943	\$3,815,820
Capital contributions	1,785,475	3,200,979	3,357,870	3,144,256
Change in net position	\$628,894	\$2,767,934	\$5,394,813	\$6,960,076
Net position by component:				
Net investment in capital assets	\$63,542,479	\$61,882,478	\$65,839,724	\$71,538,168
Restricted	3,171,305	2,993,055	2,186,452	2,156,020
Unrestricted	6,579,672	11,185,857	2,404,385	3,696,449
Total net position	\$73,293,456	\$76,061,390	\$70,430,561	\$77,390,637



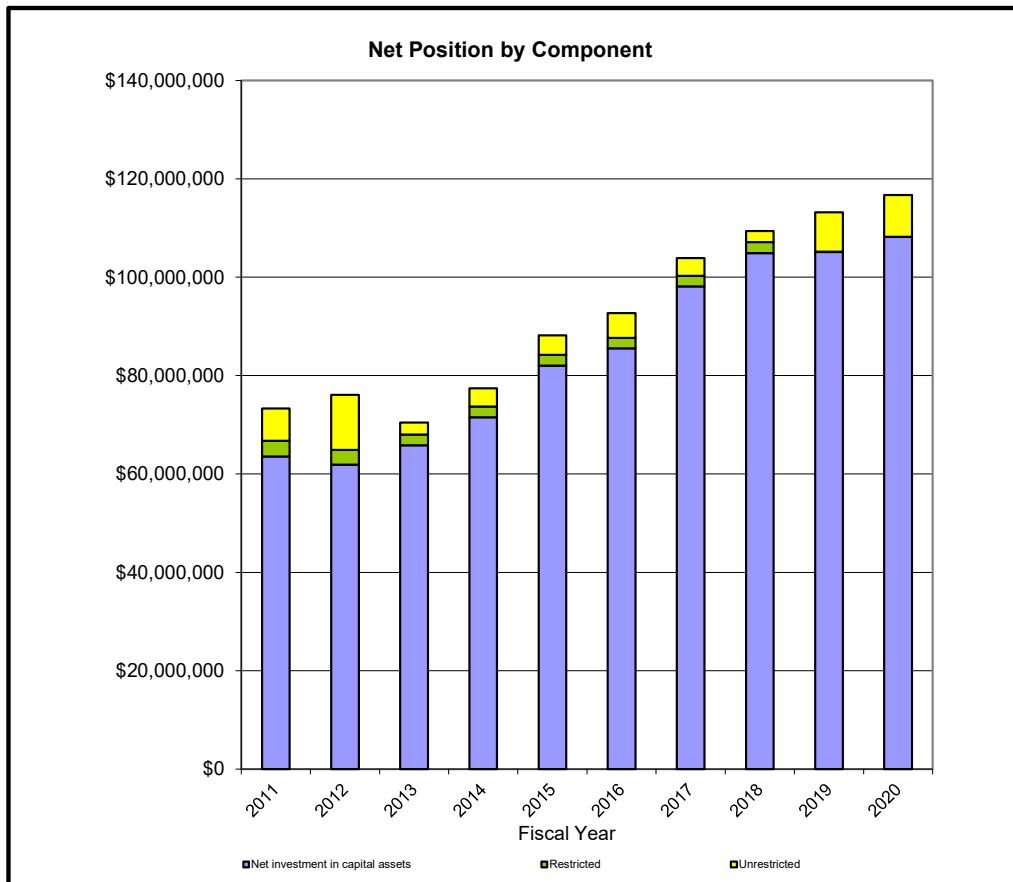
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 1

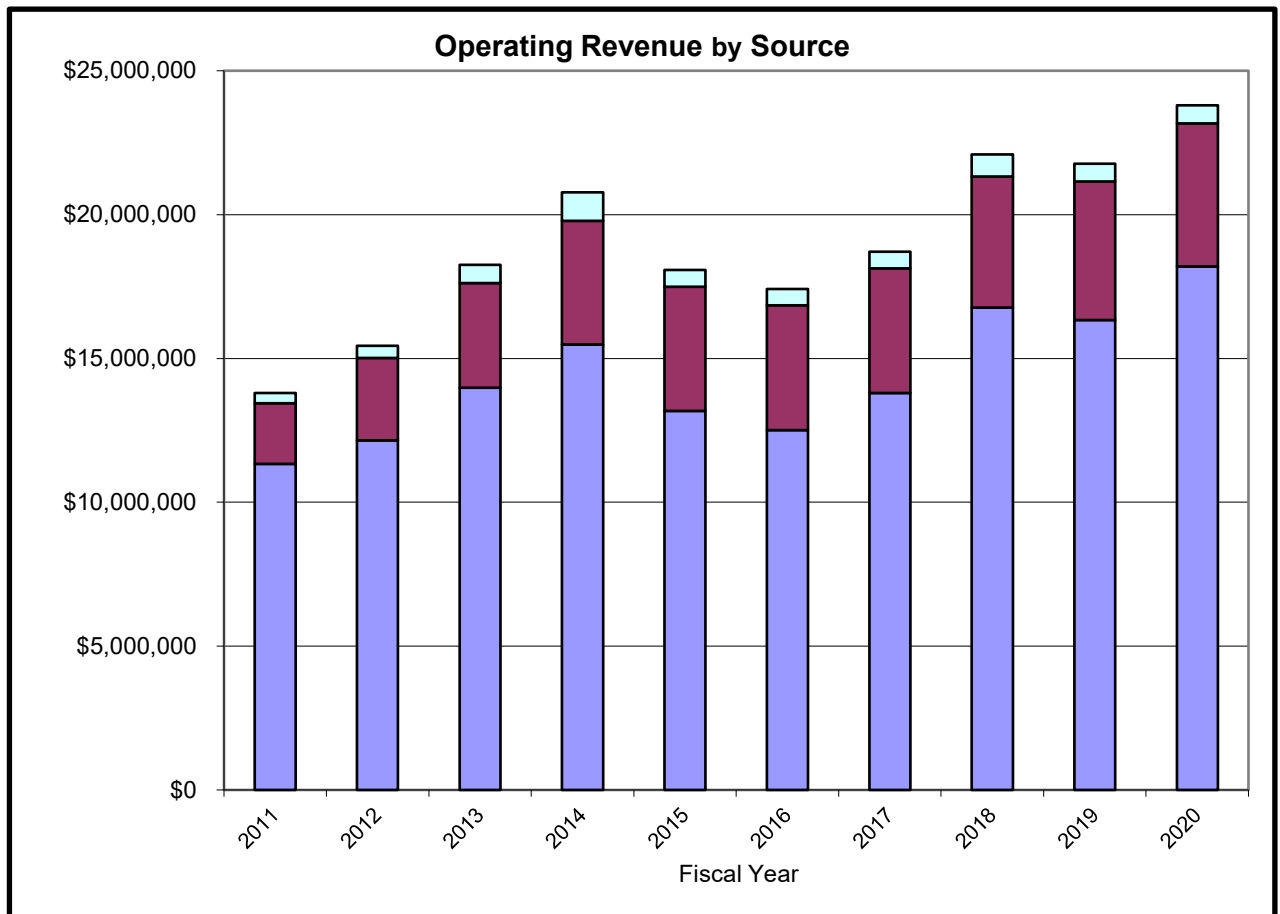
Fiscal Year					
2015	2016	2017	Restated 2018	Restated 2019	2020
\$18,081,308	\$17,411,543	\$18,703,476	\$22,094,094	\$21,772,246	\$23,796,921
(13,328,124)	(13,704,737)	(15,099,687)	(16,461,030)	(16,371,492)	(19,407,305)
(3,183,725)	(3,286,353)	(3,416,411)	(3,434,069)	(3,451,155)	(3,366,216)
\$1,569,459	\$420,453	\$187,378	\$2,198,995	\$1,949,599	\$1,023,400
(488,661)	(328,734)	(304,830)	(253,110)	(59,467)	(237,115)
\$1,080,798	\$91,719	(\$117,452)	\$1,945,885	\$1,890,132	\$786,285
9,714,111	4,139,047	11,643,388	4,020,041	1,921,709	2,762,983
<u>\$10,794,909</u>	<u>\$4,230,766</u>	<u>\$11,525,936</u>	<u>\$5,965,926</u>	<u>\$3,811,841</u>	<u>\$3,549,268</u>
\$82,037,287	\$85,542,035	\$98,131,574	\$104,921,863	\$105,092,277	\$108,197,378
2,170,429	2,122,980	2,140,681	2,186,164	71,715	-
3,977,830	5,007,769	3,639,717	2,244,629	8,000,505	8,516,387
<u>\$88,185,546</u>	<u>\$92,672,784</u>	<u>\$103,911,972</u>	<u>\$109,352,656</u>	<u>\$113,164,497</u>	<u>\$116,713,765</u>



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

Schedule 2

Fiscal Year	Water Sales	Bi-Monthly Service Charges	Other Charges and Services	Total Operating Revenue
2011	\$ 11,334,728	2,109,255	353,029	\$ 13,797,012
2012	12,156,765	2,860,630	418,338	15,435,733
2013	13,987,034	3,630,425	639,178	18,256,638
2014	15,480,438	4,308,584	983,407	20,772,429
2015	13,180,015	4,312,108	589,188	18,081,311
2016	12,508,927	4,331,899	570,717	17,411,543
2017	13,801,864	4,334,762	566,850	18,703,476
2018	16,764,567	4,564,228	765,299	22,094,094
2019	16,337,171	4,810,296	624,779	21,772,246
2020	18,194,168	4,968,620	634,133	23,796,921

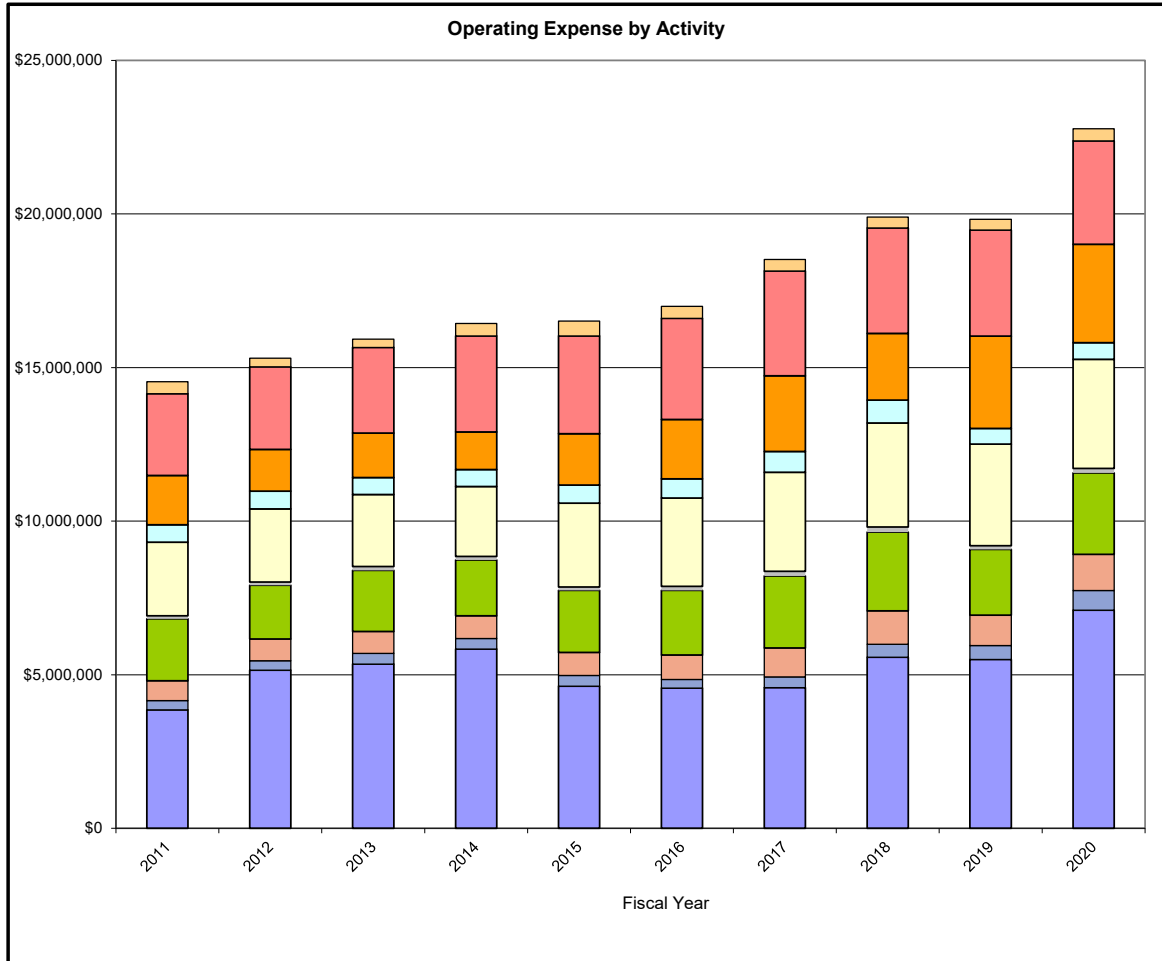


Source: North Marin Water District Audited Financial Statements

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
2011	\$ 3,856,027	299,462	648,743	2,012,125	103,054	2,400,638	564,940	1,605,455	388,168	2,660,418	\$ 14,539,030
2012	5,150,183	304,075	708,570	1,747,166	112,801	2,373,132	580,534	1,358,682	275,719	2,690,535	15,301,397
2013	5,342,988	351,816	716,780	1,986,904	127,903	2,340,330	552,202	1,449,793	272,107	2,784,670	15,925,493
2014	5,834,854	341,597	742,706	1,815,429	120,548	2,270,764	550,709	1,221,849	411,377	3,128,302	16,438,135
2015	4,624,655	352,007	751,940	2,020,865	108,928	2,727,168	588,579	1,673,156	478,360	3,183,725	16,509,383
2016	4,565,833	281,255	797,806	2,099,887	134,193	2,871,290	628,981	1,934,011	391,481	3,286,353	16,991,090
2017	4,579,359	351,342	937,559	2,346,949	151,205	3,223,237	676,189	2,462,392	371,455	3,416,411	18,516,098
2018	5,569,766	426,356	1,079,917	2,567,146	163,957	3,387,559	742,164	2,169,660	354,505	3,434,069	19,895,099
2019	5,492,324	458,594	993,209	2,131,166	127,513	3,301,629	510,341	3,007,301	349,415	3,451,155	19,822,647
2020	7,096,645	646,366	1,176,833	2,647,688	145,183	3,560,513	534,552	3,201,515	398,010	3,366,216	22,773,521



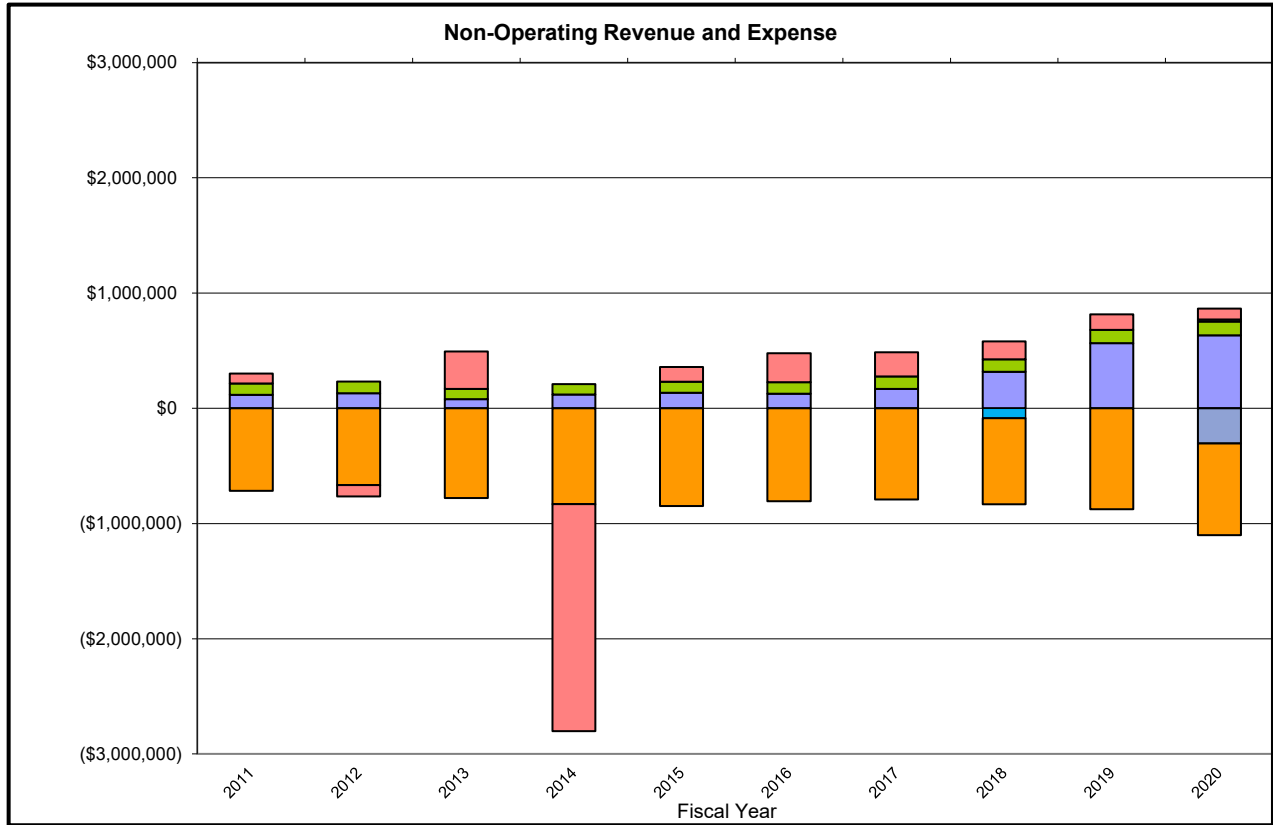
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 4

Fiscal Year	Investment Income ⁽¹⁾	Property Taxes	Gain/(Loss) on Asset Sales	Debt Issuance Costs	Cap Contribution to Agency	Interest Expense	Other Inc & Exp, net	Net Non-Op Rev/(Exp)
2011	\$ 118,410	96,768	-	-	-	(715,491)	85,750	\$ (414,563)
2012	130,974	101,559	-	-	-	(665,713)	(98,138)	(531,318)
2013	80,713	88,088	-	-	-	(778,762)	324,471	(285,490)
2014	120,671	90,071	-	-	-	(830,830)	(1,972,027) ⁽²⁾	(2,592,115)
2015	135,307	94,391	-	-	-	(847,950)	129,591	(488,661)
2016	125,078	102,259	-	-	-	(807,035)	250,969	(328,729)
2017	168,766	107,210	-	-	-	(791,211)	210,405	(304,830)
2018	316,072	109,927	-	(86,180)	-	(747,118)	154,189	(253,110)
2019	565,721	115,706	-	-	-	(875,354)	134,460	(59,467)
2020	632,208	120,821	18,816	-	(305,711)	(796,147)	92,898	(237,115)



Notes:

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

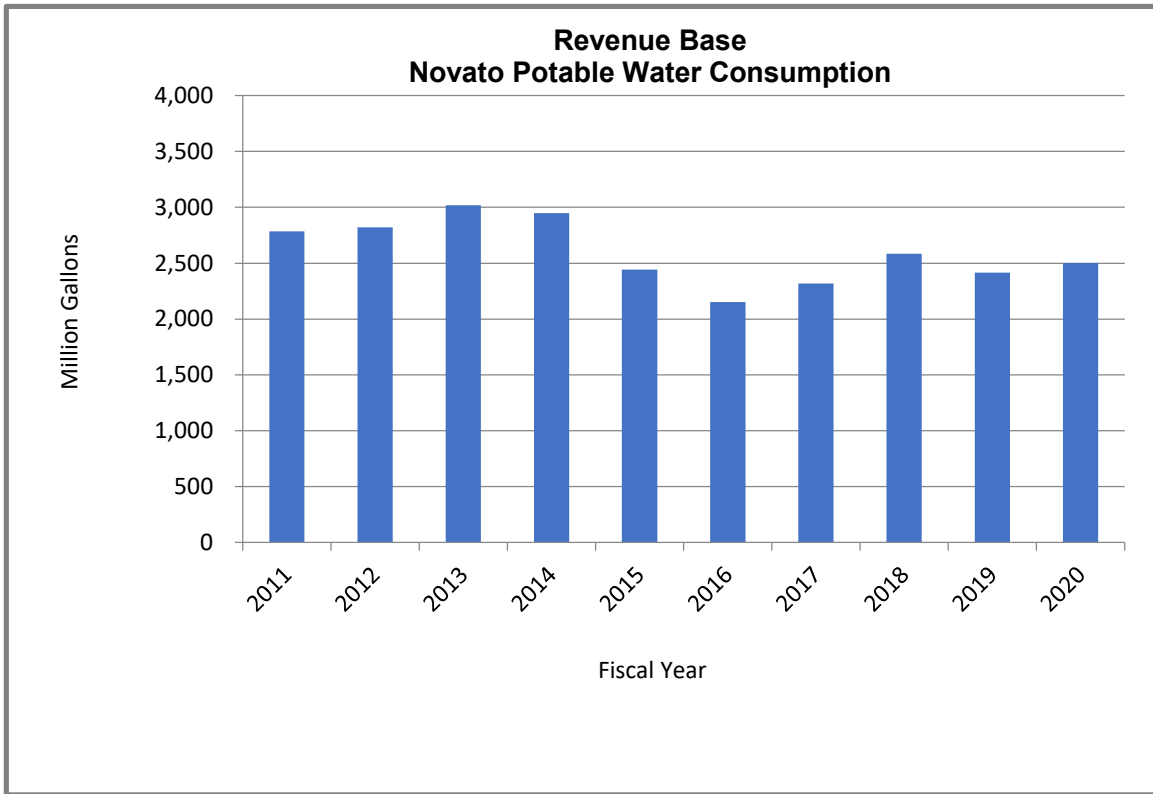
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

Source: North Marin Water District Audited Financial Statements

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

Schedule 5

Fiscal Year	Novato Potable Water Consumption (Million Gallons)
2011	2,786
2012	2,820
2013	3,018
2014	2,948
2015	2,444
2016	2,152
2017	2,317
2018	2,584
2019	2,416
2020	2,502



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			Government	Recycled			
	Single-Family Residential	Multi-Family Residential	Commerical/Business					
2011	18,239	715	1,280	230	3	770	227	21,464
2012	18,298	720	1,246	226	2	777	227	21,496
2013	18,350	687	1,222	233	17	776	227	21,512
2014	18,491	699	1,222	231	44	776	229	21,692
2015	18,541	698	1,226	230	44	778	229	21,746
2016	18,561	704	1,239	232	44	780	230	21,790
2017	18,631	700	1,254	229	47	780	231	21,872
2018	18,449	699	1,217	220	53	785	232	21,655
2019	18,387	701	1,210	233	91	783	234	21,639
2020	18,398	711	1,213	232	91	782	235	21,662

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	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	
5/8" & 3/4"	\$ 20.00	\$ 25.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 31.50	\$ 33.00	\$ 34.15	\$ 34.15	
1"	40.00	50.00	60.00	60.00	60.00	60.00	63.00	66.00	68.30	68.30	
1 1/2"	49.00	61.00	73.00	73.00	73.00	73.00	77.00	80.50	83.30	83.30	
2"	76.00	95.00	114.00	114.00	114.00	114.00	120.00	125.50	129.90	129.90	
3"	151.00	189.00	227.00	227.00	227.00	227.00	238.00	248.50	257.20	257.20	
4"	242.00	303.00	364.00	364.00	364.00	364.00	382.00	399.00	413.00	413.00	
6"	507.00	634.00	761.00	761.00	761.00	761.00	799.00	835.00	864.00	864.00	
8"	756.00	945.00	1,134.00	1,134.00	1,134.00	1,134.00	1,191.00	1,244.50	1,288.00	1,288.00	

Water Use Rate (per 1,000 Gallons)											
User Type	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	
<u>Residential Zone A</u>											
Base Rate ⁽¹⁾	\$ 3.49	\$ 3.73	\$ 4.03	\$ 4.29	\$ 4.46	\$ 4.77	\$ 5.01	\$ 5.24	\$ 5.42	\$ 5.42	
Tier 1: 616-1845 gpd	5.55	5.94	6.42	6.84	7.11	7.61	7.99	8.35	8.64	8.64	
Tier 2: >1845 gpd	9.66	10.34	11.17	11.90	12.38	13.25	13.91	14.54	15.05	15.05	
<u>Non-Residential Zone A</u>											
Base Rate ⁽¹⁾	3.84	4.11	4.44	4.73	4.92	5.26	5.52	5.77	5.97	5.97	
Seasonal Rate	4.13	4.42	4.77	5.08	5.28	5.65	5.93	6.20	6.42	6.42	

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

Source: North Marin Water approved rates

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

Schedule 8

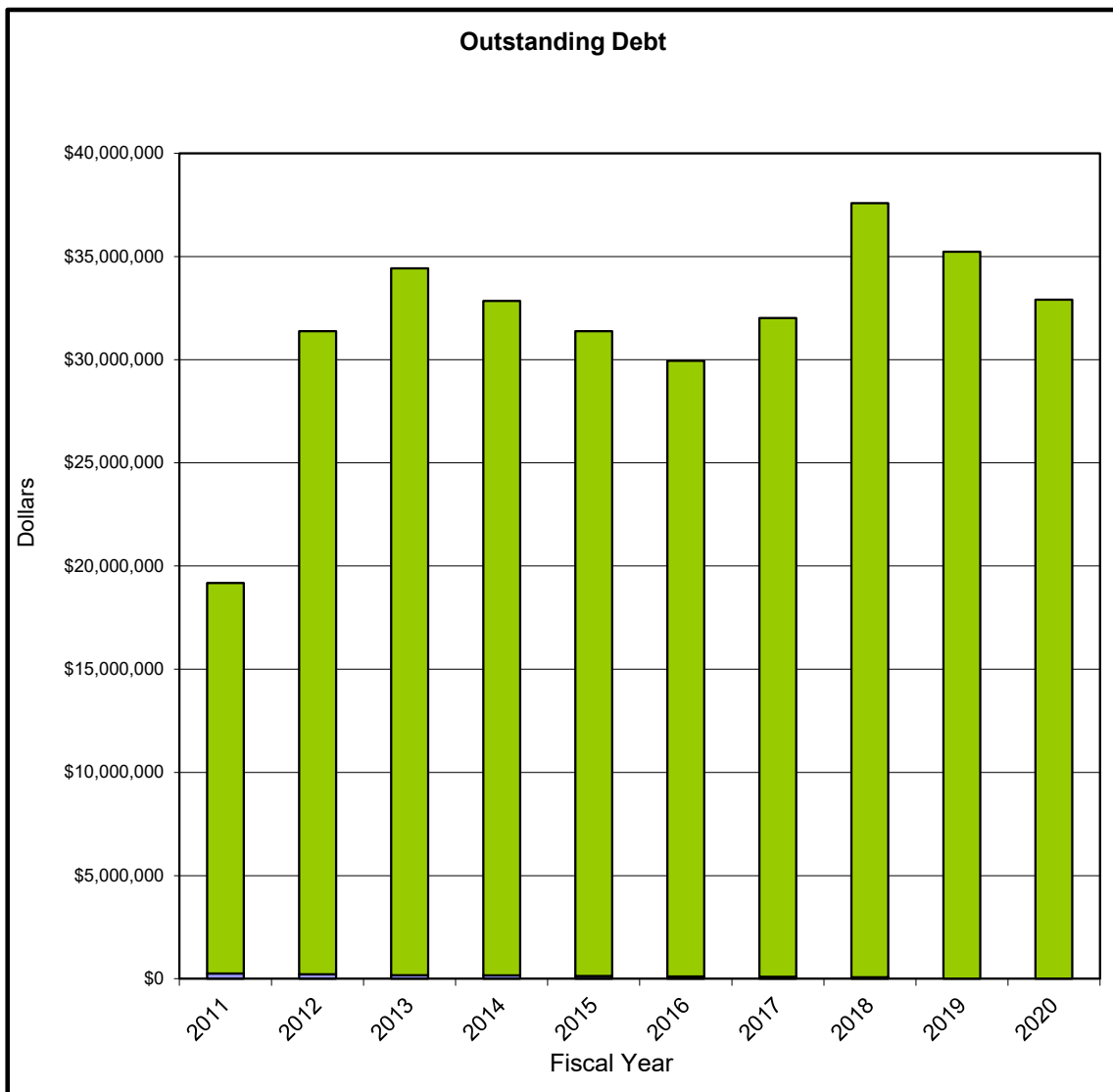
	FY 2019/20	% of Total	FY 2008/09	% of Total
1	City of Novato	1.7%	Novato Unified School District	2.0%
2	StoneTree Golf	1.5%	City Of Novato	1.8%
3	Novato Unified School District	1.1%	StoneTree Golf	1.7%
4	BioMarin Pharmaceutical	0.8%	Coast Guard Spanish Housing	1.0%
5	Meadow Park Hamilton	0.6%	Fireman's Fund	0.7%
6	Indian Valley Golf	0.6%	Indian Valley Golf	0.7%
7	Coast Guard Spanish Housing	0.4%	Meadow Park Hamilton	0.7%
8	Bay Vista Apartments	0.3%	BioMarin Pharmaceutical	0.6%
9	Marin Country Club	0.3%	Marion Park Apts	0.5%
10	Marin Valley Mobile	0.2%	Western Oaks Village Hoa	0.4%
		<u>7.5%</u>		<u>10.0%</u>
	Total Water Service Revenue	\$23,163,000		\$11,999,000

Source: NMWD CORE billing system (t:\acl\excel\wtr use\[top revenue 2007_2017.xlsx]top 10

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

Schedule 9

Fiscal Year	Bonds Payable	Loans Payable	Total		
			Debt	Per Capita	As a Share of Personal Income ⁽¹⁾
2011	\$ 250,587	18,924,944	\$ 19,175,531	\$ 314.35	0.32%
2012	209,203	31,173,317	31,382,520	514.47	0.50%
2013	181,652	34,241,715	34,423,367	564.32	0.53%
2014	159,916	32,687,391	32,847,307	538.48	0.51%
2015	136,000	31,237,390	31,373,390	514.32	0.47%
2016	116,000	29,823,693	29,939,693	490.81	0.44%
2017	94,000	31,922,939	32,016,939	524.87	0.46%
2018	72,000	37,513,463	37,585,463	616.16	0.53%
2019	-	35,236,198	35,236,198	577.64	0.48%
2020	-	32,903,399	32,903,399	534.84	0.49%



Source: North Marin Water District Audited Financial Statements

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

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

Schedule 10

Fiscal Year	Revenue ⁽¹⁾	Expense ⁽²⁾	Net Available	Debt Service		Total	Coverage
			Revenue	Principal	Interest		Ratio
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	2.36
2013	19,761,431	(13,284,705)	6,476,726	1,337,041	778,762	2,115,803	3.06
2014	21,364,965	(13,437,213)	7,927,752	1,618,138	830,830	2,448,968	3.24
2015	19,308,316	(13,424,517)	5,883,799	1,686,523	847,951	2,534,474	2.31
2016	18,191,410	(13,727,613)	4,463,797	1,721,904	807,034	2,528,938	1.77
2017	20,209,860	(15,118,535)	5,091,325	1,769,239	757,781	2,527,020	2.01
2018	22,506,537	(16,470,065)	6,036,472	1,814,680	747,118	2,561,798	2.36
2019	22,496,702	(16,395,767)	6,100,935	2,349,265	875,354	3,224,619	1.89
2020	26,057,340	(19,411,083)	6,646,257	2,332,799	796,147	3,128,946	2.12

Notes:

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

(2) Expense excludes depreciation and interest expense.

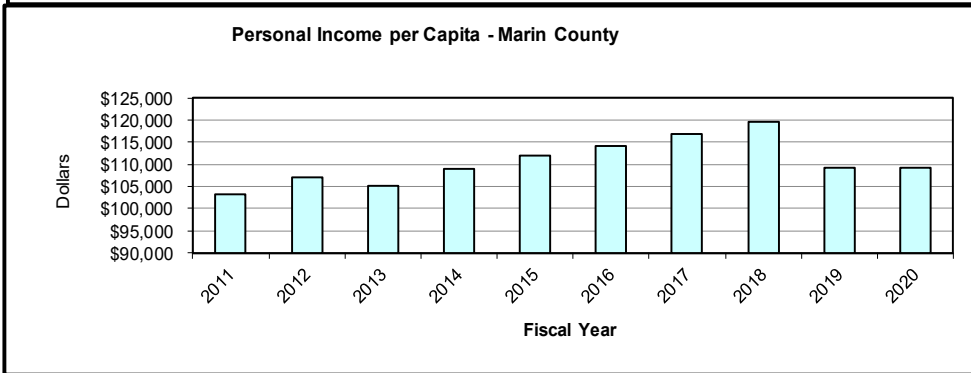
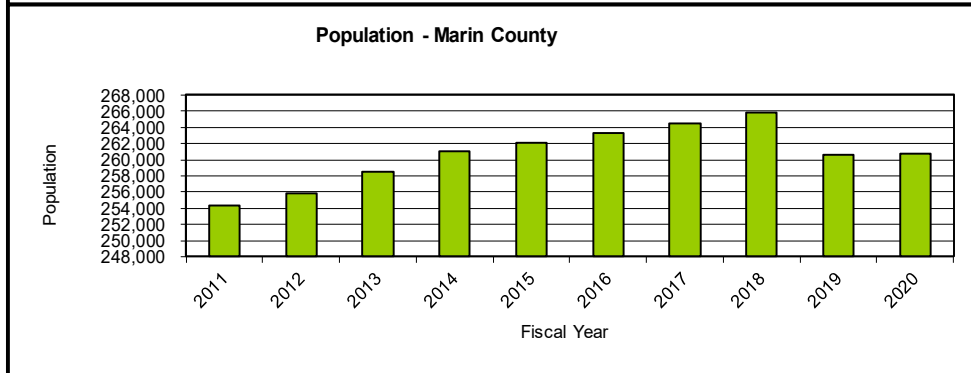
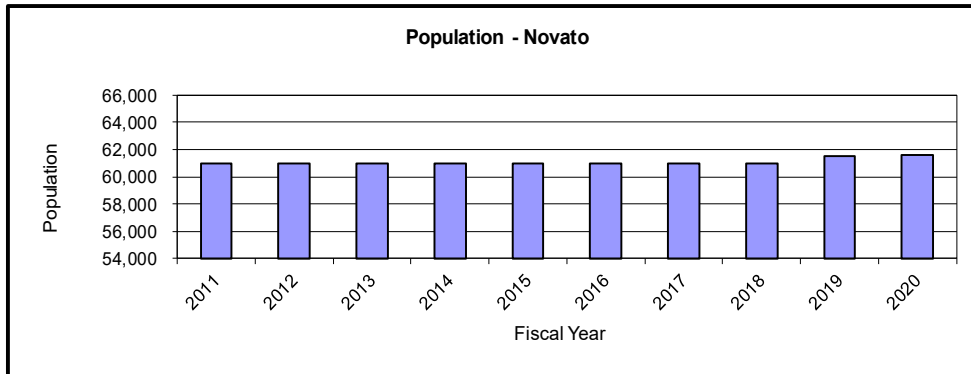
Source: North Marin Water District Audited Financial Statements

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

Schedule 11

Year	Novato Service Area ⁽¹⁾		County of Marin		
	Estimated Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2011	61,000	7.4%	254,389	\$ 26,250,147	\$ 103,189
2012	61,000	6.5%	255,765	27,360,972	106,977
2013	61,000	5.3%	258,569	27,220,334	105,273
2014	61,000	4.1%	261,033	28,455,468	109,011
2015	61,000	3.5%	262,105	29,332,433	111,911
2016	61,000	3.5%	263,257	30,059,737	114,184
2017	61,000	3.1%	264,535	30,945,833	116,982
2018	61,000	2.6%	265,891	31,803,488	119,611
2019	61,520	2.5%	260,651	28,492,803	109,314
2020	61,640	7.4%	260,814	28,510,622	109,314



Sources:

<https://census.ca.gov/wp-content/uploads/sites/4/2019/06/Marin-County.pdf>

<https://census.ca.gov/wp-content/uploads/sites/4/2019/06/Novato.pdf>

<https://www.labormarketinfo.edd.ca.gov/serp.html?q=Novato>

Personal Income per Capita for 2020 was unavailable. Previous year's amount was used.

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

FY 2019/2020			FY 2009/2010		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 BioMarin Pharmaceutical	1,005	3.56%	Fireman's Fund	953	3.49%
2 Novato Unified School District	803	2.85%	Novato Unified School District	841	3.08%
3 2K/Visual Concepts Entertainment	660	2.34%	BioMarin Pharmaceutical	607	2.22%
4 Bradley Electric	342	1.21%	ImageMovers Digital	412	1.51%
5 Costco Wholesale	316	1.12%	Novato Community Hospital	335	1.23%
6 Novato Community Hospital	304	1.08%	Target Store	291	1.07%
7 City of Novato	290	1.03%	Safeway Stores	277	1.01%
8 Ultragenix	275	0.98%	Buck Institute	265	0.97%
9 Safeway Stores	250	0.89%	Costco Wholesale	259	0.95%
10 Novato Healthcare Center	233	0.83%	Brayton Purcell, LLP	230	0.84%
	4,478	15.88%		4,470	16.37%

Source: City of Novato

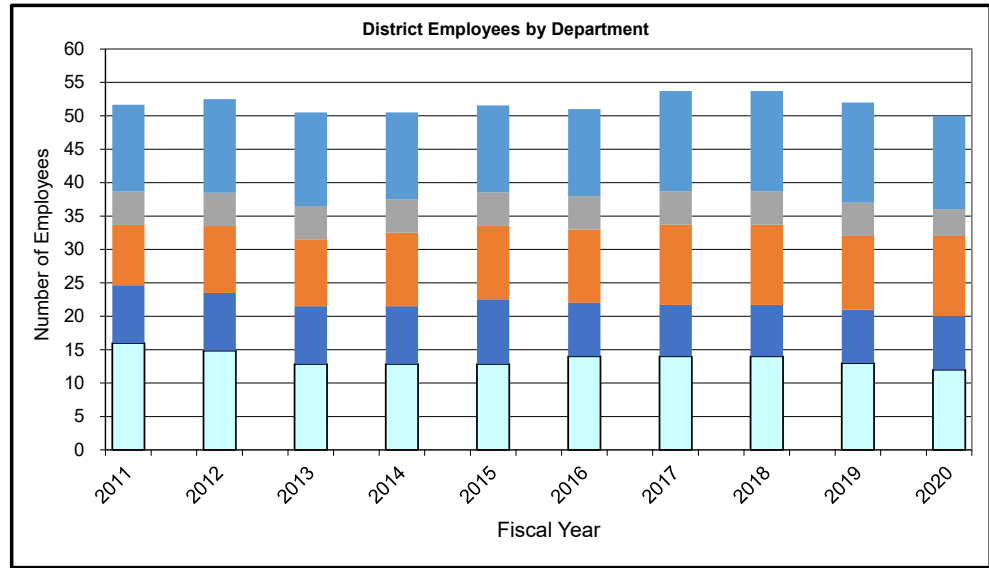
<https://www.labormarketinfo.edd.ca.gov/serp.html?q=Novato>

2019/2020 Largest Employers was not available. The previous year's list was used but the labor force calculation was updated.

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

Schedule 13

Department	Fiscal Year End									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administrative Services	16	15	13	13	13	14	14	14	13	12
Engineering Services	9	9	9	9	10	8	8	8	8	8
Construction /Maintenance	9	10	10	11	11	11	12	12	11	12
Water Quality	5	5	5	5	5	5	5	5	5	4
Operations / Maintenance	13	14	14	13	13	13	15	15	15	14
	<u>52</u>	<u>53</u>	<u>51</u>	<u>51</u>	<u>52</u>	<u>51</u>	<u>54</u>	<u>54</u>	<u>52</u>	<u>50</u>



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

Note: Excludes temporary employees

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

Schedule 14

Other Operating and Capacity Indicators				
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Number of Fire Hydrants	System Storage Capacity (MG)
2011	100	346	2,785	38
2012	100	348	2,785	38
2013	100	356	2,797	39
2014	100	356	2,805	39
2015	100	357	2,808	39
2016	100	358	2,814	39
2017	100	364	2,824	39
2018	100	364	2,842	40
2019	100	364	2,852	40
2020	100	365	2,862	40

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance



Fedak & Brown LLP

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

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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, 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 1, 2020.

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.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP
Cypress, California
December 1, 2020