



NORTH MARIN WATER DISTRICT

Novato, California

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021





NORTH MARIN WATER DISTRICT

Name	Title	Elected/ Appointed	Current Term
Stephen Petterle	President	Elected	12/20 - 12/24
Rick Fraites	Vice-President	Elected	12/18 - 12/22
Jack Baker	Director	Elected	12/20 - 12/24
Michael Joly	Director	Elected	12/20 - 12/24
James Grossi	Director	Elected	12/18 - 12/22

**Anthony Williams, General Manager
North Marin Water District
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Novato, California 94945
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Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2022 and 2021

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

Prepared by:
Finance Department
Julie Blue, Auditor-Controller
Nancy Holton, Accounting Supervisor
Nancy Williamson, Senior Accountant

**North Marin Water District
Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2022 and 2021**

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Introductory Section



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November 15, 2022

To: Members of the Board of Directors and Customers of the 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, 2022 and 2021, 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 13 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, 2022, the District employed 51 regular employees, plus temporary and seasonal employees as the workload dictates. There were 54 full time positions budgeted, 24 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 the Dillon Beach Village community.

The District provides water service to over 61,000 residents in the greater Novato area through 20,700 potable water service connections and 97 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 789 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 235 service connections.

Residential customers comprise approximately 93% of the District's customer base and consume approximately 80% of the water produced annually by the District. On average, 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 2022 and 2.3 billion gallons of water in fiscal year 2021 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 that meets or exceeds customer needs and expectations. Each day, District employees strive to carry out the mission of providing potable and recycled water and sewer services that are reliable, high-quality, environmentally responsible, and reasonably priced.

Since March 2020, the economic condition for the District's service area has experienced varying degrees of impacts with the continuation of the COVID-19 pandemic. Compared to the prior year, the impacts of the pandemic and associated health orders were substantially less in this fiscal year and for the most part, local businesses and government agencies were "back to normal" operations.

As a Special District, the risk/exposure of revenue loss, during the continued pandemic, was relatively minimal for the District. 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. However, the continued drought conditions and subsequent mandatory water use reductions at the state, regional and District levels had an impact on water sales as discussed below.

The Russian River water delivery system operated by the Agency typically provides 75% of Novato's water supply. Novato rainfall in fiscal year 2022 totaled 18.25" which was about 69% of the historical average annual rainfall. As a result of the three-year drought, the District adopted Emergency Water Conservation Ordinance 41 in March, 2021. This Ordinance was revised later to enact Stage 1 20% voluntary reduction in water and ultimately Stage 2 mandatory reduction in water use effective July 1, 2021 which remained in effect throughout FY 2021-22. Ordinance 41, as modified, also enacted the drought surcharge as long as Stage 2 mandatory reductions remain in effect. In the Russian River Watershed due to worsening drought conditions, the State Water Resources Control Board (SWRCB) issued an order on June 14, 2021 that reduced minimum instream flow requirements in the lower Russian River from 85 cubic feet per second (cfs) to 35 cfs. The order, known officially as the Temporary Urgency Change Order (TUCO), also required that the Agency and its water contractors reduce total diversions from the Russian River by 20% compared to the same period of 2020 from July 1 through October 31, 2021. A subsequent order issued on December 11, 2021 changed the hydrologic index for the watershed based on conditions in Lake Mendocino. On June 17, 2022 the SWRCB issued another TUCO which reduced minimum instream flow requirements in the

upper and the lower Russian River to 25 cubic feet per second (cfs) and 35 cfs, respectively. The various orders, issued at the request of the Agency, will allow the Agency to preserve storage in Lake Sonoma, which is the primary source of drinking water for more than 600,000 people in Sonoma and Marin counties.

North Marin's Stafford Lake water treatment plant produced 168 million gallons of water to augment Russian River supplies with local water supply during the fiscal year. In FY 22, 13MG of backfeed water was purchased from Sonoma County Water Agency to supplement the diminished local water supply due to the drought conditions. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island treatment facilities combined to provided 252 million gallons of highly treated recycled wastewater to large landscape irrigation customers and commercial car washes in Novato.

The Agency initiated a Regional Water Supply Resiliency Study, and due to the ongoing drought conditions in 2021, the drought resiliency component became a primary effort, resulting in a completed analysis in April 2022. In addition to short term water supply projects identified in the drought analysis, the Agency is also 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.

A 6% rate increase for customers in the Novato service area was authorized by the Board of Directors effective July 1, 2021. At \$875 per year, the cost of water service for a typical Novato detached single-family home using 97,000 gallons of water a year remains a good value for Novato customers. These rates are at the median when compared to 16 other Bay Area water suppliers.

In West Marin, "normal year" water supply conditions on Lagunitas Creek became effective on April 1, 2022, since the Marin Water reservoirs received significantly more rainfall than other parts of the Bay Area with total rainfall of over 45" (as of April 1st), well above the normal year minimum threshold of 28" (by April). This followed two previous dry year conditions in the watershed. Consequently, the District's Emergency Water Conservation Ordinance 39 restrictions for a Stage 2 25% mandatory water use reductions was removed and a voluntary 15% reduction (Stage 1) was enacted.

Major Initiatives

The activities of the Board and staff are driven by our mission to provide water and sewer services that are reliable, of high-quality, environmentally responsible, and reasonably priced. To that end, in light of the ever changing climate, the District's major strategic priorities and initiatives include the following:

1. Increase local control and the long-term reliability of the water supply;
2. Increase communication with customers and ensure quality service;
3. Provide proactive and cost-effective asset management and operations;
4. Retain a high quality, motivated, and efficient workforce with excellent programs and investments in equipment, technology and training;
5. Ensure long-term financial stability, security, and ratepayer value; and
6. Increase preparedness for emergencies as well as long-term challenges such as drought and climate change.

Accomplishments

The District completed the following in fiscal year 2021-22 based on the initiatives highlighted above:

- Completed the Local Water Supply Enhancement Study;
- Completed the PRE Tank 4C water storage tank project in West Marin;
- Initiated construction of the Gallagher Well No. 2 in West Marin;
- Received \$764,632 in Hazard Mitigation Grant Program funds for the Ocean Marin Ponds Repair Project;
- Held two public workshops to seek feedback on water supply strategies;
- Increased water conservation rebate incentives resulting in significant water savings;
- Smoothly transitioned the retirement of two senior staff via succession planning and strategic recruitments;
- Secured financing of a \$20 Million Dollar loan at 3.11% interest for the Administration and Laboratory Upgrade Project and other Capital Projects;
- Received state approval of the Stafford Dam Emergency Action Plan

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 by virtue of the Stafford Dam which was originally built in 1951 and subsequently raised 9 feet in 1984. Water from Stafford Lake is fed into the 6 million gallons per day (mgd) treatment plant located just below the dam. In fiscal year 2022 and 2021, 516 AF (168 MG) and 648 AF (211 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 (AF) to meet the regions' water supply needs, which totaled 44,237 acre-feet in fiscal year 2022, which is the most recent data available. 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 2022 and 2021, the District received 5,797 AF (1,889 MG) and 7,304 AF (2,380 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 thirteenth 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 2021 and 2020 Annual Comprehensive Financial Report. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. 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 Annual Comprehensive Financial Report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for 2022.

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,

A handwritten signature in black ink, appearing to read 'Anthony Williams', written over a horizontal line.

Anthony Williams, General Manager

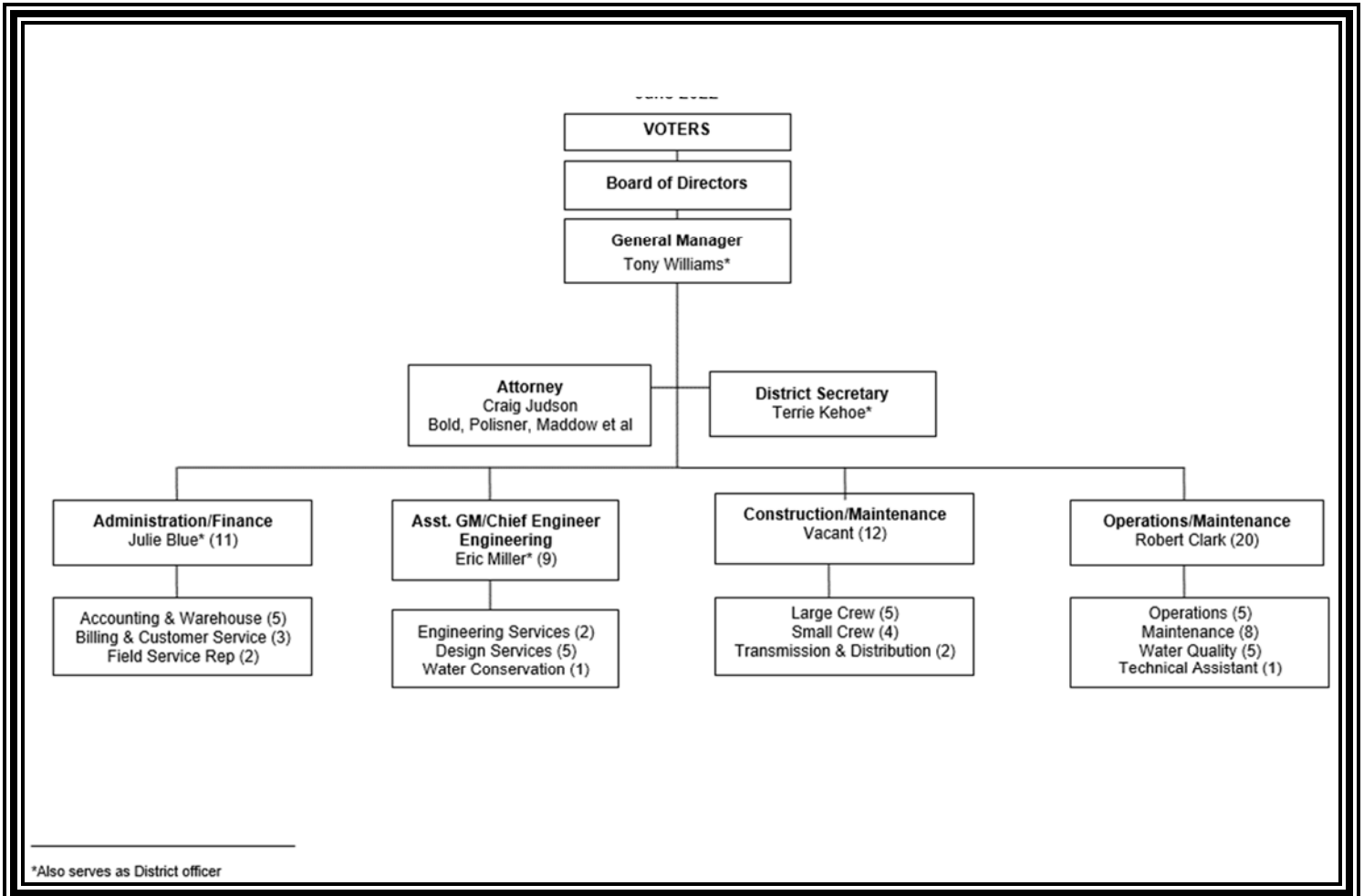
A handwritten signature in black ink, appearing to read 'Julie Blue', written over a horizontal line.

Julie Blue, Auditor-Controller

North Marin Water District Organizational Chart

As of
June 30, 2022

Budgeted FTE: 54







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**North Marin Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

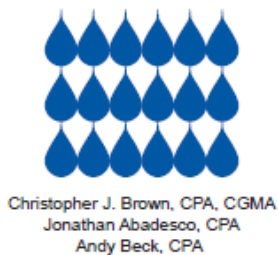
June 30, 2021

Christopher P. Morill

Executive Director/CEO

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Financial Section



Fedak & Brown LLP
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

Opinion

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, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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, 2022 and 2021, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

Emphasis of Matter

As discussed in Note 1.C to the financial statements, in June 30, 2022, the District adopted new accounting guidance *Governmental Accounting Standards Board Statement No. 87*.

As part of our audit of the June 30, 2022, financial statements, we audited the adjustments described in note 14 to the financial statements. Adjustments were recognized for the District's lessor agreements. The District has recorded a lease receivable, a deferred inflow of resources, reclassified a portion of its rental income to interest income, and has recorded a prior period adjustment to restate net position as of July 1, 2020 and 2021. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 18 and the required supplementary information on pages 65 through 67 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 9, the supplementary information of combining schedules on pages 68 through 71, and the statistical section on pages 72 through 86 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information of combining schedules is 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. Such information has been subjected to the auditing procedures applied in the audits 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits 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 November 15, 2022, 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
November 15, 2022

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021

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, 2022 and 2021. 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 2022, the District's net position decreased 1.2% or \$1,442,868 to \$120,256,577 due to net expense from ongoing operations of \$3,268,371, due primarily to \$4,395,375 in current year GASB 68 pension adjustments offset by capital contributions of \$1,825,503.
- In fiscal year 2022, the District's total revenues decreased 7.3% or \$1,874,219 to \$23,958,685.
- In fiscal year 2022, the District's operating revenues decreased 7.1% or \$1,790,754 to \$23,587,781.
- In fiscal year 2022, the District's non-operating revenues decreased by 18.4% or \$83,465 to \$370,904.
- In fiscal year 2022, the District's total expenses including depreciation and amortization increased 7.0% or \$1,791,744 to \$27,227,056.
- In fiscal year 2022, the District's operating expenses, before depreciation, increased 4.5% or \$926,269 to \$21,663,342.
- In fiscal year 2022, the District's non-operating expenses increased by 89.9% or \$729,335 to \$1,540,478.
- In fiscal year 2022, the District's capital contributions decreased by 60.2% or \$2,762,585 to \$1,825,503.

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), deferred outflows resources, obligations to creditors (liabilities), and deferred inflows of resources. 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 the current year's revenues 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, 2022 and 2021

Required Financial Statements, continued

The Statement of Cash Flows reports cash receipts, cash payments, and the net change 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 24 through 64.

Statements of Net Position

Below is a summary of the statements of net position, and presents a comparison between June 30, 2022 and 2021.

Condensed Statements of Net Position

	<u>2022</u>	<u>As Restated 2021</u>	<u>Change</u>
Assets:			
Current assets	\$ 47,718,488	30,818,785	16,899,703
Non-current assets	6,391,431	4,235,383	2,156,048
Capital assets, net	140,803,815	139,341,932	1,461,883
Total assets	<u>194,913,734</u>	<u>174,396,100</u>	<u>20,517,634</u>
Deferred outflows of resources	<u>2,797,995</u>	<u>3,497,233</u>	<u>(699,238)</u>
Liabilities:			
Current liabilities	8,677,249	6,056,565	2,620,684
Non-current liabilities	59,548,203	48,957,580	10,590,623
Total liabilities	<u>68,225,452</u>	<u>55,014,145</u>	<u>13,211,307</u>
Deferred inflows of resources	<u>9,229,700</u>	<u>1,179,743</u>	<u>8,049,957</u>
Net position:			
Net investment in capital assets	93,875,763	110,643,664	(16,767,901)
Restricted	22,725,885	6,166,090	16,559,795
Unrestricted	3,654,929	4,889,691	(1,234,762)
Total net position	<u>\$ 120,256,577</u>	<u>121,699,445</u>	<u>(1,442,868)</u>

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021

Statements of Net Position, continued

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 \$120,256,577 and \$121,699,445 as of June 30, 2022 and 2021, respectively.

By far the largest portion of the District's net position (78% and 91% as of June 30, 2022 and 2021, 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 years 2022 and 2021, the District showed a positive balance in its unrestricted net position of \$3,654,929 and \$4,889,691. See note 13 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

Below is a summary of the statements of revenues, expenses, and changes in net position, and presents a comparison between the years ended June 30, 2022 and 2021.

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

	<u>2022</u>	<u>As Restated 2021</u>	<u>Change</u>
Revenue:			
Operating revenue	\$ 23,587,781	25,378,535	(1,790,754)
Non-operating revenue	370,904	454,369	(83,465)
Total revenue	<u>23,958,685</u>	<u>25,832,904</u>	<u>(1,874,219)</u>
Expense:			
Operating expense	21,663,342	20,737,073	926,269
Depreciation and amortization	4,023,236	3,887,096	136,140
Non-operating expense	1,540,478	811,143	729,335
Total expense	<u>27,227,056</u>	<u>25,435,312</u>	<u>1,791,744</u>
Net income(expense) before capital contributions	<u>(3,268,371)</u>	397,592	(3,665,963)
Capital contributions	<u>1,825,503</u>	<u>4,588,088</u>	<u>(2,762,585)</u>
Changes in net position	<u>(1,442,868)</u>	4,985,680	(6,428,548)
Net position, beginning of year	<u>121,699,445</u>	<u>116,713,765</u>	<u>4,985,680</u>
Net position, end of year	<u>\$ 120,256,577</u>	<u>121,699,445</u>	<u>(1,442,868)</u>

The statement of revenues, expenses, and changes of net position shows how the District's net position changed during the fiscal year. In the case of the District, net position decreased 1.2% or \$1,442,868 to \$120,256,577 due primarily to net expense from ongoing operations of \$3,268,371 sourcing from GASB 68 related pension adjustments of \$4,395,375 offset by capital contributions of \$1,825,503.

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

In 2022, the District's operating revenues decreased 7.1% or \$1,790,754 due primarily to a decrease in water consumption sales of \$3,141,596 offset by an increase in bi-monthly meter service charges of \$1,307,410.

In 2022, the District's non-operating revenues decreased 18.4% or \$83,465 due primarily to a decrease in net investments earnings of \$143,166 offset by increases in gain on sale of property and equipment of \$34,135, other non-operating revenues of \$9,468, and property taxes of \$7,233.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021

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

In 2022, the District's capital contributions decreased by 60.2% or \$2,762,585 due primarily to decreases in connection fees of \$2,534,109 and developer contributions of \$415,425; which were offset by an increase in state and local capital grants of \$186,949.

In 2022, the District's operating expenses increased 4.5% or \$926,269 due primarily to increases in general and administrative of \$1,218,116 which includes \$1,389,384 in GASB 68 related pension adjustments, transmission and distribution of \$932,824 which includes \$1,503,218 in GASB 68 related pension adjustments, water treatment of \$670,349 which includes \$811,416 in GASB 68 related pension adjustments, water facilities operations of \$167,177 which includes \$459,359 in GASB 68 related pension adjustments, and water conservation of \$166,874 which includes \$147,685 in GASB 68 related pension adjustments; which were offset by decreases in source of supply of \$2,173,395 and pumping of \$119,760.

In 2022, the District's non-operating expenses increased by 89.9% or \$729,335 due primarily to increases in investment unrealized loss, net investment earnings of \$497,513 due primarily to year-end market value adjustments of \$637,944, debt issuance costs of \$124,000, non-operating expenses of \$58,770, and interest expense on long-term debt of \$49,052.

In 2022 the District's depreciation and amortization increased by 3.5% or \$136,140 due primarily to the capitalization of additions to the distribution system, treatment plant, other plant and equipment, and equipment leases.

Total District Revenues

Below is a detailed schedule of the District's total revenues segregated between operating revenues and non-operating revenues.

	<u>2022</u>	<u>As Restated 2021</u>	<u>Change</u>
Operating revenues:			
Water consumption sales	\$ 16,405,015	19,546,611	(3,141,596)
Monthly meter service charge	6,517,572	5,210,162	1,307,410
Sewer service charge	290,460	276,360	14,100
Other charges and services	374,734	345,402	29,332
Total operating revenues	<u>23,587,781</u>	<u>25,378,535</u>	<u>(1,790,754)</u>
Non-operating revenues:			
Property tax revenue	132,649	125,416	7,233
Investment earnings, net	-	143,166	(143,166)
Interest earnings from note receivable – BPGL	11,177	11,551	(374)
Interest earnings from loan receivable – MMWD	56,418	60,352	(3,934)
Interest earnings from leases	14,054	14,782	(728)
Rental revenue	94,843	80,942	13,901
Gain on sale of property and equipment	34,135	-	34,135
Other non-operating revenues	27,628	18,160	9,468
Total non-operating revenues	<u>370,904</u>	<u>454,369</u>	<u>(83,465)</u>
Total revenues	<u>\$ 23,958,685</u>	<u>25,832,904</u>	<u>(1,874,219)</u>

In 2022, total revenues decreased \$1,874,219.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021

Total District Expenses

Below is a detailed schedule of the District's total expenses segregated between operating revenues and non-operating revenues.

	<u>2022</u>	<u>As Restated 2021</u>	<u>Change</u>
Operating expenses including depreciation expense:			
Source of supply	\$ 6,450,873	8,624,268	(2,173,395)
Pumping	522,717	642,477	(119,760)
Water facilities operations	1,385,267	1,218,090	167,177
Water treatment	2,588,135	1,917,786	670,349
Transmission and distribution	4,556,025	3,623,201	932,824
Sewage collection and treatment	219,023	185,533	33,490
Customer service	501,005	470,411	30,594
General and administrative	4,877,009	3,658,893	1,218,116
Water conservation	563,288	396,414	166,874
Depreciation and amortization	4,023,236	3,887,096	136,140
Total operating expenses including depreciation expense	<u>25,686,578</u>	<u>24,624,169</u>	<u>1,062,409</u>
Non-operating expenses:			
Unrealized loss, net of investment earnings	497,513	-	497,513
Interest expense – long-term debt	789,056	740,004	49,052
Capital contribution to Agency	124,000	-	124,000
Other non-operating expenses	129,909	71,139	58,770
Total non-operating expenses	<u>1,540,478</u>	<u>811,143</u>	<u>729,335</u>
Total expenses	<u>\$ 27,227,056</u>	<u>25,435,312</u>	<u>1,791,744</u>

In 2022, total expenses increased \$1,791,744.

Capital Asset Administration

Changes in capital asset amounts for 2022 were as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2022</u>
Capital assets:				
Non-depreciable assets	\$ 8,876,858	4,621,625	(3,484,820)	10,013,663
Depreciable assets	198,573,660	4,362,146	(103,656)	202,832,150
Accumulated depreciation	(68,108,586)	(4,023,237)	89,825	(72,041,998)
Total capital assets, net	<u>\$ 139,341,932</u>	<u>4,960,534</u>	<u>(3,498,651)</u>	<u>140,803,815</u>

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021

Capital Asset Administration, continued

Changes in capital asset amounts for 2021 were as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2021</u>
Capital assets:				
Non-depreciable assets	\$ 6,442,627	4,388,484	(1,954,253)	8,876,858
Depreciable assets	196,453,956	2,119,704	-	198,573,660
Accumulated depreciation	<u>(64,221,490)</u>	<u>(3,887,096)</u>	<u>-</u>	<u>(68,108,586)</u>
Total capital assets, net	\$ <u>138,675,093</u>	<u>2,621,092</u>	<u>(1,954,253)</u>	<u>139,341,932</u>

At the end of fiscal years 2022 and 2021, the District's investment in capital assets (net of accumulated depreciation) totaled \$140,803,815 and \$139,341,932, respectively. This investment in capital assets (net of accumulated depreciation) includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles, and construction-in-progress. See note 8 for further information.

Debt Administration

Changes in long-term debt amounts for 2022 were as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2022</u>
Long-term debt:				
Capital lease	\$ 268,052	710,689	(178,675)	800,066
Loans payable	<u>30,509,356</u>	<u>20,000,000</u>	<u>(2,451,132)</u>	<u>48,058,224</u>
Total long-term debt	\$ <u>30,777,408</u>	<u>20,710,689</u>	<u>(2,629,807)</u>	<u>48,858,290</u>

Changes in long-term debt amounts for 2021 were as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>
Long-term debt:				
Capital lease	\$ 263,002	63,438	(58,388)	268,052
Loans payable	<u>32,903,399</u>	<u>-</u>	<u>(2,394,043)</u>	<u>30,509,356</u>
Total long-term debt	\$ <u>33,166,401</u>	<u>63,438</u>	<u>(2,452,431)</u>	<u>30,777,408</u>

See note 10 for further information.

Conditions Affecting Current Financial Position

Management is unaware of any 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, 2022 and 2021

	2022	As Restated 2021
Current assets:		
Cash and cash equivalents (note 2)	\$ 19,032,327	17,029,287
Restricted – cash and cash equivalents (note 2)	22,725,885	4,576,289
Restricted – investments (note 2)	-	2,741,536
Accrued interest receivable	53,608	23,168
Accounts receivable – water and sewer sales and services	4,095,646	4,490,430
Accounts receivable – governmental agencies	309,411	532,602
Accounts receivable – other	67,632	87,413
Leases receivable (note 3)	27,522	25,030
Note receivable (note 4)	38,024	37,646
Loan receivable (note 4)	152,942	148,902
Materials and supplies inventory	852,274	687,346
Prepaid expenses and deposits	363,217	439,136
Total current assets	47,718,488	30,818,785
Non-current assets:		
Restricted – investments (note 2)	2,899,976	250,440
Leases receivable (note 3)	403,371	430,893
Note receivable (note 4)	1,060,788	1,098,812
Loan receivable (note 4)	1,777,296	1,930,238
Notes receivable – employee housing assistance loans, net (note 5)	250,000	525,000
Capital assets, not being depreciated (note 8)	10,013,663	8,876,858
Depreciable capital assets, net (note 8)	130,790,152	130,465,074
Total non-current assets	147,195,246	143,577,315
Total assets	194,913,734	174,396,100
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 11)	28,485	489,891
Deferred pension outflows (note 12)	2,769,510	3,007,342
Total deferred outflows of resources	\$ 2,797,995	3,497,233

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Net Position, continued
June 30, 2022 and 2021

	2022	As Restated 2021
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,578,445	1,710,455
Accrued wages and related payables	312,415	304,520
Accrued claims payable	23,440	23,440
Customer advances and deposits	1,861,255	1,584,319
Accrued interest payable – long-term debt	243,814	148,400
Long-term liabilities – due within one year:		
Compensated absences (note 9)	184,290	199,978
Leases payable (note 10)	531,843	71,321
Loans payable (note 10)	2,941,747	2,014,132
Total current liabilities	8,677,249	6,056,565
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 9)	552,869	599,934
Leases payable (note 10)	268,223	196,731
Loans payable (note 10)	45,116,477	28,495,224
Total other post-employment benefits liability (note 11)	4,343,600	4,938,031
Net pension liability (note 12)	9,267,034	14,727,660
Total non-current liabilities	59,548,203	48,957,580
Total liabilities	68,225,452	55,014,145
Deferred inflows of resources:		
Deferred lease inflows (note 3)	402,237	440,642
Deferred other post-employment benefits inflows (note 11)	249,134	104,267
Deferred pension inflows (note 12)	8,578,329	634,834
Total deferred inflows of resources	9,229,700	1,179,743
Net position: (note 13)		
Net investment in capital assets	93,875,763	110,643,664
Restricted	22,725,885	6,166,090
Unrestricted	3,654,929	4,889,691
Total net position	\$ 120,256,577	121,699,445

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, 2022 and 2021

	2022	As Restated 2021
Operating revenues:		
Water consumption sales	\$ 16,405,015	19,546,611
Bi-monthly meter service charge	6,517,572	5,210,162
Sewer service charges	290,460	276,360
Other charges and services	374,734	345,402
Total operating revenues	23,587,781	25,378,535
Operating expenses:		
Source of supply	6,450,873	8,624,268
Pumping	522,717	642,477
Water facilities operations	1,385,267	1,218,090
Water treatment	2,588,135	1,917,786
Transmission and distribution	4,556,025	3,623,201
Sewage collection and treatment	219,023	185,533
Customer service	501,005	470,411
General and administrative	4,877,009	3,658,893
Water conservation	563,288	396,414
Total operating expenses	21,663,342	20,737,073
Operating income before depreciation	1,924,439	4,641,462
Depreciation and amortization expense – capital recovery	(4,023,236)	(3,887,096)
Operating (loss) income	(2,098,797)	754,366
Non-operating revenues(expenses):		
Property tax revenue	132,649	125,416
Investment (market value unrealized loss) earnings, net	(497,513)	143,166
Interest earnings from note receivable – BPGL	11,177	11,551
Interest earnings from loan receivable – MMWD	56,418	60,352
Interest earnings from leases receivable	14,054	14,782
Rental revenue	94,843	80,942
Interest expense – long-term debt	(789,056)	(740,004)
Debt issuance costs	(124,000)	-
Gain on sale of property and equipment	34,135	-
Other non-operating revenues	27,628	18,160
Other non-operating expenses	(129,909)	(71,139)
Total non-operating expenses, net	(1,169,574)	(356,774)
Net (loss) income before capital contributions	(3,268,371)	397,592
Capital contributions:		
Developers and others	590,514	1,005,939
Connection fees	961,980	3,496,089
Capital grants – state and local	273,009	86,060
Total capital contributions	1,825,503	4,588,088
Change in net position	(1,442,868)	4,985,680
Net position, beginning of year	121,699,445	116,713,765
Net position, end of year	\$ 120,256,577	121,699,445

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	As Restated 2021
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 24,306,910	25,784,781
Cash paid to employees for salaries and wages	(6,194,360)	(5,695,977)
Cash paid to vendors and suppliers for materials and services	(12,180,630)	(14,987,520)
Net cash provided by operating activities	5,931,920	5,101,284
Cash flows from non-capital financing activities:		
Property tax revenue	132,649	125,416
Net cash provided by non-capital financing activities	132,649	125,416
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,485,119)	(4,553,935)
Proceeds from the sale of capital assets	34,135	-
Proceeds from capital contributions and connection fees	2,048,694	4,718,365
Proceeds from principal issued on long-term debt	20,000,000	-
Proceeds from capital leases	710,689	-
Costs paid on debt issuance	(124,000)	-
Principal paid on long-term debt	(2,629,807)	(2,388,993)
Interest paid on long-term debt	(693,642)	(749,218)
Net cash provided by (used in) capital and related financing activities	13,860,950	(2,973,781)
Cash flows from investing activities:		
Proceeds from sale of investments	2,820,000	3,456,504
Purchases of investments	(2,728,000)	(249,000)
Principal received on notes receivable	37,646	37,271
Principal received on loans receivable	173,932	(310,955)
Principal received on employee housing assistance loans	275,000	-
Investment earnings, net of fair value	(351,461)	369,499
Net cash provided by investing activities	227,117	3,303,319
Net increase in cash and cash equivalents	20,152,636	5,556,238
Cash and cash equivalents, beginning of year	21,605,576	16,049,338
Cash and cash equivalents, end of year	\$ 41,758,212	21,605,576
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 19,032,327	17,029,287
Restricted assets – cash and cash equivalents	22,725,885	4,576,289
Total cash and cash equivalents	\$ 41,758,212	21,605,576

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, 2022 and 2021

	<u>2022</u>	<u>As Restated 2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	\$ (2,098,797)	754,366
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense – capital recovery	4,023,236	3,887,096
Other non-operating revenue	27,628	18,160
Other non-operating expenses	(129,909)	(71,139)
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	394,784	(88,270)
Accounts receivable – other	19,781	164,348
Materials and supplies inventory	(164,928)	(58,398)
Prepaid expenses and other deposits	75,919	6,981
(Increase)Decrease in deferred outflows of resources:		
Other post-employment benefits related	461,406	(148,040)
Pension related	237,832	(211,701)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	867,990	(1,188,863)
Accrued wages and related payables	7,895	19,336
Accrued claims payable	-	(97)
Customer advances and deposits	276,936	312,008
Compensated absences	(62,753)	94,959
Other post-employment benefit liability	(594,431)	280,006
Net pension liability	(5,460,626)	1,074,473
Increase(Decrease) in deferred inflows of resources:		
Lease related	(38,405)	440,642
Other post-employment benefits related	144,867	(17,562)
Pension related	7,943,495	(167,021)
Total adjustments	<u>8,030,717</u>	<u>4,346,918</u>
Net cash provided by operating activities	<u>\$ 5,931,920</u>	<u>5,101,284</u>
Non-cash investing, capital, and financing transactions:		
Change in fair value of investments	<u>\$ (637,944)</u>	<u>(51,674)</u>

See accompanying notes to the basic financial statements

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

(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 Standards Board Statement 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 (formerly *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, continued
For the Years Ended June 30, 2022 and 2021

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

C. Financial Reporting

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

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

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

The requirements of this Statement 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.

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.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of Annual Comprehensive Financial Report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Annual Comprehensive Financial Report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

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, deferred outflows, liabilities, and deferred inflows and disclosures of contingent assets at the date of the financial statements and the changes in net position during the reporting period.

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. Fair Value Measurements

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

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

5. Accounts Receivable

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

6. Property Taxes

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

7. Restricted Assets

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

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

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

8. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

9. Capital Assets and Leased 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

Leased assets are amortized on a straight-line basis over the life of the lease term.

10. Deferred Outflows of Resources

The statements 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 net assets 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 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.

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 difference between the actual and expected experience which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.
- Deferred outflow as a result of the net change in proportions of the net pension liability which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

11. Compensated Absences

The District's employees have a vested interest in accrued vacation time. All vacation hours will eventually be either used or paid-off by the District. Employees earn vacation time on a semi-monthly basis. Employees normally earn and use their current vacation time with a small portion being unused each year. As this occurs, the District incurs a future obligation to pay for these unused hours and accrues a liability for such accumulated and unpaid vacation time.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

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

11. Compensated Absences, continued

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.

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, 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.

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 Dates: June 30, 2020 and 2019
- Measurement Date: June 30, 2021 and 2020
- Measurement Period: July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020

13. Deferred Inflows of Resources

The statements 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 net assets 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 change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with post-employment benefits.

Pensions

- Deferred outflow for the net difference between the projected and actual earnings on investments of the pension plan's fiduciary net position. This amount is amortized over a five-year period.
- Deferred inflow for the net difference between actual contributions and the proportionate share of employer contribution which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

14. Water and Sewer Sales

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

15. Capital Contributions

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

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

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

16. Capital and Operating Grants

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

17. Budgetary Policies

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

18. Net Position

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

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted** – 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** – This component of net position consists of net position that does not meet the definition of *net investment in capital assets* or *restricted* components of net position.

19. Reclassification

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

(2) Cash and Investments

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

	2022	2021
Cash and cash equivalents	\$ 19,032,327	17,029,287
Restricted – cash and cash equivalents	22,725,885	4,576,289
Total cash and cash equivalents	<u>41,758,212</u>	<u>21,605,576</u>
Restricted – investments	-	2,741,536
Restricted – investments non-current	2,899,976	250,440
Total restricted investments	<u>2,899,976</u>	<u>2,991,976</u>
Total cash and investments	<u>\$ 44,658,188</u>	<u>24,597,552</u>

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

	2022	2021
Cash on hand	\$ 350	350
Deposits with financial institutions	705,307	1,324,649
Deposits with County of Marin Treasury	1,038,110	1,054,044
California Local Agency Investment Fund	40,014,445	19,226,533
Investments	<u>2,899,976</u>	<u>2,991,976</u>
Total cash and investments	<u>\$ 44,658,188</u>	<u>24,597,552</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(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

The custodial credit risk for *deposits* is the risk that, in the event of 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 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). In addition, the District's investment policy requires that no more than two-thirds of the District's deposits in a depository to be collateralized by mortgage-backed securities and the remainder to be collateralized by non-mortgage-backed securities. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by 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 secured public deposits. As of June 30, 2022 and 2021, bank balances are federally insured up to \$250,000. The remaining balance is collateralized in accordance with the Code; however, collateralized securities are not held in the District's name.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(2) Cash and Investments, continued

Deposit in California Local Agency Investment Fund

The District is a voluntary participant in the California 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 fair value factor for LAIF is reported on a quarterly basis. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is 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.

As of June 30, 2022, the District's investments are scheduled to mature as follows:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 months or less	13 to 24 months	25-60 months	More than 60 months
Certificates-of-deposit	\$ 2,899,976	-	2,666,396	233,580	-
Total	\$ 2,899,976	-	2,666,396	233,580	-

As of June 30, 2021, the District's investments are scheduled to mature as follows:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 months or less	13 to 24 months	25-60 months	More than 60 months
Certificates-of-deposit	\$ 2,991,976	2,741,536	250,440	-	-
Total	\$ 2,991,976	2,741,536	250,440	-	-

Credit ratings as of June 30, 2022, were as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings AA+ to AA-
Certificates-of-deposit	\$ 2,899,976	N/A	2,899,976	-
Total	\$ 2,899,976		2,899,976	-

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(2) Cash and Investments, continued

Credit ratings as of June 30, 2021, were as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings AA+ to AA-
Certificates-of-deposit	\$ 2,991,976	N/A	2,991,976	-
Total	\$ 2,991,976		2,991,976	-

Fair Value Measurements

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2022, 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	\$ 2,899,976	-	2,899,976	-
Total investments measured at fair value	\$ 2,899,976	-	2,899,976	-

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2021, 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	\$ 2,991,976	-	2,991,976	-
Total investments measured at fair value	\$ 2,991,976	-	2,991,976	-

Inputs and valuations methods used for each of the District's investment classes are as follows:

- U.S. Treasury securities – The fair value U.S. Treasury securities is generally based on quoted market prices in active markets (Level 1).
- Certificates-of-deposit – The fair value of certificate-of-deposit is generally determined using a market-based model in which valuation consideration is given to yield or price of comparable securities, coupon rate, maturity, credit quality, and dealer-provided prices (Level 2).

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(3) Leases Receivable

Changes in leases receivable for 2022 were as follows:

	<u>Restated Balance 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Leases receivable:							
<i>Novato Water</i>							
Indian Valley Golf Course	\$ 129,455	-	(8,792)	120,663	9,986	110,677	(110,057)
Tower development	299,235	-	(11,457)	287,778	12,437	275,341	(271,040)
Subtotal leases Novato	<u>428,690</u>	<u>-</u>	<u>(20,249)</u>	<u>408,441</u>	<u>22,423</u>	<u>386,018</u>	<u>(381,097)</u>
<i>West Marin Water</i>							
Horizon Cable TV Inc.	27,233	-	(4,781)	22,452	5,099	17,353	(21,140)
Total leases receivable	<u>\$ 455,923</u>	<u>-</u>	<u>(25,030)</u>	<u>430,893</u>	<u>27,522</u>	<u>403,371</u>	<u>(402,237)</u>

Changes in leases receivable for 2021 were as follows:

	<u>Restated Balance 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Restated Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Leases receivable:							
<i>Novato Water</i>							
Indian Valley Golf Course	\$ 137,572	-	(8,117)	129,455	8,792	120,663	(123,815)
Tower development	309,761	-	(10,526)	299,235	11,457	287,778	(290,401)
Subtotal leases Novato	<u>447,333</u>	<u>-</u>	<u>(18,643)</u>	<u>428,690</u>	<u>20,249</u>	<u>408,441</u>	<u>(414,216)</u>
<i>West Marin Water</i>							
Horizon Cable TV Inc.	-	31,711	(4,478)	27,233	4,781	22,452	(26,426)
Total lease receivables	<u>\$ 447,333</u>	<u>31,711</u>	<u>(23,121)</u>	<u>455,923</u>	<u>25,030</u>	<u>430,893</u>	<u>(440,642)</u>

Indian Valley Golf Course

On July 20, 1988, the District entered into a lease agreement with Indian Valley Golf Course (Indian Valley), whereby Indian Valley has agreed to pay the District monthly for approximately 208.86 acres of watershed area adjoining Stafford Lake for the purpose of maintaining and operating a golf course. The terms of the agreement require Indian Valley to pay the District in monthly installments through June 2030. Monthly installments are adjusted annually based on the cost-of-living index calculated each fiscal year.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.11%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at \$110,057 and \$123,814, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2023	\$ 9,986	3,610	13,596	\$ (13,757)
2024	11,156	3,284	14,440	(13,757)
2025	12,504	2,918	15,422	(13,757)
2026	13,963	2,508	16,471	(13,757)
2027	15,539	2,052	17,591	(13,757)
2028-2030	<u>57,515</u>	<u>2,883</u>	<u>60,398</u>	<u>(41,272)</u>
Total	120,663	<u>17,255</u>	<u>137,918</u>	<u>\$ (110,057)</u>
Current	<u>(9,986)</u>			
Non-current	<u>\$ 110,677</u>			

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(3) Leases Receivable, continued

Tower Development

On August 1, 2010, the District entered into a lease agreement with Verizon Wireless and Tower Development Corporation (Tower Development), whereby Tower Development has agreed to pay the District for providing for construction of a wireless communications antenna. The terms of the agreement require Tower Development to pay the District in annual installments through November 2025 and is adjusted annually by 3.00%.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.11%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at \$271,040 and \$290,401, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year		Principal	Interest	Total	Deferred Inflows
2023	\$	12,437	8,950	21,387	\$ (19,360)
2024		13,465	8,563	22,028	(19,360)
2025		14,545	8,144	22,689	(19,360)
2026		15,677	7,692	23,369	(19,360)
2027		16,866	7,204	24,070	(19,360)
2028-2032		104,278	27,350	131,628	(96,800)
2033-2036		110,510	8,818	119,328	(77,440)
Total		287,778	76,721	364,499	\$ (271,040)
Current		(12,437)			
Non-current	\$	275,341			

Horizon Cable

On November 1, 2020, the District entered into a lease agreement with Horizon Cable TV Inc. (Horizon Cable), whereby Horizon Cable has agreed to pay the District for the purpose of operating, maintaining, and replacing facilities for off-air television signal receiving at the District's water tank site number four. The terms of the agreement require Horizon Cable to pay the District in annual installments through October 2026 and is adjusted annually by 3.00%.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.11%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at \$21,140 and \$26,425, respectively.

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

Fiscal Year		Principal	Interest	Total	Deferred Inflows
2023	\$	5,099	698	5,797	\$ (5,285)
2024		5,431	540	5,971	(5,285)
2025		5,779	371	6,150	(5,285)
2026		6,143	191	6,334	(5,285)
Total		22,452	1,800	24,252	\$ (21,140)
Current		(5,099)			
Non-current	\$	17,353			

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(4) Note and Loan Receivable

Changes in note and loan receivable for 2022 were as follows:

	Balance 2021	Additions	Principal Payments	Balance 2022	Current Portion	Long-term Portion
Note receivable:						
Marin Country Club	\$ 1,136,458	-	(37,646)	1,098,812	38,024	1,060,788
Total notes receivable	1,136,458	-	(37,646)	1,098,812	38,024	1,060,788
Loan receivable:						
Marin Municipal Water District	2,079,140	-	(148,902)	1,930,238	152,942	1,777,296
Total loans receivable	2,079,140	-	(148,902)	1,930,238	152,942	1,777,296
Total notes and loans receivable \$	3,215,598	-	(186,548)	3,029,050	190,966	2,838,084

Changes in notes and loan receivable for 2021 were as follows:

	Balance 2020	Additions	Principal Payments	Balance 2021	Current Portion	Long-term Portion
Note receivable:						
Marin Country Club	\$ 1,173,729	-	(37,271)	1,136,458	37,646	1,098,812
Total notes receivable	1,173,729	-	(37,271)	1,136,458	37,646	1,098,812
Loan receivable:						
Marin Municipal Water District	2,224,108	-	(144,968)	2,079,140	148,902	1,930,238
Total loans receivable	2,224,108	-	(144,968)	2,079,140	148,902	1,930,238
Total notes and loans receivable \$	3,397,837	-	(182,239)	3,215,598	186,548	3,029,050

Marin Country Club

On June 10, 2015, the District entered into a contractual agreement with the Marin Country Club (Country Club), whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water facility in-lieu of connection fees. The Country Club is the primary customer of the Central Service Area pipeline and the receivable from this agreement contributes significantly to the related District debt (see note 8 for further information). The terms of the agreement require the Country Club to reimburse the District in bi-monthly installments through November 2047, and bear an interest rate of 1.00%.

Future payments to be received under the agreement as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 38,024	10,830	48,854
2024	38,406	10,448	48,854
2025	38,791	10,063	48,854
2026	39,181	9,673	48,854
2027	39,574	9,280	48,854
2028-2032	203,912	40,356	244,268
2033-2037	214,358	29,910	244,268
2038-2042	225,339	18,930	244,269
2043-2047	236,882	7,386	244,268
2048	24,345	81	24,426
Total	1,098,812	146,957	1,245,769
Current	(38,024)		
Non-current	\$ 1,060,788		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(4) Note and Loan Receivable, continued

Marin Municipal Water District – Interconnection Agreement AEEP

In February 2019, the District entered into an agreement with Marin Municipal Water District (MMWD) for MMWD to fund a portion of the cost to replace 24,000 feet of the District's aqueduct (Aqueduct Energy Efficiency Project). MMWD uses the District's aqueduct to take water delivery from the Sonoma County Water Agency. On an annual basis, MMWD utilizes 51% of water flowing through the aqueduct. MMWD benefits from the continued use of the aqueduct through 2040 in exchange for funding a portion of the cost. The District received an initial payment of \$480,000 and financed the remaining \$3,142,883. The loan bears an interest rate of 2.71% and matures on July 2032. Principal and interest payments of \$205,320 are due annually on July 1.

Future payments to be received under the agreement as of June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 152,942	52,378	205,320
2024	157,092	48,228	205,320
2025	161,355	43,965	205,320
2026	165,734	39,586	205,320
2027	170,231	35,089	205,320
2028-2032	923,002	103,598	1,026,600
2033	199,882	5,438	205,320
Total	1,930,238	328,282	2,258,520
Current	(152,942)		
Non-current	\$ 1,777,296		

(5) Notes Receivable – Employee Housing Assistance Loans

The District's Employer Assisted Housing Program (Program) allows up to \$300,000 to be loaned to an employee for a period of up to 15 years for the purchase of a home within the District's service area. This allows an 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 based on the amount of interest foregone using the District's investment portfolio yield.

The following schedule lists the loans for employee housing assistance and their corresponding origination dates as of June 30, 2022 and 2021:

<u>Origination</u>	<u>2022</u>	<u>2021</u>
March 2015	\$ 250,000	250,000
June 2018	-	275,000
Total	\$ 250,000	525,000

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(6) Interfund Loan

In 2022, the District entered into an interfund loan agreement between the Novato Water system and West Marin Water system for \$1,000,000 with an interest rate of 2.75% per annum. The proceeds from the loan were used for the purpose of covering construction in progress projects and expense deficits. Principal and interest payments on the loan are due annually beginning July 1, 2023 and maturing in 2033. See the Combining Schedule of Net Position on page 68.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ -	-	-
2024	88,253	27,467	115,720
2025	90,677	25,043	115,720
2026	93,168	22,553	115,721
2027	95,727	19,993	115,720
2028-2032	519,549	59,053	578,602
2033	112,626	3,094	115,720
Total	1,000,000	157,203	1,157,203
Current	-		
Non-current	\$ 1,000,000		

(7) Transfer

In 2022, the Novato Water system transferred \$743,438 to the Novato Recycled system to assist the Novato Recycled system's operations.

In 2021, the Novato Water system transferred \$890,074 to the Novato Recycled system to assist the Novato Recycled system's operations.

(8) Capital Assets

Construction-In-Progress

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

	2022	2021
Developer construction – Novato Water	\$ 1,659,492	1,362,797
Other construction – Novato Water	4,613,699	2,520,374
Other construction – Novato Recycled	89,594	470,660
Other construction – West Marin Water	1,835,126	2,768,124
Other construction – Oceana Marin Sewer	322,661	281,812
Total construction-in-progress	\$ 8,520,572	7,403,767

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(8) Capital Assets, continued

The change in capital assets for 2022 are as follows:

	Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	20,000	-	1,493,091
Construction-in-progress	7,403,767	4,601,625	(3,484,820)	8,520,572
Total non-depreciable assets	8,876,858	4,621,625	(3,484,820)	10,013,663
Depreciable assets:				
Distribution system	108,484,791	1,440,462	-	109,925,253
Treatment plant	22,750,232	262,731	-	23,012,963
Storage facilities	24,593,098	1,581,660	-	26,174,758
Transmission system	29,405,627	97,500	-	29,503,127
Source facilities	5,675,845	-	-	5,675,845
Sewer facilities	1,258,111	9,489	-	1,267,600
Structures and improvements	2,119,365	-	-	2,119,365
Other plant and equipment	3,929,099	259,616	(77,367)	4,111,348
Structure leases	-	587,691	-	587,691
Equipment leases	357,492	122,997	(26,289)	454,200
Total depreciable assets	198,573,660	4,362,146	(103,656)	202,832,150
Accumulated depreciation:				
Distribution system	(35,970,010)	(1,966,348)	-	(37,936,358)
Treatment plant	(11,087,726)	(732,544)	-	(11,820,270)
Storage facilities	(8,435,483)	(502,637)	-	(8,938,120)
Transmission system	(4,729,591)	(254,255)	-	(4,983,846)
Source facilities	(2,510,615)	(107,411)	-	(2,618,026)
Sewer facilities	(713,946)	(29,558)	-	(743,504)
Structures and improvements	(1,440,083)	(52,587)	-	(1,492,670)
Other plant and equipment	(3,130,061)	(225,227)	77,367	(3,277,921)
Structure leases	-	(81,669)	-	(81,669)
Equipment leases	(91,071)	(71,001)	12,458	(149,614)
Total accumulated depreciation	(68,108,586)	(4,023,237)	89,825	(72,041,998)
Total depreciable assets, net	130,465,074	338,909	(13,831)	130,790,152
Total capital assets, net	\$ 139,341,932	4,960,534	(3,498,651)	140,803,815

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(8) Capital Assets, continued

The change in capital assets for 2021 are as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	4,969,536	4,388,484	(1,954,253)	7,403,767
Total non-depreciable assets	<u>6,442,627</u>	<u>4,388,484</u>	<u>(1,954,253)</u>	<u>8,876,858</u>
Depreciable assets:				
Distribution system	106,970,601	1,514,190	-	108,484,791
Treatment plant	22,604,626	145,606	-	22,750,232
Storage facilities	24,593,098	-	-	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	2,119,365	-	-	2,119,365
Other plant and equipment	3,826,683	102,416	-	3,929,099
Equipment leases	-	357,492	-	357,492
Total depreciable assets	<u>196,453,956</u>	<u>2,119,704</u>	<u>-</u>	<u>198,573,660</u>
Accumulated depreciation:				
Distribution system	(33,999,131)	(1,970,879)	-	(35,970,010)
Treatment plant	(10,357,459)	(730,267)	-	(11,087,726)
Storage facilities	(7,933,535)	(501,948)	-	(8,435,483)
Transmission system	(4,475,335)	(254,256)	-	(4,729,591)
Source facilities	(2,403,204)	(107,411)	-	(2,510,615)
Sewer facilities	(686,563)	(27,383)	-	(713,946)
Structures and improvements	(1,386,554)	(53,529)	-	(1,440,083)
Other plant and equipment	(2,979,709)	(150,352)	-	(3,130,061)
Equipment leases	-	(91,071)	-	(91,071)
Total accumulated depreciation	<u>(64,221,490)</u>	<u>(3,887,096)</u>	<u>-</u>	<u>(68,108,586)</u>
Total depreciable assets, net	<u>132,232,466</u>	<u>(1,767,392)</u>	<u>-</u>	<u>130,465,074</u>
Total capital assets, net	<u>\$ 138,675,093</u>	<u>2,621,092</u>	<u>(1,954,253)</u>	<u>139,341,932</u>

(9) Compensated Absences

The change in compensated absences for 2022 was as follows:

	<u>Balance 2021</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	799,912	1,004,544	(1,067,297)	737,159	184,290	552,869

The change in compensated absences for 2021 was as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	704,953	1,097,385	(1,002,426)	799,912	199,978	599,934

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(10) Long-term Debt

The change in long-term debt for 2022 was as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Long-term debt:						
Leases payable:						
Enterprise vehicle lease	\$ 268,052	122,998	(98,518)	292,532	91,150	201,382
100 Wood Hollow structure lease	-	420,347	(41,670)	378,677	334,705	43,972
Buck Institute structure lease	-	167,344	(38,487)	128,857	105,988	22,869
Total leases payable	<u>268,052</u>	<u>710,689</u>	<u>(178,675)</u>	<u>800,066</u>	<u>531,843</u>	<u>268,223</u>
Loans payable:						
<i>Novato Water</i>						
2005 DWR loan	7,564,614	-	(868,840)	6,695,774	442,223	6,253,551
2011 B of M loan	4,191,237	-	(344,179)	3,847,058	356,125	3,490,933
2018 JP Morgan Chase Loan	3,830,000	-	(275,000)	3,555,000	280,000	3,275,000
2022 Webster Bank loan	-	20,000,000	-	20,000,000	879,669	19,120,331
<i>Novato Recycled</i>						
2005 SWRCB loan	1,510,788	-	(237,108)	1,273,680	242,799	1,030,881
2011-2012 SWRCB loans	6,300,389	-	(464,682)	5,835,707	475,745	5,359,962
2016 SWRCB Loan	6,497,101	-	(210,802)	6,286,299	212,910	6,073,389
<i>West Marin Water</i>						
2011 B of M loan	<u>615,227</u>	<u>-</u>	<u>(50,521)</u>	<u>564,706</u>	<u>52,276</u>	<u>512,430</u>
Total loans payable	<u>30,509,356</u>	<u>20,000,000</u>	<u>(2,451,132)</u>	<u>48,058,224</u>	<u>2,941,747</u>	<u>45,116,477</u>
Total long-term debt	<u>\$ 30,777,408</u>	<u>20,710,689</u>	<u>(2,629,807)</u>	<u>48,858,290</u>	<u>3,473,590</u>	<u>45,384,700</u>

The change in long-term debt for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Long-term debt:						
Leases payable:						
Enterprise vehicle lease	\$ 263,002	63,438	(58,388)	268,052	71,321	196,731
Total leases payable	<u>263,002</u>	<u>63,438</u>	<u>(58,388)</u>	<u>268,052</u>	<u>71,321</u>	<u>196,731</u>
Loans payable:						
<i>Novato Water</i>						
2005 DWR loan	8,413,055	-	(848,441)	7,564,614	431,840	7,132,774
2011 B of M loan	4,523,871	-	(332,634)	4,191,237	344,179	3,847,058
2018 JP Morgan Chase Loan	4,100,000	-	(270,000)	3,830,000	275,000	3,555,000
<i>Novato Recycled</i>						
2005 SWRCB loan	1,742,339	-	(231,551)	1,510,788	237,108	1,273,680
2011-2012 SWRCB loans	6,754,264	-	(453,875)	6,300,389	464,681	5,835,708
2016 SWRCB Loan	6,705,816	-	(208,715)	6,497,101	210,802	6,286,299
<i>West Marin Water</i>						
2011 B of M loan	<u>664,054</u>	<u>-</u>	<u>(48,827)</u>	<u>615,227</u>	<u>50,522</u>	<u>564,705</u>
Total loans payable	<u>32,903,399</u>	<u>-</u>	<u>(2,394,043)</u>	<u>30,509,356</u>	<u>2,014,132</u>	<u>28,495,224</u>
Total long-term debt	<u>\$ 33,166,401</u>	<u>63,438</u>	<u>(2,452,431)</u>	<u>30,777,408</u>	<u>2,085,453</u>	<u>28,691,955</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(10) Long-term Debt, continued

Enterprise Vehicle Lease

In May 2019, the District entered into an agreement with Enterprise Fleet Management Trust (Enterprise) to lease vehicles from time to time, commencing on the delivery date of each vehicle. As of June 30, 2022, the District maintains leases for 15 vehicles with delivery dates from June 2019 through January 2022. Each vehicle has a term of 60 months with principal and interest due monthly through 2026.

Following the guidelines set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with interest rates ranging from -0.03% to -0.21%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Fiscal Year		Principal	Interest	Total
2023	\$	91,150	1,144	92,294
2024		91,380	567	91,947
2025		65,300	99	65,399
2026		36,823	2	36,825
2027		7,879	4	7,883
Total		292,532	1,816	294,348
Current		(91,150)		
Non-current	\$	201,382		

100 Wood Hollow Structure Lease

In March 2022, the District entered into an agreement with 100 Wood Hollow Drive Owner LLC to rent 10,289 square feet of building space for the purpose of providing a temporary location for the District's headquarters operations for the duration of the District's headquarters remodeling project. Terms of the agreement commence on May 15, 2022, for a period of 15 months, with base rent due monthly at \$28,295 per month, for months 1-12 and \$29,735 for months 13-15.

Following the guidelines set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.11%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Fiscal Year		Principal	Interest	Total
2023	\$	334,705	7,062	341,767
2024		43,972	151	44,123
Total		378,677	7,213	385,890
Current		(334,705)		
Non-current	\$	43,972		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(10) Long-term Debt, continued

Buck Institute Structure Lease

In February 2022, the District entered into an agreement with The Buck Institute for Research on Aging to rent laboratory facility space for purposes of conducting water quality testing for the duration of the District's headquarters remodeling project. Terms of the agreement commence on February 16, 2022, for a period of 19 months with base rent due quarterly at \$8,964 per month for months 1-12 and \$9,233 for months 13-19.

Following the guidelines set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.11%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Fiscal Year		Principal	Interest	Total
2023	\$	105,988	2,790	108,778
2024		22,869	213	23,082
Total		128,857	3,003	131,860
Current		(105,988)		
Non-current	\$	22,869		

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. The proceeds from the loan were used for the reconstruction of the Stafford Water Treatment Plant. Principal and interest payments on the loan are due semi-annually on January 1st and July 1st and matures in 2030.

Annual debt service requirements for the loan are as follows:

Fiscal Year		Principal	Interest	Total
2023	\$	442,223	80,014	522,237
2024		900,362	144,112	1,044,474
2025		922,010	122,465	1,044,475
2026		944,177	100,297	1,044,474
2027		966,878	77,597	1,044,475
2028-2030		2,520,124	91,062	2,611,186
Total		6,695,774	615,547	7,311,321
Current		(442,223)		
Non-current	\$	6,253,551		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(10) Long-term Debt, continued

2005 SWRCB Loan – Novato Recycled Water segment

In 2005, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount of \$4,302,560 with an interest rate of 2.40% per annum. The proceeds from the loan were used to construct the Deer Island Recycled Water Facility. Principal and interest are payable annually on June 19th and matures in 2027.

As noted in note 3, the District entered into a contractual agreement with Stone Tree Golf Course whereby Stone Tree Golf Course agreed to reimburse the District for construction costs incurred for the new recycled water facility in-lieu of connection fees. As the major customer of the recycled water facility, Stone Tree Golf Course contributed a significant amount towards the District's repayment of this loan.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 242,799	30,569	273,368
2024	248,626	24,741	273,367
2025	254,593	18,774	273,367
2026	260,703	12,664	273,367
2027	266,959	6,407	273,366
Total	1,273,680	93,155	1,366,835
Current	(242,799)		
Non-current	\$ 1,030,881		

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

In 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. The proceeds from the loan were used to construct the Recycled Water Expansion project – North Service Area. As of June 30, 2013, the loan totaled \$4,375,605 consisting of eligible reimbursement cost of \$4,364,335 and capitalized interest charges of \$11,270. Principal and interest payments of \$281,892 are payable annually and matures in 2033.

In 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. The proceeds from the loan were used to construct the Recycled Water Expansion project – South Service Area. Principal and interest payments of \$332,407 are payable annually and matures in 2034.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 475,745	138,554	614,299
2024	487,075	127,224	614,299
2025	498,676	115,623	614,299
2026	510,556	103,743	614,299
2027	522,720	91,579	614,299
2028-2032	2,806,534	264,960	3,071,494
2033-2034	534,401	14,367	548,768
Total	5,835,707	856,050	6,691,757
Current	(475,745)		
Non-current	\$ 5,359,962		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(10) Long-term Debt, continued

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

In October 2013, the District entered into a loan agreement with the Bank of Marin for a 20-year \$8.0 million construction loan with an interest rate of 3.42% per annum. The proceeds of the loan were used for the North Marin Aqueduct Energy Efficiency Project and West Marin water improvements. Principal and interest payments of \$46,067 are payable monthly on the 27th day of each month and matures in September 2031.

Annual debt service requirements for the loan are as follows:

Fiscal Year		Principal	Interest	Total
2023	\$	408,401	144,400	552,801
2024		422,223	130,577	552,800
2025		437,229	115,571	552,800
2026		452,405	100,395	552,800
2027		468,107	84,693	552,800
2028-2032		2,223,399	172,068	2,395,467
Total		4,411,764	747,704	5,159,468
Current		(408,401)		
Non-current	\$	4,003,363		

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

In 2016, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for an amount not-to-exceed \$10,450,708. The amount consists of a 30-year loan totaling \$7,130,503 with an interest rate of 1.00% per annum and capital grant totaling \$3,320,205. The proceeds of the loan were used to construct the Recycled Water Expansion project – Central Service Area. Principal and interest are payable annually on December 31st and matures in 2048.

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 the new recycled water pipeline in-lieu of connection fees. As the primary customer of the Central Service Area pipeline, the Country Club contributes a significant amount towards the District's repayment of this loan.

Annual debt service requirements for the loan are as follows:

Fiscal Year		Principal	Interest	Total
2023	\$	212,910	62,863	275,773
2024		215,039	60,734	275,773
2025		217,189	58,584	275,773
2026		219,361	56,412	275,773
2027		221,555	54,218	275,773
2028-2032		1,141,454	237,410	1,378,864
2033-2037		1,199,680	179,185	1,378,865
2038-2042		1,003,657	99,434	1,103,091
2043-2047		1,582,411	72,226	1,654,637
2048		273,043	2,730	275,773
Total		6,286,299	883,796	7,170,095
Current		(212,910)		
Non-current	\$	6,073,389		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(10) Long-term Debt, continued

2018 JP Morgan Chase Loan

In 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. The proceeds of the loan were used to finance 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 and matures in 2033.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 280,000	95,630	375,630
2024	290,000	88,098	378,098
2025	300,000	80,297	380,297
2026	305,000	72,227	377,227
2027	315,000	64,022	379,022
2028-2032	1,700,000	188,973	1,888,973
2033	365,000	9,819	374,819
Total	3,555,000	599,066	4,154,066
Current	(280,000)		
Non-current	\$ 3,275,000		

2022 Webster Bank Loan

In May 2022, the District entered into an agreement with Webster Bank, N.A. for a loan in an amount of \$20,000,000 with an interest rate of 3.11% per annum. The proceeds of the loan were used to finance the improvements to its system, consisting of the District's headquarters building upgrade and expansion project, and other capital projects. Principal and interest payments on the loan are due semi-annually on September 1st and March 1st and matures in 2042.

Fiscal Year	Principal	Interest	Total
2023	\$ 879,669	468,228	1,347,897
2024	753,254	594,642	1,347,896
2025	776,681	571,216	1,347,897
2026	800,835	547,061	1,347,896
2027	825,741	522,155	1,347,896
2028-2032	4,530,266	2,209,218	6,739,484
2033-2037	5,279,923	1,459,560	6,739,483
2038-2042	6,153,631	585,851	6,739,482
Total	20,000,000	6,957,931	26,957,931
Current	(879,669)		
Non-current	\$ 19,120,331		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(11) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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.

The District contributes up to \$319.22 to PEMHCA on behalf of each retiree eligible for PEMHCA. The District makes supplemental contributions towards certain retirees' PEMHCA premiums if the retiree has attained age 55 and has completed at least 12 years of service with the District at the time of retirement. For employees hired on or after October 1, 2018, the retiree must be at least age 55 at the date of retirement with a minimum of 20 years of full-time equivalent service.

The District's contribution varies by group and retirement date, as follows:

(1) Retiring on or after January 1, 2013, all groups: Up to 85% of the Kaiser 2-party rate each year, offset by the District's basic contribution of \$319.22/month to PEMHCA. If there is no covered spouse, or once the spouse has attained age 65, this changes to 85% of the Kaiser 1-party rate. The supplement ends upon the retiree's attainment of age 65*.

(2) Retiring on or after June 1, 2005, but before January 1, 2013, all groups: Up to 90% of the Kaiser 2-party rate each year, offset by the District's basic contribution of \$319.22/month to PEMHCA. If there is no covered spouse, or once the spouse has attained age 65, this changes to 90% of the Kaiser 1-party rate. The supplement ends upon the retiree's attainment of age 65*.

(3) Retiring before June 1, 2005:

- *Represented* – Up to 100% of the Kaiser 2-party rate (or 1-party rate if single or if spouse has attained age 65) until retiree's age 65; after age 65, the dollar amount is capped at a flat \$409.91/month. All amounts are offset by the District's basic \$319.22/month to PEMHCA.
- *Unrepresented* – Up to 90% of the Kaiser 2-party rate (or 1-party rate if single or if spouse has attained age 65) until retiree's age 65; after age 65, the dollar amount is capped at a flat \$364.87/month. All amounts are offset by the District's basic \$319.22/month to PEMHCA.
- Coverage terminates for the spouse when the spouse becomes eligible for Medicare, or for both the retiree and spouse when the retiree becomes eligible for Medicare.

* If a retiree covered under the medical plan dies before age 65, his/her spouse may continue District-paid group health coverage until age 65 if ineligible for other health insurance coverage, i.e., through employment or remarriage.

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

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefit payments	38	38
Inactive employees entitled to but not receiving benefit payments	-	-
Active employees	<u>53</u>	<u>53</u>
	<u>91</u>	<u>91</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

General Information about the OPEB Plan, continued

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. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of *GASB Statement No. 75*.

Total OPEB Liability

The District's total OPEB liability of \$4,343,600 and \$4,938,031 was measured as of June 30, 2022 and 2021, respectively, and was determined by an actuarial valuation as of July 1, 2021 and 2019, respectively.

Actuarial assumptions and other inputs – The total OPEB liability measured based on the July 1, 2021 and 2019 actuarial valuations, respectively, were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2022: 2.75 percent 2021: 3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2022: 3.69 percent 2021: 1.92 percent
Healthcare cost trend rates	2022: 5.00 percent for 2022, increasing 0.10 percent per year to an ultimate rate of 5.20 percent for 2030 and later years 2021: 5.80 percent for 2021, decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years

As of and for the years ended June 30, 2022 and 2021, the discount rates were based on the Fidelity GO AA 20-Years Municipal Index of 3.69% and 1.92%, respectively.

As of and for the year ended June 30, 2022, pre-retirement mortality rates were based on the CalPERS Experience Study (2000-2019).

As of and for the year ended June 30, 2021, 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, 2021 and 2019 valuations were based on a review of plan experience during the periods July 1, 2019 to June 30, 2022 and July 1, 2017 to June 30, 2019, respectively.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

Changes in the Total OPEB Liability

	Total OPEB Liability 2022	Total OPEB Liability 2021
Balance at beginning of year	\$ 4,938,031	4,658,025
Changes for the year:		
Service cost	189,098	166,020
Interest	101,213	115,047
Difference between expected and actual experience	138,698	-
Changes in assumptions or other inputs	(758,672)	256,981
Benefit payments	(264,768)	(258,042)
Net change	(594,431)	280,006
Balance at end of year	\$ 4,343,600	4,938,031

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 1.92% in 2021 to 3.69% in 2022.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District as of June 30, 2022, 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:

	Discount Rate - 1% (2.69%)	Current Discount Rate (3.69%)	Discount Rate + 1% (4.69%)
District's total OPEB liability	\$ 4,816,874	4,343,600	3,941,634

The following presents the total OPEB liability of the District as of June 30, 2021, 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:

	Discount Rate - 1% (0.92%)	Current Discount Rate (1.92%)	Discount Rate + 1% (2.92%)
District's total OPEB liability	\$ 5,486,320	4,938,031	4,470,353

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

Changes in the Total OPEB Liability, continued

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 of June 30, 2022, 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:

	1% Decrease (4.00%) increasing to 4.20%)	Healthcare Cost Trend Rates (5.00%) increasing to 5.20%)	1% Increase (6.00%) increasing to 6.20%)
District's total OPEB liability	\$ 4,105,386	4,343,600	4,628,009

The following presents the total OPEB liability of the District as of June 30, 2021, 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:

	1% Decrease (4.80%) decreasing to 4.00%)	Healthcare Cost Trend Rates (5.80%) decreasing to 5.00%)	1% Increase (6.80%) decreasing to 6.00%)
District's total OPEB liability	\$ 4,670,501	4,938,031	5,259,051

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

For the year ended June 30, 2022 and 2021, the District recognized OPEB expense of \$11,842 and \$372,446, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2022		2021	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	(249,134)	489,891	-
Differences between actual and expected experience	28,485	-	-	(104,267)
Total	\$ 28,485	(249,134)	489,891	(104,267)

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

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

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

As of June 30, 2022, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year June 30:	Net Changes in Assumptions	Net Differences between Expected and Actual Experience	Net Deferred Outflows/(Inflows) of Resources
2023	\$ 15,167	5,946	21,113
2024	(2,694)	(12,187)	(14,881)
2025	(36,323)	(9,940)	(46,263)
2026	(109,552)	23,508	(86,044)
2027	(115,732)	21,158	(94,574)
Total	\$ (249,134)	28,485	(220,649)

As of June 30, 2021, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year June 30:	Net Changes in Assumptions	Net Differences between Expected and Actual Experience	Net Deferred Outflows/(Inflows) of Resources
2022	\$ 108,940	(17,562)	91,378
2023	143,757	(17,562)	126,195
2024	125,897	(35,696)	90,201
2025	92,263	(33,447)	58,816
2026	19,034	-	19,034
Total	\$ 489,891	(104,267)	385,624

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

See page 65 for the Required Supplementary Schedule.

(12) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (PERF C) administered by the California Public Employees' Retirement System (CalPERS). The PERF C consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans respectively. Benefit provisions under the Plan are established by State Statute and the District's 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 at 400 P Street, Sacramento, California 95814.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(12) 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, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. 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 2.0% at 60 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% at 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA based on the average annual compensation for the last three years of employment.

The District participates in the PERF C miscellaneous risk pool. The provision and benefits for the PERF C miscellaneous pool in effect at June 30, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	57 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	2022: 7.96%	2022: 6.75%
	2021: 7.953%	2021: 6.750%
Required employer contribution rates	2022: 12.20%	2022: 7.59%
	2021: 12.361%	2021: 7.732%

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 an actuary and shall be effective on July 1, following notice of the change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal years ended June 30, the District's pension contributions were as follows:

	<u>Miscellaneous Plan</u>	
	<u>2022</u>	<u>2021</u>
Contributions – employer	\$ 1,674,677	1,490,360

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(12) 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:

	<u>2022</u>	<u>2021</u>
Proportionate share of net pension liability	\$ 9,267,034	14,727,660

The District's net pension liability for the PERF C is measured as the proportionate share of the net pension liability for the miscellaneous pool. As of June 30, 2022 and 2021, the net pension liability of the Plan is measured as of June 30, 2021 and 2020 (the measurement dates), respectively. The total pension liability for the PERF C's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019 (valuation dates), rolled forward to June 30, 2021 and 2020, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's 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 dates for June 30, 2022 and 2021, were as follows:

	<u>Proportionate Share</u>	
Proportion at Measurement Date – June 30, 2020	0.13324	%
Change in proportion	<u>0.00212</u>	
Proportion at Measurement Date – June 30, 2021	0.13536	
Change in proportion	<u>0.03599</u>	
Proportion at Measurement Date – June 30, 2022	<u>0.17135</u>	%

Deferred Pension Outflows (Inflows) of Resources

For the years ended June 30, 2022 and 2021, the District recognized pension expense of \$4,395,375 and \$815,408, respectively.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(12) 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	2022		2021	
	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	\$ 1,674,677	-	1,490,360	-
Net difference between actual and expected experience	1,039,198		758,960	
Net change in assumptions	-	-	-	(105,044)
Net difference between projected and actual earnings on plan investments	-	(8,089,629)	437,508	-
Net difference between actual contribution and proportionate share of contribution	-	(488,700)	-	(529,790)
Net change due to differences in proportion of net pension liability	55,635	-	320,514	-
Total	\$ 2,769,510	(8,578,329)	3,007,342	(634,834)

As of June 30 2022 and 2021, the District reported \$1,674,677 and \$1,490,360, respectively, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended June 30, 2022, will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Pension contributions subsequent to the measurement date for the year ended June 30, 2021, were recognized as a reduction of the net pension liability for the year ended June 30, 2022.

At June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

Fiscal Year	Net Difference between Expected and Actual Experience	Net Change in Assumptions	Net Difference between Projected and Actual Earnings on Pension Plan Investments	Net Difference between Actual Contribution and Proportionate Share of Contribution	Net Change due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
June 30,						
2023	\$ 525,898	(10,211)	(2,036,783)	(266,522)	80,753	(1,706,865)
2024	327,230	1,352	(1,934,732)	(160,427)	11,890	(1,754,687)
2025	186,070	8,859	(1,963,645)	(61,751)	(37,008)	(1,867,475)
2026	-	-	(2,154,469)		-	(2,154,469)
Total	\$ 1,039,198	-	(8,089,629)	(488,700)	55,635	(7,483,496)

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

Fiscal Year June 30,	Net Difference between Expected and Actual Experience	Net Change in Assumptions	Net Difference between Projected and Actual Earnings on Pension Plan Investments	Net Difference between Actual Contribution and Proportionate Share of Contribution	Net Change due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
2022	\$ 437,469	(70,872)	(90,729)	(279,269)	122,124	118,723
2023	260,084	(22,868)	117,684	(178,309)	133,620	310,211
2024	61,407	(11,304)	219,735	(72,212)	64,770	262,396
2025	-	-	190,818	-	-	190,818
Total	\$ 758,960	(105,044)	437,508	(529,790)	320,514	882,148

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2020 and 2019
Measurement dates	June 30, 2021 and 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(12) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2021 and 2020, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	50.00 %	4.80 %	5.98 %
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Infrastructure and Forestland	0.00	0.00	0.00
Liquidity	1.00	0.00	-0.92
	<u>100.00 %</u>		

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

As June 30, 2022, 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:

	Discount Rate - 1% (6.15%)	Current Discount Rate	Discount Rate + 1% (8.15%)
District's net pension liability	\$ <u>16,589,157</u>	<u>9,267,034</u>	<u>3,213,939</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(12) Defined Benefit Pension Plan, continued

As June 30, 2021, 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:

	Discount Rate - 1% (6.15%)	Current Discount Rate	Discount Rate + 1% (8.15%)
District's net pension liability	\$ 21,791,736	14,727,660	8,890,836

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 66 and 67 for Required Supplementary Schedules.

(13) Net Position

Calculation of net position per fund as of June 30, 2022, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 7,629,652	89,594	1,970,947	323,470	10,013,663
Depreciable capital assets, net	93,269,653	30,352,213	6,224,806	943,480	130,790,152
Loan receivable	1,930,238	-	-	-	1,930,238
Current:					
Leases payable	(531,843)	-	-	-	(531,843)
Loans payable	(1,958,017)	(931,454)	(52,276)	-	(2,941,747)
Non-current:					
Leases payable	(268,223)	-	-	-	(268,223)
Loans payable	(32,139,815)	(12,464,232)	(512,430)	-	(45,116,477)
Total net investment in capital assets	67,931,645	17,046,121	7,631,047	1,266,950	93,875,763
Restricted net position:					
SRF loan fund – Stafford Treatment Plant	1,035,064	-	-	-	1,035,064
Webster loan fund – administrative building	18,165,493	-	-	-	18,165,493
SRF reserve fund – Recycled Water System					
North, South, and Central	-	890,072	-	-	890,072
SRF reserve fund – Recycled Water System					
Deer Island	-	215,000	-	-	215,000
Interagency capital replacement and expansion fund	-	2,417,211	-	-	2,417,211
Tax receipts held for general obligation debt	-	-	916	2,129	3,045
Total restricted net position	19,200,557	3,522,283	916	2,129	22,725,885
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	852,274	-	-	-	852,274
Prepaid expenses and deposits	361,299	-	658	1,260	363,217
Non-current:					
Notes receivable	-	1,060,788	-	-	1,060,788
Notes receivable – employee housing loans	250,000	-	-	-	250,000
Total non-spendable net position	1,463,573	1,060,788	658	1,260	2,526,279
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,658,025	-	-	-	4,658,025
Operating reserve (deficit)	(6,743,295)	2,976,376	(232,901)	470,445	(3,529,375)
Total spendable net position (deficit)	(2,085,270)	2,976,376	(232,901)	470,445	1,128,650
Total unrestricted net position	(621,697)	4,037,164	(232,243)	471,705	3,654,929
Total net position	\$ 86,510,505	24,605,568	7,399,720	1,740,784	120,256,577

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(13) Net Position, continued

Calculation of net position per fund as of June 30, 2021, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 5,251,244	470,660	2,872,364	282,590	8,876,858
Depreciable capital assets, net	93,867,241	30,730,706	4,886,590	980,537	130,465,074
Capital project loan proceeds unused	-	-	-	-	-
Loan receivable	2,079,140	-	-	-	2,079,140
Current:					
Leases payable	(71,321)	-	-	-	(71,321)
Loans payable	(1,051,019)	(912,591)	(50,522)	-	(2,014,132)
Non-current:					
Leases payable	(196,731)	-	-	-	(196,731)
Loans payable	(14,534,832)	(13,395,687)	(564,705)	-	(28,495,224)
Total net investment in capital assets	85,343,722	16,893,088	7,143,727	1,263,127	110,643,664
Restricted net position:					
SRF loan fund – Stafford Treatment Plant	1,050,461	-	-	-	1,050,461
SRF reserve fund – Recycled Water System North, South, and Central	-	890,072	-	-	890,072
SRF reserve fund – Recycled Water System Deer Island	-	1,804,801	-	-	1,804,801
Interagency capital replacement and expansion fund	-	2,417,211	-	-	2,417,211
Tax receipts held for general obligation debt	-	-	917	2,628	3,545
Total restricted net position	1,050,461	5,112,084	917	2,628	6,166,090
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	687,346	-	-	-	687,346
Prepaid expenses and deposits	437,477	-	559	1,100	439,136
Non-current:					
Notes receivable	-	1,098,812	-	-	1,098,812
Notes receivable – employee housing loans	525,000	-	-	-	525,000
Total non-spendable net position	1,649,823	1,098,812	559	1,100	2,750,294
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,658,025	-	-	-	4,658,025
Operating reserve (deficit)	(3,663,966)	528,819	192,802	423,717	(2,518,628)
Total spendable net position (deficit)	994,059	528,819	192,802	423,717	2,139,397
Total unrestricted net position	2,643,882	1,627,631	193,361	424,817	4,889,691
Total net position	\$ 89,038,065	23,632,803	7,338,005	1,690,572	121,699,445

(14) Adjustment to Net Position

In fiscal year 2022, the District implemented GASB pronouncement 87 to recognize its lessor arrangements. The District did not have any lessee arrangements which required restatement. As a result of the implementation, the District recognized the lease receivables and deferred inflows of resources and recorded a prior period adjustment, an (increase) to net position, of \$15,281 at June 30, 2021.

The adjustment to net position is as follows:

Net position at July 1, 2020, as previously stated	\$ 116,713,765
Effect of adjustment to record lease receivables and deferred inflows	15,281
Change in net position at June 30, 2021, as previously stated	4,970,399
Subtotal adjustments	4,985,680
Net position at June 30, 2021, as restated	\$ 121,699,445

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(15) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. 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 statements of net position. As of June 30, 2022 and 2021, the assets of the deferred compensation savings plan totaled \$7,957,240 and \$8,533,293, respectively.

(16) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance policies with a variety of coverage.

At June 30, 2022, the District coverage with various insurance carriers are as follows:

- General liability coverage includes general aggregate and products and completed operations aggregate of \$10 million; personal and advertising injury and damage to premises rented by the District of \$1 million; and medical expenses of \$10,000. Each claim is subject to a deductible of \$100,000.
- Property insurance coverage is as follows: 1) Real property and business personal property blanket coverage up to \$77,518,398 and coverage extension blanket up to \$2 million subject to a \$25,000 deductible; and mobile equipment coverage up to \$653,500 for scheduled, \$100,000 for unscheduled, and \$250,000 for borrowed, rented, or leased subject to a \$25,000 deductible.
- Automobile insurance coverage as follows: 1) \$1,000,000 Combined single limit for bodily injury & property damage; \$1,000,000 each for hired auto, non-owned auto, and uninsured/underinsured motorist; \$100,000 for hired physical damage; and \$5,000 for medical payments. Liability coverages are subject to a \$100,000 deductible and physical damage coverages are subject to a \$5,000.
- Crime coverage includes employee theft of \$1 million; and forgery or alteration, theft of money and securities, robbery and safe burglary, crime outside the premises, computer fraud and money orders, and funds transfer fraud of \$250,000. Each claim is subject to a deductible of \$100,000.
- Public officials and management liability against wrongful acts, employment practices, and employee benefit plans of \$1 million. Each claim is subject to a deductible of \$100,000.
- Workers' compensation insurance: Statutory limits; Employers Liability coverage up to \$1 million per accident; each employee; policy aggregate.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended June 30, 2022 and 2021.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

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

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, continued
For the Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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, continued
For the Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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, continued
For the Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(18) Commitments and Contingencies

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 facility 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. In addition, 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 buildings, transmission facilities, and distribution systems within its service area in addition to the acquisition of other assets. 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 commitments of approximately \$13,132,701 and \$2,213,128 in capital expenditures as of June 30, 2022 and 2021, respectively.

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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2022 and 2021

(19) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of November 15, 2022, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

North Marin Water District
Schedule of Changes in the District Total OPEB Liability and Related Ratios
As of June 30, 2022
Last Ten Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 189,098	166,020	140,410	137,480	145,989
Interest	101,213	115,047	135,765	150,690	132,454
Differences between expected and actual experience	138,698	-	(272,373)	163,205	-
Changes in assumptions or other inputs	(758,672)	256,981	363,781	195,564	(197,296)
Benefit payments	<u>(264,768)</u>	<u>(258,042)</u>	<u>(229,722)</u>	<u>(250,340)</u>	<u>(375,787)</u>
Net change in total OPEB liability	(594,431)	280,006	137,861	396,599	(294,640)
Total OPEB liability - beginning	<u>4,938,031</u>	<u>4,658,025</u>	<u>4,520,164</u>	<u>4,123,565</u>	<u>4,418,205</u>
Total OPEB liability - ending	<u>\$ 4,343,600</u>	<u>4,938,031</u>	<u>4,658,025</u>	<u>4,520,164</u>	<u>4,123,565</u>
Covered-employee payroll	\$ 6,126,310	5,685,912	5,699,559	5,434,109	5,635,521
Total OPEB liability as a percentage of covered-employee payroll	<u>70.90%</u>	<u>86.85%</u>	<u>81.73%</u>	<u>83.18%</u>	<u>73.17%</u>
Valuation date	<u>July 1, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Methods and assumptions used to determine contribution rates:					
Single and agent employers	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Inflation	2.75%	3.00%	3.00%	3.00%	4.00%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%
Mortality, retirement, turnover	(2)	(3)	(3)	(3)	(3)

(1) Level percentage of payroll, closed

(2) Preretirement Mortality Rates from CalPERS Experience Study (2000-2019).

Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

(3) Preretirement Mortality Rates from RP-2014 Employee Mortality, without projection

Postretirement Mortality Rates from RP-2014 Healthy Annuitant Mortality, without projection.

There are no asset accumulated in a trust that meets the criteria of GASB codification P52.101 to pay related benefits for the OPEB plan.

* The District has presented information for those years for which information is available until a full 10-year trend

North Marin Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last Ten Years*

Description	Measurement Dates							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.17135%	0.13536%	0.13324%	0.13034%	0.12881%	0.12759%	0.12558%	0.10769%
District's proportionate share of the net pension liability \$	9,267,034	\$ 14,727,660	13,653,187	12,560,160	12,774,724	11,040,789	8,619,837	6,701,264
District's covered payroll \$	5,013,891	\$ 4,877,510	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	184.83%	301.95%	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	83.29%	72.26%	73.56%	74.43%	72.80%	73.98%	78.63%	83.47%

Notes to schedule:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

North Marin Water District
Schedules of Pension Plan Contributions
As of June 30, 2022
Last Ten Years*

Description	Fiscal Years							
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 1,674,677	\$ 1,490,360	1,370,702	1,155,358	1,017,325	926,448	828,792	669,066
Contributions in relation to the actuarially determined contribution	(1,674,677)	(1,490,360)	(1,370,702)	(1,155,358)	(1,017,325)	(926,448)	(828,792)	(669,066)
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-
District's covered payroll	\$ 5,013,891	\$ 4,877,510	4,878,849	4,953,247	4,600,500	4,542,666	4,305,518	4,305,518
Contribution's as a percentage of covered payroll	33.40%	30.56%	28.09%	23.33%	22.11%	20.39%	19.25%	15.54%
Notes to schedule:								
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 year Smoothed Market
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Supplemental Information

Combining Schedules

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2022

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	\$ 15,060,130	2,697,343	792,340	482,514	19,032,327
Restricted – cash and cash equivalents	19,200,557	3,522,283	916	2,129	22,725,885
Accrued interest receivable	53,608	-	-	-	53,608
Accounts receivable – water and sewer sales	3,600,081	344,461	151,104	-	4,095,646
Accounts receivable – governmental agencies	223,120	-	84,084	2,207	309,411
Accounts receivable – other	-	67,632	-	-	67,632
Leases receivable	22,423	-	5,099	-	27,522
Note receivable	-	38,024	-	-	38,024
Loan receivable	152,942	-	-	-	152,942
Materials and supplies inventory	852,274	-	-	-	852,274
Prepaid expenses and deposits	361,299	-	658	1,260	363,217
Total current assets	39,526,434	6,669,743	1,034,201	488,110	47,718,488
Non-current assets:					
Restricted – investments	2,899,976	-	-	-	2,899,976
Leases receivable	386,018	-	17,353	-	403,371
Notes receivable	-	1,060,788	-	-	1,060,788
Loan receivable	1,777,296	-	-	-	1,777,296
Interfund loan – West Marin (note 6)	1,000,000	-	-	-	1,000,000
Note receivable – employee housing loans, net	250,000	-	-	-	250,000
Capital assets, not being depreciated	7,629,652	89,594	1,970,947	323,470	10,013,663
Depreciable capital assets, net	93,269,653	30,352,213	6,224,806	943,480	130,790,152
Total non-current assets	107,212,595	31,502,595	8,213,106	1,266,950	148,195,246
Total assets	146,739,029	38,172,338	9,247,307	1,755,060	195,913,734
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	28,485	-	-	-	28,485
Deferred pension outflows	2,769,510	-	-	-	2,769,510
Total deferred outflows of resources	2,797,995	-	-	-	2,797,995
Current liabilities:					
Accounts payable and accrued expenses	2,573,181	-	5,264	-	2,578,445
Accrued wages and related payables	232,623	35,907	32,914	10,971	312,415
Accrued claims payable	21,682	656	797	305	23,440
Customer advances and deposits	1,608,087	27,402	222,766	3,000	1,861,255
Accrued interest payable – long-term debt	136,695	107,119	-	-	243,814
Long-term liabilities – due within one year:					
Compensated absences	184,290	-	-	-	184,290
Leases payable	531,843	-	-	-	531,843
Loans payable	1,958,017	931,454	52,276	-	2,941,747
Total current liabilities	7,246,418	1,102,538	314,017	14,276	8,677,249
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	552,869	-	-	-	552,869
Interfund loan – West Marin (note 6)	-	-	1,000,000	-	1,000,000
Leases payable	268,223	-	-	-	268,223
Loans payable	32,139,815	12,464,232	512,430	-	45,116,477
Other post-employment benefits liability	4,343,600	-	-	-	4,343,600
Net pension liability	9,267,034	-	-	-	9,267,034
Total non-current liabilities	46,571,541	12,464,232	1,512,430	-	60,548,203
Total liabilities	53,817,959	13,566,770	1,826,447	14,276	69,225,452
Deferred inflows of resources:					
Deferred lease inflows	381,097	-	21,140	-	402,237
Deferred other post-employment benefits inflows	249,134	-	-	-	249,134
Deferred pension inflows	8,578,329	-	-	-	8,578,329
Total deferred inflows of resources	9,208,560	-	21,140	-	9,229,700
Net position:					
Net investment in capital assets	67,931,645	17,046,121	7,631,047	1,266,950	93,875,763
Restricted for capital projects and debt service	19,200,557	3,522,283	916	2,129	22,725,885
Unrestricted (deficit)	(621,697)	4,037,164	(232,243)	471,705	3,654,929
Total net position	\$ 86,510,505	24,605,568	7,399,720	1,740,784	120,256,577

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2021

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	As Restated Total
Current assets:					
Cash and cash equivalents	\$ 14,619,969	1,758,464	210,463	440,391	17,029,287
Restricted – cash and cash equivalents	1,050,461	3,522,283	917	2,628	4,576,289
Restricted – investments	2,741,536	-	-	-	2,741,536
Accrued interest receivable	23,168	-	-	-	23,168
Accounts receivable – water and sewer sales	3,914,215	382,601	193,614	-	4,490,430
Accounts receivable – governmental agencies	532,602	-	-	-	532,602
Accounts receivable – other	-	87,413	-	-	87,413
Leases receivable	20,249	-	4,781	-	25,030
Note receivable	-	37,646	-	-	37,646
Loan receivable	148,902	-	-	-	148,902
Materials and supplies inventory	687,346	-	-	-	687,346
Prepaid expenses and deposits	437,477	-	559	1,100	439,136
Total current assets	24,175,925	5,788,407	410,334	444,119	30,818,785
Non-current assets:					
Restricted – investments	250,440	-	-	-	250,440
Leases receivable	408,441	-	22,452	-	430,893
Note receivable	-	1,098,812	-	-	1,098,812
Loan receivable	1,930,238	-	-	-	1,930,238
Notes receivable – employee housing loans, net	525,000	-	-	-	525,000
Capital assets, not being depreciated	5,251,244	470,660	2,872,364	282,590	8,876,858
Depreciable capital assets, net	93,867,241	30,730,706	4,886,590	980,537	130,465,074
Total non-current assets	102,232,604	32,300,178	7,781,406	1,263,127	143,577,315
Total assets	126,408,529	38,088,585	8,191,740	1,707,246	174,396,100
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	489,891	-	-	-	489,891
Deferred pension outflows	3,007,342	-	-	-	3,007,342
Total deferred outflows of resources	3,497,233	-	-	-	3,497,233
Current liabilities:					
Accounts payable and accrued expenses	1,662,214	-	48,241	-	1,710,455
Accrued wages and related payables	224,300	32,312	34,539	13,369	304,520
Accrued claims payable	21,682	656	797	305	23,440
Customer advances and deposits	1,452,336	478	128,505	3,000	1,584,319
Accrued interest payable – long-term debt	34,342	114,058	-	-	148,400
Long-term liabilities – due within one year:					
Compensated absences	199,978	-	-	-	199,978
Leases payable	71,321	-	-	-	71,321
Loans payable	1,051,019	912,591	50,522	-	2,014,132
Total current liabilities	4,717,192	1,060,095	262,604	16,674	6,056,565
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	599,934	-	-	-	599,934
Leases payable	196,731	-	-	-	196,731
Loans payable	14,534,832	13,395,687	564,705	-	28,495,224
Other post-employment benefits liability	4,938,031	-	-	-	4,938,031
Net pension liability	14,727,660	-	-	-	14,727,660
Total non-current liabilities	34,997,188	13,395,687	564,705	-	48,957,580
Total liabilities	39,714,380	14,455,782	827,309	16,674	55,014,145
Deferred inflows of resources:					
Deferred lease inflows	414,216	-	26,426	-	440,642
Deferred other post-employment benefits inflows	104,267	-	-	-	104,267
Deferred pension inflows	634,834	-	-	-	634,834
Total deferred inflows of resources	1,153,317	-	26,426	-	1,179,743
Net position:					
Net investment in capital assets	85,343,722	16,893,088	7,143,727	1,263,127	110,643,664
Restricted for capital projects and debt service	1,050,461	5,112,084	917	2,628	6,166,090
Unrestricted	2,643,882	1,627,631	193,361	424,817	4,889,691
Total net position	\$ 89,038,065	23,632,803	7,338,005	1,690,572	121,699,445

North Marin Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 14,247,657	1,536,136	621,222	-	16,405,015
Bi-monthly meter service charge	6,158,496	121,197	237,879	-	6,517,572
Sewer service charges	-	-	-	290,460	290,460
Other charges and services	367,826	-	6,908	-	374,734
Total operating revenues	20,773,979	1,657,333	866,009	290,460	23,587,781
Operating expenses:					
Source of supply	6,146,781	266,124	37,968	-	6,450,873
Pumping	454,098	3,689	64,930	-	522,717
Water facilities operations	1,144,066	159,879	81,322	-	1,385,267
Water treatment	2,298,375	16,221	273,539	-	2,588,135
Transmission and distribution	4,348,114	50,526	157,385	-	4,556,025
Sewage collection and treatment	1,102	-	-	217,921	219,023
Customer service	462,670	1,579	34,965	1,791	501,005
General and administrative	4,538,340	119,228	172,161	47,280	4,877,009
Water conservation projects	537,533	-	25,755	-	563,288
Total operating expenses	19,931,079	617,246	848,025	266,992	21,663,342
Operating income before depreciation	842,900	1,040,087	17,984	23,468	1,924,439
Depreciation	(3,007,398)	(768,645)	(200,647)	(46,546)	(4,023,236)
Operating income(loss)	(2,164,498)	271,442	(182,663)	(23,078)	(2,098,797)
Non-operating revenues(expenses):					
Property tax revenue	7,017	-	60,818	64,814	132,649
Investment earnings	(548,565)	43,983	193	6,876	(497,513)
Interest earnings from note receivable – BPGL	-	11,177	-	-	11,177
Interest earnings from loan receivable – MMWD	56,418	-	-	-	56,418
Interest earnings from leases	13,207	-	847	-	14,054
Rental revenue	89,308	-	5,285	250	94,843
Interest expense – long-term debt	(524,910)	(243,909)	(20,237)	-	(789,056)
Debt issuance costs	(124,000)	-	-	-	(124,000)
Gain on sale of property and equipment	34,135	-	-	-	34,135
Other non-operating revenues	26,730	-	898	-	27,628
Other non-operating expenses	(128,277)	-	(775)	(857)	(129,909)
Total non-operating revenues(expense), net	(1,098,937)	(188,749)	47,029	71,083	(1,169,574)
Net income(loss) before capital contributions	(3,263,435)	82,693	(135,634)	48,005	(3,268,371)
Capital contributions:					
Developers and others	578,933	-	11,581	-	590,514
Connection fees	900,380	-	61,600	-	961,980
Capital grants – state and local	-	146,634	124,168	2,207	273,009
Total capital contributions	1,479,313	146,634	197,349	2,207	1,825,503
Transfer in(out)	(743,438)	743,438	-	-	-
Change in net position	(2,527,560)	972,765	61,715	50,212	(1,442,868)
Net position, beginning of year, as restated	89,038,065	23,632,803	7,338,005	1,690,572	121,699,445
Net position, end of year	\$ 86,510,505	24,605,568	7,399,720	1,740,784	120,256,577

North Marin Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	As Restated Total
Operating revenues:					
Water consumption sales	\$ 17,174,412	1,594,471	777,728	-	19,546,611
Bi-monthly meter service charge	4,921,137	91,653	197,372	-	5,210,162
Sewer service charges	-	-	-	276,360	276,360
Other charges and services	338,531	-	6,871	-	345,402
Total operating revenues	22,434,080	1,686,124	981,971	276,360	25,378,535
Operating expenses:					
Source of supply	8,289,856	309,398	25,014	-	8,624,268
Pumping	549,914	4,525	88,038	-	642,477
Water facilities operations	892,993	245,921	79,176	-	1,218,090
Water treatment	1,617,471	15,450	284,865	-	1,917,786
Transmission and distribution	3,402,169	95,099	125,933	-	3,623,201
Sewage collection and treatment	1,204	-	-	184,329	185,533
Customer service	441,993	1,600	24,950	1,868	470,411
General and administrative	3,356,533	71,917	168,002	62,441	3,658,893
Water conservation projects	352,057	-	44,357	-	396,414
Total operating expenses	18,904,190	743,910	840,335	248,638	20,737,073
Operating income before depreciation	3,529,890	942,214	141,636	27,722	4,641,462
Depreciation	(2,857,337)	(786,073)	(199,315)	(44,371)	(3,887,096)
Operating income	672,553	156,141	(57,679)	(16,649)	754,366
Non-operating revenues(expenses):					
Property tax revenue	6,273	-	57,678	61,465	125,416
Investment earnings, net	87,258	43,028	8,714	4,166	143,166
Interest earnings from note receivable – BPGL	-	11,551	-	-	11,551
Interest earnings from loan receivable – MMWD	60,352	-	-	-	60,352
Interest earnings from leases	13,796	-	986	-	14,782
Rental revenue	75,407	-	5,285	250	80,942
Interest expense – long-term debt	(455,568)	(262,505)	(21,931)	-	(740,004)
Other non-operating revenues	18,011	-	72	77	18,160
Other non-operating expenses	(969)	-	(782)	(69,388)	(71,139)
Total non-operating revenues(expense), net	(195,440)	(207,926)	50,022	(3,430)	(356,774)
Net income before capital contributions	477,113	(51,785)	(7,657)	(20,079)	397,592
Capital contributions:					
Developers and others	1,005,109	-	830	-	1,005,939
Connection fees	3,496,089	-	-	-	3,496,089
Capital grants – state and local	-	-	-	86,060	86,060
Total capital contributions	4,501,198	-	830	86,060	4,588,088
Transfers in(out)	(890,074)	890,074	-	-	-
Change in net position	4,088,237	838,289	(6,827)	65,981	4,985,680
Net position, beginning of year	84,949,828	22,794,514	7,344,832	1,624,591	116,713,765
Net position, end of year, as restated	\$ 89,038,065	23,632,803	7,338,005	1,690,572	121,699,445

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Statistical Information Section

North Marin Water District Statistical Section

This part of the District's Annual Comprehensive 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.	73-76
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

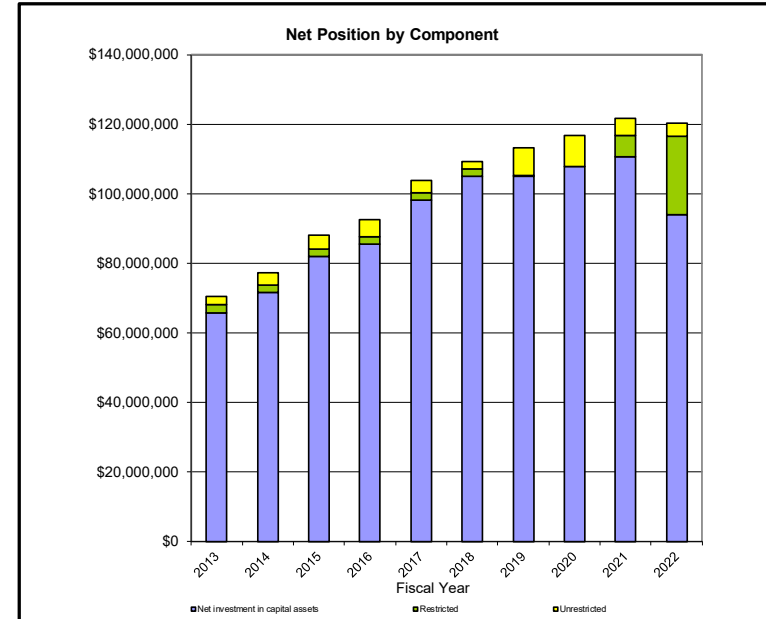
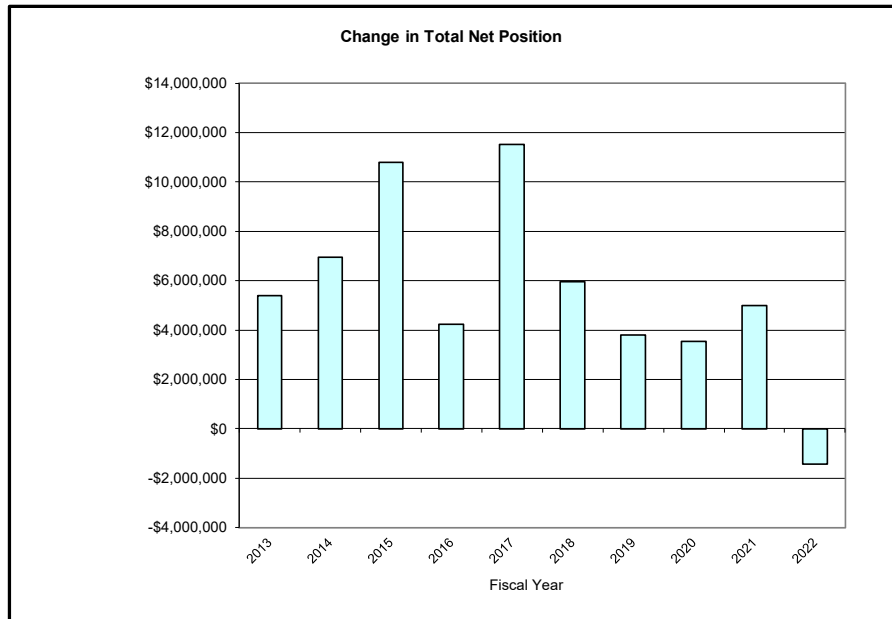
North Marin Water District

Changes in Net Position and Net Position by Component

Last Ten Fiscal Years

Schedule 1

	Fiscal Year									
	Restated 2013	Restated 2014	2015	2016	2017	Restated 2018	Restated 2019	2020	Restated 2021	2022
Change in net position:										
Operating revenues (see schedule 2)	\$18,256,638	\$20,772,429	\$18,081,308	\$17,411,543	\$18,703,476	\$22,094,094	\$21,772,246	\$23,796,921	\$25,378,535	\$23,587,781
Operating expenses (see schedule 3)	(13,140,845)	(13,309,833)	(13,328,124)	(13,704,737)	(15,099,687)	(16,461,030)	(16,371,492)	(19,404,779)	(20,737,073)	(21,663,342)
Depreciation and amortization	(2,793,360)	(3,128,302)	(3,183,725)	(3,286,353)	(3,416,411)	(3,434,069)	(3,451,155)	(3,366,216)	(3,887,096)	(4,023,236)
Operating income(loss)	\$2,322,433	\$4,334,294	\$1,569,459	\$420,453	\$187,378	\$2,198,995	\$1,949,599	\$1,025,926	\$754,366	(\$2,098,797)
Net non-op revenue(expense) (see schedule 4)	(285,490)	(518,474)	(488,661)	(328,734)	(304,830)	(253,110)	(59,467)	(239,641)	(356,774)	(1,169,574)
Net income(loss) before capital contributions	\$2,036,943	\$3,815,820	\$1,080,798	\$91,719	(\$117,452)	\$1,945,885	\$1,890,132	\$786,285	\$397,592	(\$3,268,371)
Capital contributions	3,357,870	3,144,256	9,714,111	4,139,047	11,643,388	4,020,041	1,921,709	2,762,983	4,588,088	1,825,503
Change in net position	\$5,394,813	\$6,960,076	\$10,794,909	\$4,230,766	\$11,525,936	\$5,965,926	\$3,811,841	\$3,549,268	\$4,985,680	(\$1,442,868)
Net position by component:										
Net investment in capital assets	\$65,839,724	\$71,538,168	\$82,037,287	\$85,542,035	\$98,131,574	\$104,921,863	\$105,092,277	\$107,946,623	\$110,643,664	\$93,875,763
Restricted	2,186,452	2,156,020	2,170,429	2,122,980	2,140,681	2,186,164	71,715	-	6,166,090	22,725,885
Unrestricted	2,404,385	3,696,449	3,977,830	5,007,769	3,639,717	2,244,629	8,000,505	8,767,142	4,889,691	3,654,929
Total net position	\$70,430,561	\$77,390,637	\$88,185,546	\$92,672,784	\$103,911,972	\$109,352,656	\$113,164,497	\$116,713,765	\$121,699,445	\$120,256,577

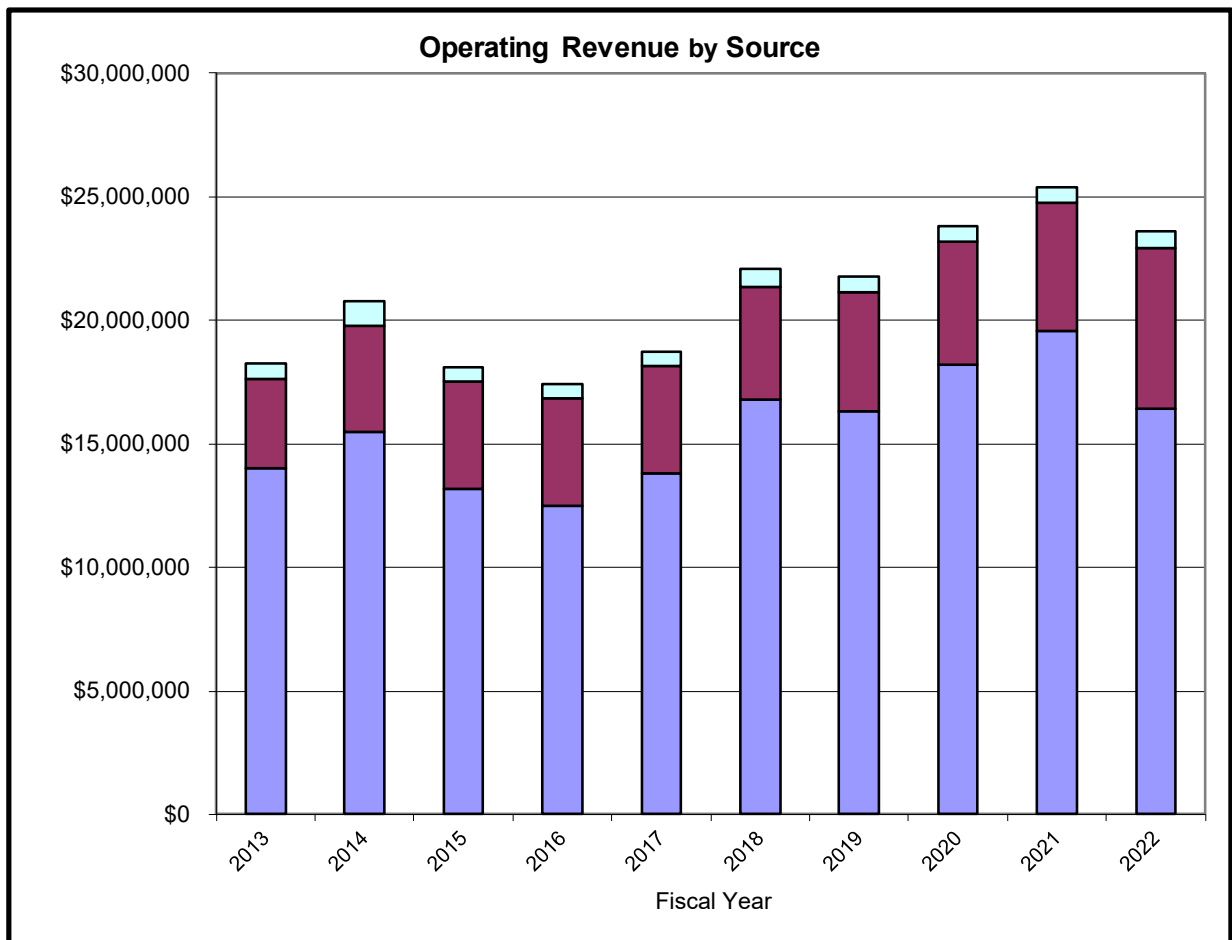


Source: North Marin Water District Audited Financial Statements

**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
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
2021		19,546,611	5,210,162	621,762		25,378,535
2022		16,405,015	6,517,572	665,194		23,587,781

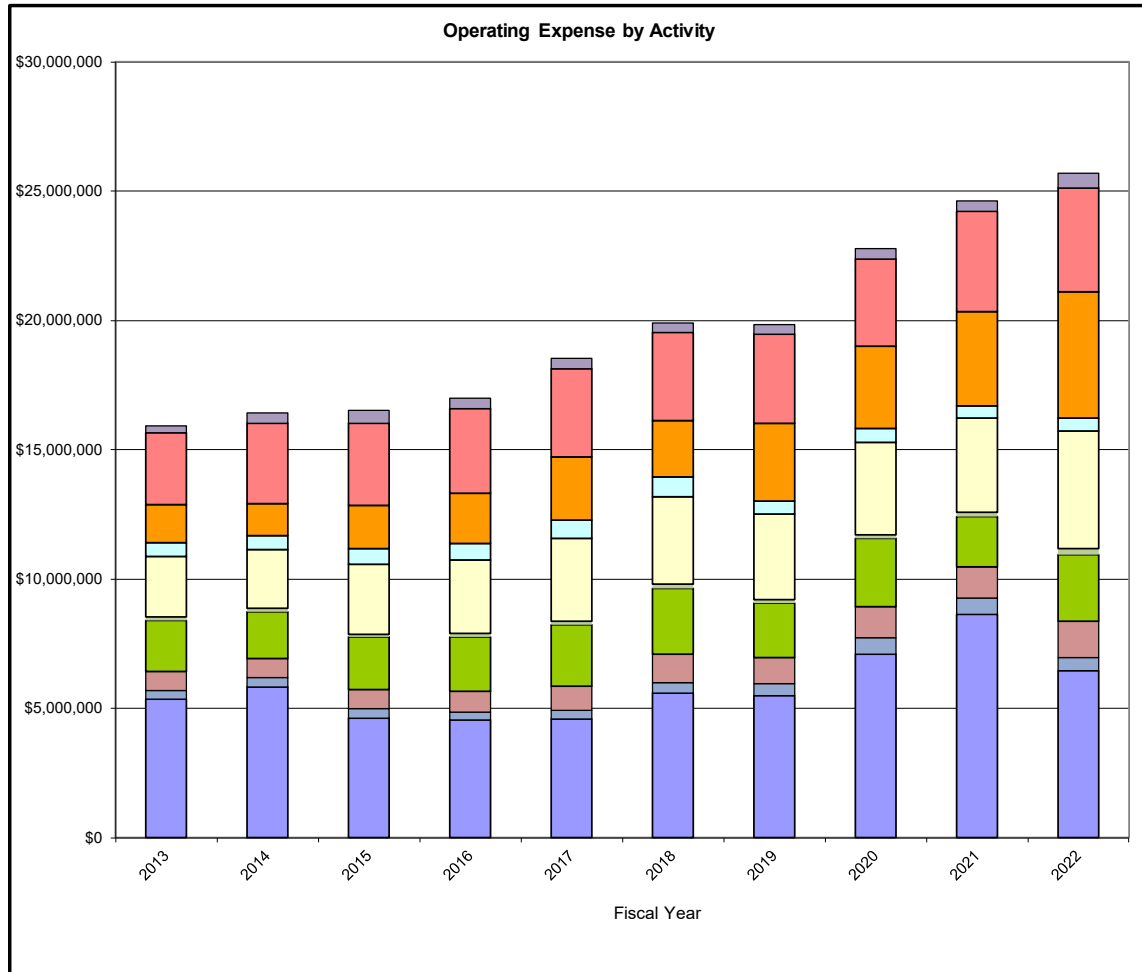


Source: North Marin Water District Audited Financial Statements

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
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	145,032	3,560,513	534,552	3,199,140	398,010	3,366,216	22,770,995
2021	8,624,268	642,477	1,218,090	1,917,786	185,533	3,623,201	470,411	3,658,893	396,414	3,887,096	24,624,169
2022	6,450,873	522,717	1,385,267	2,588,135	219,023	4,556,025	501,005	4,877,009	563,288	4,023,236	25,686,578

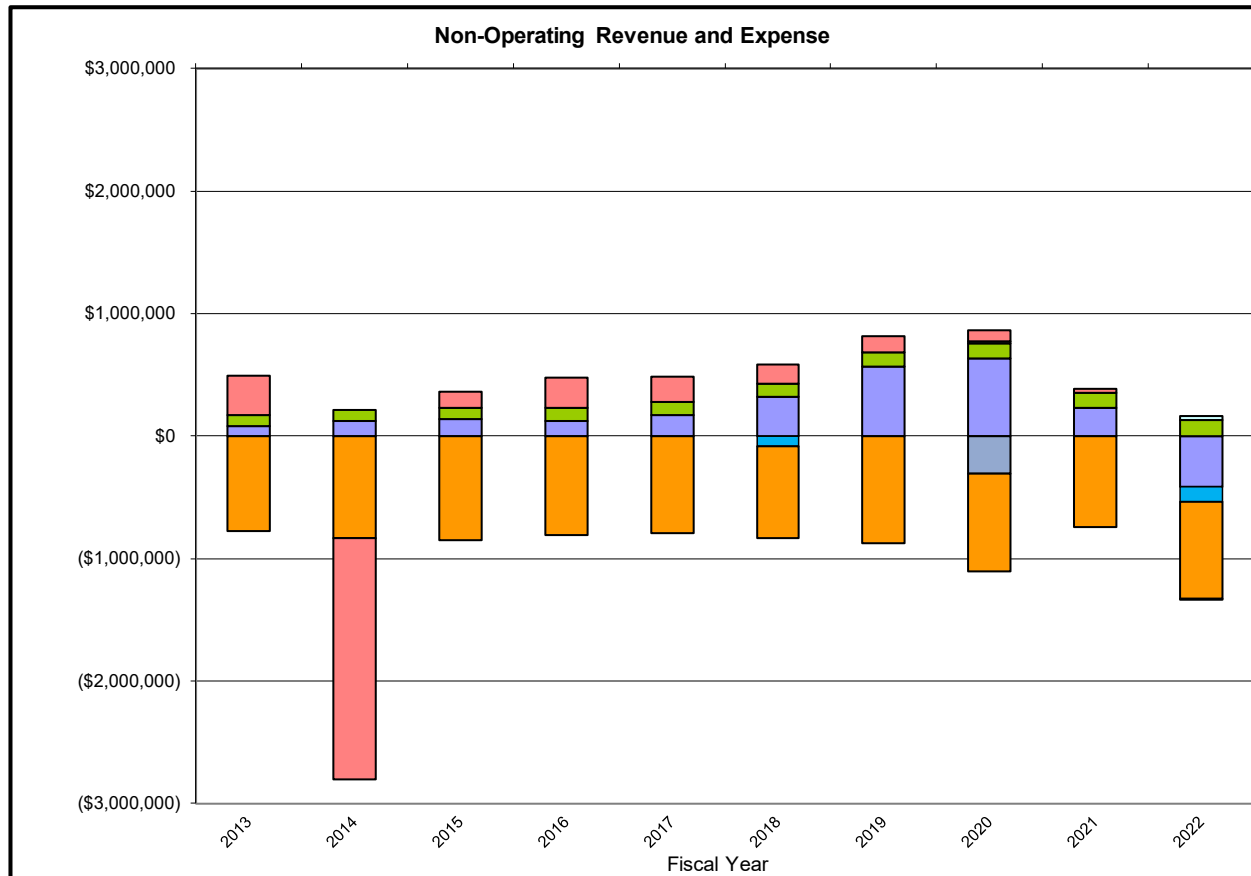


Source: North Marin Water District Audited Financial Statements

**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)
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)	(798,522)	92,747	(239,641)
2021	229,851	125,416	-	-	-	(740,004)	27,963	(356,774)
2022	(415,864)	132,649	34,135	(124,000)	-	(789,056)	(7,438)	(1,169,574)



Notes:

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

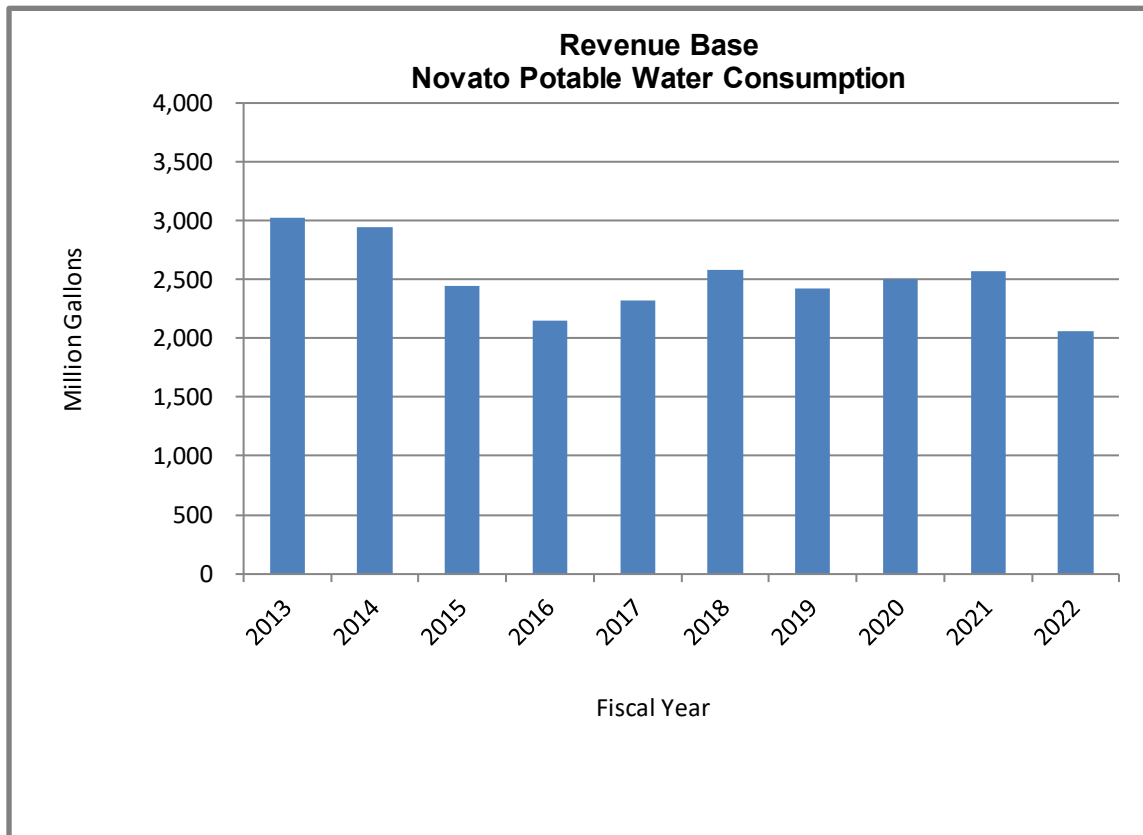
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

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)
2013	3,018
2014	2,948
2015	2,444
2016	2,152
2017	2,317
2018	2,584
2019	2,416
2020	2,502
2021	2,570
2022	2,054



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						Total	
	Novato Potable & Recycled					West Marin Water		Oceana Marin Sewer
	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Government	Recycled			
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
2021	18,469	699	1,222	217	96	785	235	21,723
2022	18,552	699	1,232	217	97	789	235	21,821

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	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22
5/8" & 3/4"	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 31.50	\$ 33.00	\$ 34.15	\$ 34.15	\$ 41.46	\$ 43.95
1"	60.00	60.00	60.00	60.00	63.00	66.00	68.30	68.30	74.06	78.50
1 1/2"	73.00	73.00	73.00	73.00	77.00	80.50	83.30	83.30	128.38	136.08
2"	114.00	114.00	114.00	114.00	120.00	125.50	129.90	129.90	193.57	205.18
3"	227.00	227.00	227.00	227.00	238.00	248.50	257.20	257.20	367.41	389.45
4"	364.00	364.00	364.00	364.00	382.00	399.00	413.00	413.00	562.98	596.76
6"	761.00	761.00	761.00	761.00	799.00	835.00	864.00	864.00	1,106.23	1,172.60
8"	1,134.00	1,134.00	1,134.00	1,134.00	1,191.00	1,244.50	1,288.00	1,288.00	1,432.18	1,518.11

Water Use Rate (per 1,000 Gallons)										
User Type	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22
<u>Residential Zone A</u>										
Base Rate ⁽¹⁾	\$ 4.03	\$ 4.29	\$ 4.46	\$ 4.77	\$ 5.01	\$ 5.24	\$ 5.42	\$ 5.42	\$ 5.50	\$ 5.83
Tier 1 ⁽²⁾	6.42	6.84	7.11	7.61	7.99	8.35	8.64	8.64	6.23	6.60
Tier 2 ⁽²⁾	11.17	11.90	12.38	13.25	13.91	14.54	15.05	15.05	7.57	8.13
<u>Non-Residential Zone A</u>										
Base Rate ⁽¹⁾	4.44	4.73	4.92	5.26	5.52	5.77	5.97	5.97	5.50	5.83
Seasonal Rate	4.77	5.08	5.28	5.65	5.93	6.20	6.42	6.42	7.67	8.13

Notes:

(1) Rates shown exclude additional elevation rate applicable to customers in upper elevation zones

(2) Tier 1 = 616-1845 gallons/day (gpd) FY13-FY20, 263-720 gpd FY21-FY22, Tier 2 = >1845 gpd FY13-FY20, >720 gpd FY21-FY22

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

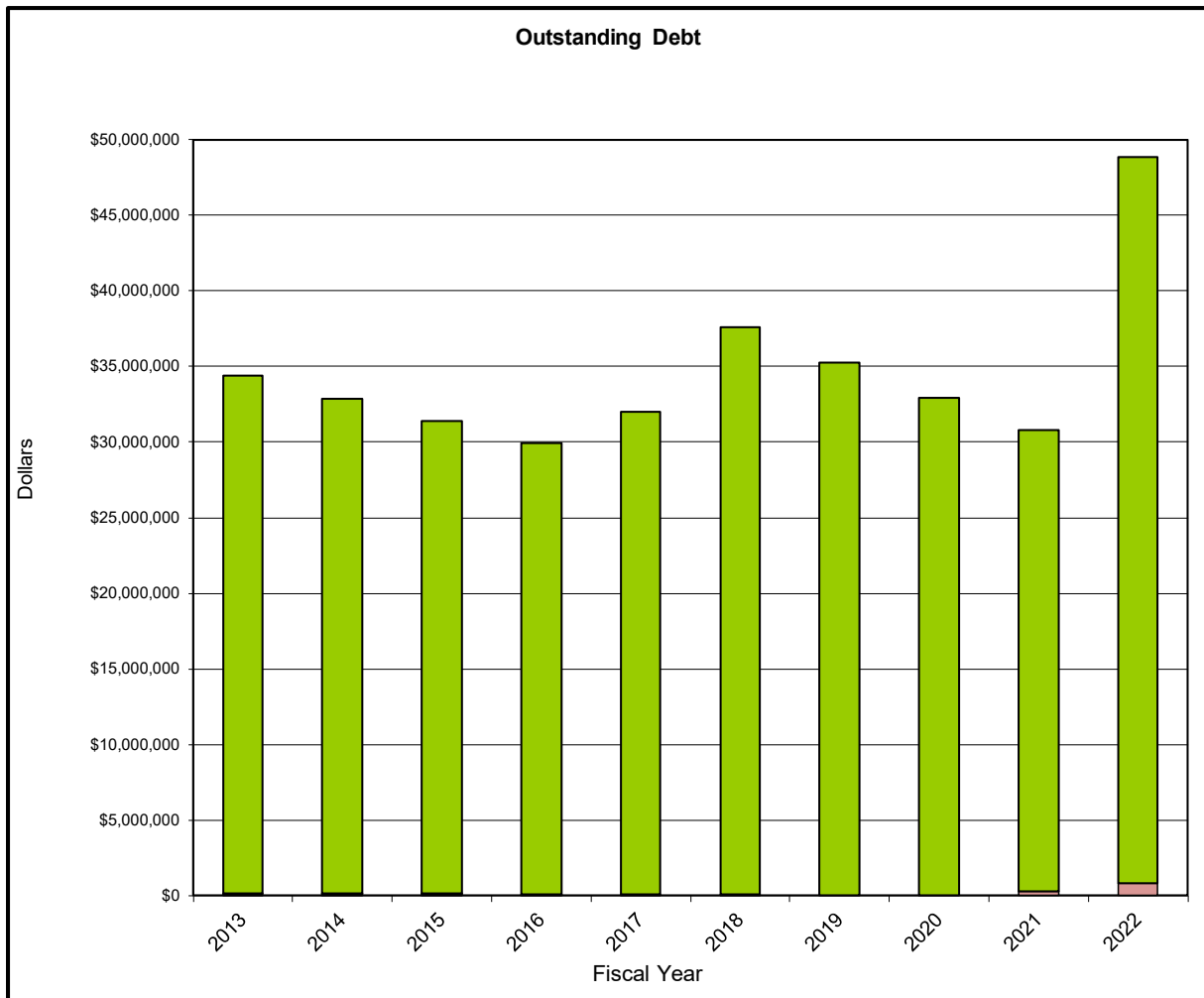
	FY 2021/22	% of Total	FY 2012/13	% of Total
1	City Of Novato	2.3%	City Of Novato	2.2%
2	Bay Club Stonetree	2.1%	Novato Unified School District	1.8%
3	Marin Country Club	1.5%	Bay Club Stonetree	1.6%
4	Biomarin Pharmaceutical	1.3%	Fireman's Fund	0.9%
5	Novato Unified School District	1.3%	Coast Guard Spanish Housing	0.8%
6	Indian Valley Golf Course	0.8%	BioMarin Pharmaceutical	0.7%
7	Bay Vista Apartments	0.7%	Meadow Park HOA	0.6%
8	Meadow Park Hoa	0.6%	Indian Valley Golf Course	0.6%
9	Marion Park Apts	0.6%	Bay Vista Apartments	0.5%
10	U.S. Coast Guard	0.5%	Marion Park Apts	0.5%
		<u>11.7%</u>		<u>10.2%</u>
	Total Water Service Revenue	\$22,923,000	Total Water Service Revenue	\$17,617,000

Source: NMWD CORE billing system (t:\finance\audit\audit22\acfr fy22\top revenue 2012_2022.xlsx)top 10

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

Schedule 9

Fiscal Year	Bonds Payable	Leases Payable	Loans Payable	Total		
				Debt	Per Capita	As a Share of Personal Income ⁽¹⁾
2013	181,652	-	34,241,715	34,423,367	318.46	0.25%
2014	159,916	-	32,687,391	32,847,307	564.32	0.29%
2015	136,000	-	31,237,390	31,373,390	538.48	0.50%
2016	116,000	-	29,823,693	29,939,693	514.32	0.47%
2017	94,000	-	31,922,939	32,016,939	490.81	0.44%
2018	72,000	-	37,513,463	37,585,463	524.87	0.41%
2019	-	-	35,236,198	35,236,198	610.95	0.48%
2020	-	-	32,903,399	32,903,399	571.65	0.56%
2021	-	268,052	30,509,356	30,777,408	533.63	0.52%
2022	-	800,066	48,058,224	48,858,290	498.82	0.37%



Source: North Marin Water District Audited Financial Statements

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

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

Schedule 10

Fiscal Year	Revenue ⁽¹⁾		Expense ⁽²⁾		Net Available Revenue	Debt Service		Total	Coverage Ratio
						Principal	Interest		
2013	\$	22,277,222	(13,453,715)	\$	8,823,507	\$ 1,337,041	778,762	\$ 2,115,803	4.17
2014		21,364,965	(13,453,038)		7,911,927	1,618,138	830,830	2,448,968	3.23
2015		19,308,316	(13,803,596)		5,504,720	1,686,523	847,951	2,534,474	2.17
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	2.00
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	798,522	3,131,321	2.12
2021		29,203,577	(20,742,030)		8,461,547	2,452,431	740,004	3,192,435	2.65
2022		24,290,503	(17,510,034)		6,780,469	2,629,806	789,056	3,418,862	1.98

Notes:

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

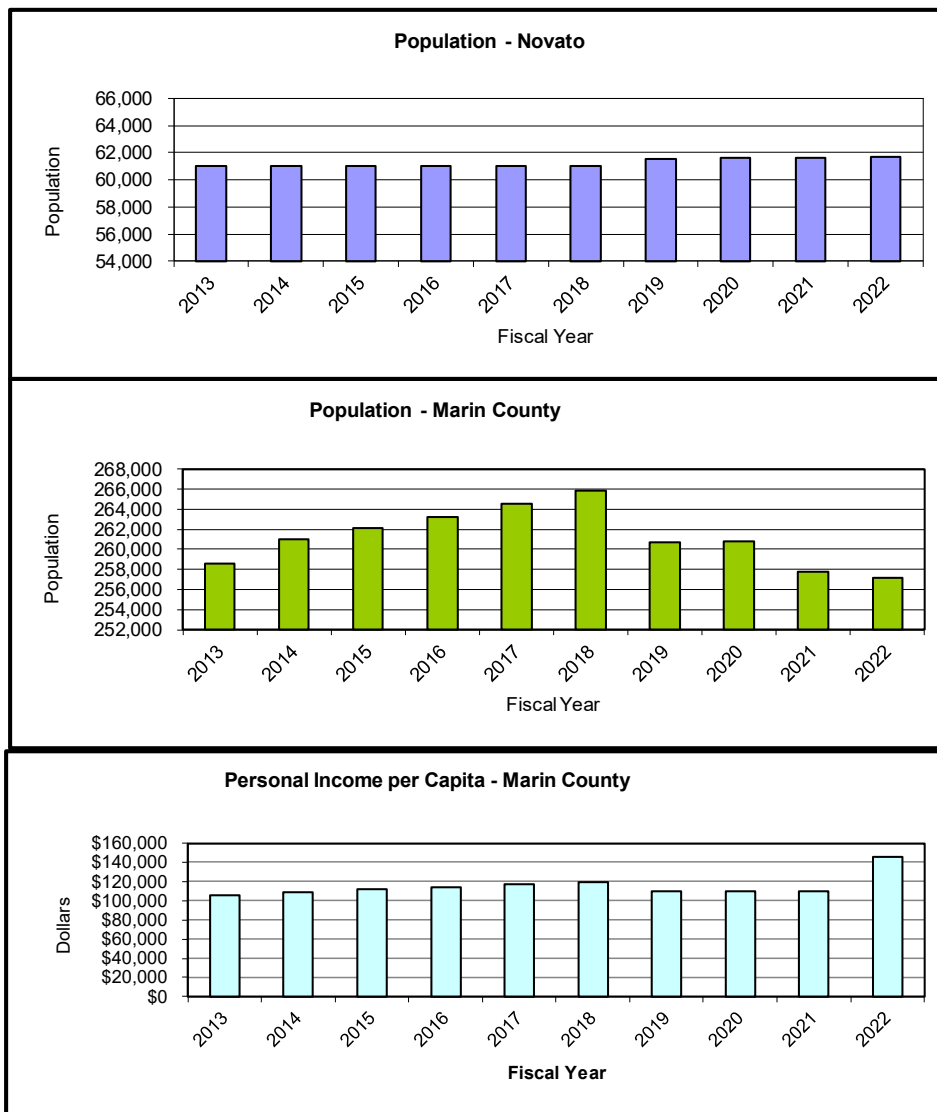
(2) Expense excludes depreciation and amortization, interest, GASB 68 related pension, and GASB 75 related OPEB expense.

Source: North Marin Water District Audited Financial Statements

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

Schedule 11

Year	Novato Service Area ⁽¹⁾		County of Marin		
	Estimated Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
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
2021	61,660	4.5%	257,774	28,178,307	109,314
2022	61,700	2.5%	257,135	37,432,428	145,575



Sources:

Novato population estimates based on District's occupancy estimates per Active Dwelling Unit
<https://www.labormarketinfo.edd.ca.gov/serp.html?q=Novato>
 Population for Marin County found on page 36 of the County of Marin Proposed Budget FY2021-22
 Personal Income per Capita for 2020 was unavailable. FY 2019 amount was used.
 Personal Income per Capita for 2021 was unavailable. FY 2019 amount was used.

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

FY 2021/2022			FY 2012/2013		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 BioMarin Pharmaceutical	1,005	3.74%	Novato Unified School District	800	3.04%
2 Novato Unified School District	803	2.99%	Fireman's Fund	736	2.80%
3 2K/Visual Concepts Entertainment	660	2.45%	BioMarin Pharamaceutical	607	2.31%
4 Bradley Electric	342	1.27%	2K/Visual Concepts Entertainment	398	1.51%
5 Costco Wholesale	316	1.17%	Cagwin & Dorward	387	1.47%
6 Novato Community Hospital	304	1.13%	Costco Wholesale	294	1.12%
7 City of Novato	290	1.08%	Novato Community Hospital	291	1.11%
8 Ultragenix	275	1.02%	Target Store	268	1.02%
9 Safeway Stores	250	0.93%	Buck Institute	261	0.99%
10 Novato Healthcare Center	233	0.87%	Safeway Stores	243	0.92%
	<u>4,478</u>	<u>15.71%</u>		<u>4,285</u>	<u>16.29%</u>

Source: City of Novato

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

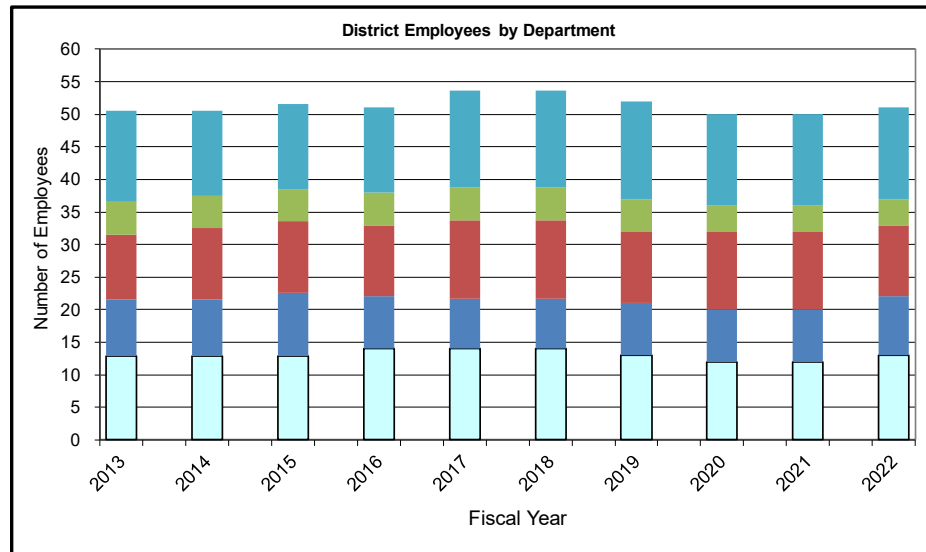
2021/2022 Largest Employers was not available. The last available year available was FY 2018/2019.

The labor force calculation was updated using EDD website.

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

Schedule 13

Department	Fiscal Year End									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administrative Services	13	13	13	14	14	14	13	12	12	13
Engineering Services	9	9	10	8	8	8	8	8	8	9
Construction /Maintenance	10	11	11	11	12	12	11	12	12	11
Water Quality	5	5	5	5	5	5	5	4	4	4
Operations / Maintenance	14	13	13	13	15	15	15	14	14	14
	51	51	52	51	54	54	52	50	50	51



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

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

Schedule 14

Other Operating and Capacity Indicators				
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Number of Fire Hydrants	System Storage Capacity (MG)
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
2021	100	366	2,886	40
2022	100	367	2,894	40

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance



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

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2022, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 15, 2022.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
November 15, 2022