



Annual Comprehensive Financial Report

For the fiscal years ended
June 30, 2023 and 2022



**NORTH MARIN
WATER DISTRICT**



NORTH MARIN WATER DISTRICT

Name	Title	Elected/ Appointed	Current Term
Rick Fraites	President	Elected	12/22 – 12/26
Jack Baker	Vice-President	Elected	12/20 – 12/24
Ken Eichstaedt	Director	Appointed	12/22 – 12/24
Michael Joly	Director	Elected	12/20 – 12/24
Stephen Petterle	Director	Elected	12/20 – 12/24

**Anthony Williams, General Manager
North Marin Water District
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Novato, California 94945
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North Marin Water District
Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

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

**North Marin Water District
Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022**

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Introductory Section



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December 5, 2023

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, 2023 and 2022, 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 12 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, 2023, the District employed 55 regular employees, plus temporary and seasonal employees as the workload dictates. There were 55 full time positions budgeted, 25 office positions and 30 field positions. The District's Board of Directors generally 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.

DIRECTORS: JACK BAKER · KEN EICHSTAEDT · RICK FRAITES · MICHAEL JOLY · STEPHEN PETTERLE

OFFICERS: ANTHONY WILLIAMS, General Manager · EILEEN MULLINER, District Secretary · JULIE BLUE, Auditor-Controller · ERIC MILLER, Asst. GM/Chief Engineer

District Services, continued

The District provides water service to over 61,000 residents in the greater Novato area through 20,831 potable water service connections and 100 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 792 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 90% of the District's customer base and consume approximately 80% of the water produced annually by the District. On average, the District purchases approximately 80% of its Novato water supply from the Sonoma County Water Agency (SCWA) with the balance derived from the District's Stafford Lake Reservoir and some recycled water. The District purchased approximately 1.3 billion gallons of water in fiscal year 2023 and 1.9 billion gallons of water in fiscal year 2022 from SCWA.

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 strive to meet or exceed customer needs and expectations. Each day, District employees carry out the mission of providing potable and recycled water and sewer services that are reliable, high-quality, environmentally responsible, and reasonably priced.

The Russian River water delivery system operated by SCWA provides approximately 80% of Novato's water supply. Novato rainfall in fiscal year 2023 totaled 40.1" which was about 149% of the historical average annual rainfall.

North Marin's Stafford Lake water treatment plant produced 636.4 million gallons of water to supplement Russian River supplies with local water supply during the fiscal year. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island treatment facilities combined to provide 201 million gallons of highly treated recycled wastewater to large landscape irrigation customers and commercial car washes in Novato.

A 6% rate increase for customers in the Novato service area was authorized by the Board of Directors effective July 1, 2022. The typical Novato detached single-family home uses 91,200 gallons of water a year and costs the customer about \$750 per year. These rates are at the median when compared to 16 other Bay Area water suppliers.

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 2022-23 based on the initiatives listed above:

- Completed the Facility Reserve Charge Study for Novato and West Marin service areas;
- Completed the Old Ranch Road Tank No. 2 Project in Novato;
- Initiated the planning and evaluations of the Stafford Dam Adjustable Spillway Gate Project in Novato, a key local water supply enhancement project;
- Completed construction of the Gallagher Well No. 2 in West Marin;
- Received an additional \$361,000 in grant funding for the New Gallagher Well No. 2 in West Marin;
- Developed a work plan for a Water Supply Resiliency Project for West Marin;
- Smoothly transitioned the retirement of three key staff via succession planning and strategic recruitments;
- Proactively reacted to a local landslide event caused by severe storms by declaring a local emergency including assessing potential damage to the District's North Marin Aqueduct; and
- Post Drought adopted ordinances declaring end of water shortage emergencies for Novato and West Marin

District Water Supply

Stafford Lake – Local Source Provides 20% of the District's Supply.

Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (acre-feet) (1,450 MG) of water 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 2023 and 2022, 1,953 AF (636 MG) and 516 AF (168 MG) respectively, was produced by the Stafford Lake Water Treatment Plant.

Russian River – Provides 80% of the District's Annual Supply.

Russian River water originates from both the Eel River and the Russian River watersheds northeast of the City of Ukiah (Lake Mendocino) and west of Healdsburg (Lake Sonoma). Lake Mendocino's Coyote Dam impounds the Eel River diversions and winter runoff from the local watershed. Lake Sonoma's Warm Springs Dam impounds winter runoff from the Dry Creek and Warm Springs watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre-feet (AF) to meet the regions' water supply needs, which totaled 36,032 acre-feet in fiscal year 2023, 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.

District Water Supply, continued

During the fiscal years 2023 and 2022, the District received 4,033 AF (1,314 MG) and 5,787 AF (1,886 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 bills 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 (fixed 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 C.J. Brown & Company CPAs 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 fourteenth 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 2022 and 2021 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 2023.

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,



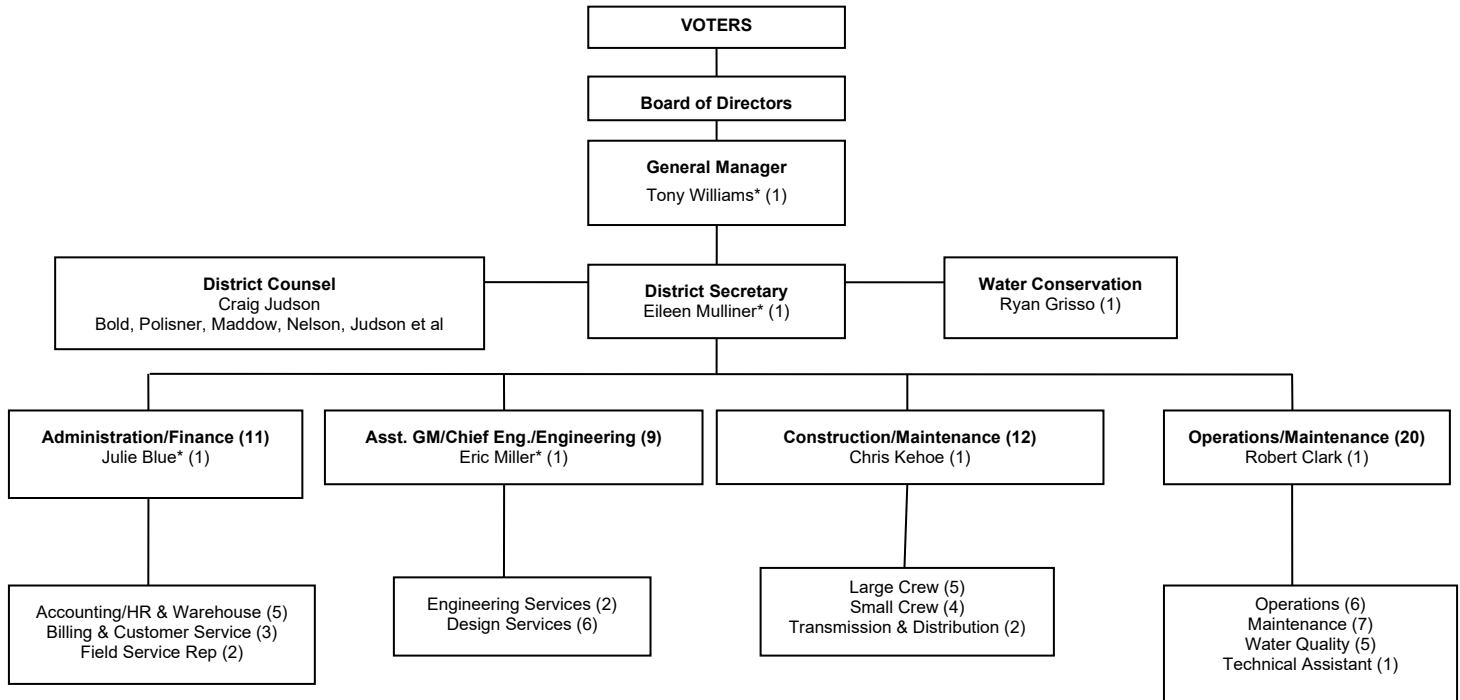
Anthony Williams, General Manager

Julie Blue, Auditor-Controller

North Marin Water District Organizational Chart

**As of
June 30, 2023**

Budgeted Full Time Employees (FTE): 55



*Also serves as District officer





Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**North Marin Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Financial Section



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
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C.J. Brown & Company CPAs

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 12 through 18 and the required supplementary information on pages 64 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our 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.

Independent Auditor's Report, continued

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 8, the supplementary information of combining schedules on pages 67 through 70, and the statistical section on pages 71 through 85 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 December 5, 2023, 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 86 and 87.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs

Cypress, California
December 5, 2023

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

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, 2023 and 2022. 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 2023, the District's net position increased 5.0% or \$5,964,401 to \$126,220,978 due to net revenue from ongoing operations of \$4,203,106, that include \$3,438,780 in current year GASB 68 pension adjustments, and capital contributions of \$1,761,295. 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 2023, the District's total revenues increased 7.8% or \$1,869,256 to \$25,827,941. In fiscal year 2022, the District's total revenues decreased 7.3% or \$1,874,219 to \$23,958,685.
- In fiscal year 2023, the District's operating revenues increased 2.8% or \$656,930 to \$24,244,711. In fiscal year 2022, the District's operating revenues decreased 7.1% or \$1,790,754 to \$23,587,781.
- In fiscal year 2023, the District's non-operating revenues increased by 326.9% or \$1,212,326 to \$1,583,230. In fiscal year 2022, the District's non-operating revenues decreased by 18.4% or \$83,465 to \$370,904.
- In fiscal year 2023, the District's total expenses including depreciation and amortization decreased 20.6% or \$5,602,221 to \$21,624,835. 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 2023, the District's operating expenses, before depreciation, decreased 26.8% or \$5,795,282 to \$15,868,060. In fiscal year 2022, the District's operating expenses, before depreciation, increased 4.5% or \$926,269 to \$21,663,342.
- In fiscal year 2023, the District's non-operating expenses decreased by 20.0% or \$307,609 to \$1,232,869. In fiscal year 2022, the District's non-operating expenses increased by 89.9% or \$729,335 to \$1,540,478.
- In fiscal year 2023, the District's capital contributions decreased by 3.5% or \$64,208 to \$1,761,295. 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 creditworthiness. 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, 2023 and 2022

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 63.

Statements of Net Position

Below is a summary of the statements of net position, and presents a comparison between June 30, 2023 and 2022 and June 30, 2022 and 2021.

Condensed Statements of Net Position

	2023	2022	Change	As Restated 2021	Change
Assets:					
Current assets	\$ 39,992,888	47,718,488	(7,725,600)	30,818,785	16,899,703
Non-current assets	6,896,968	6,391,431	505,537	4,235,383	2,156,048
Capital assets, net	147,063,309	140,803,815	6,259,494	139,341,932	1,461,883
Total assets	193,953,165	194,913,734	(960,569)	174,396,100	20,517,634
Deferred outflows of resources	6,917,788	2,797,995	4,119,793	3,497,233	(699,238)
Liabilities:					
Current liabilities	8,559,383	8,677,249	(117,866)	6,056,565	2,620,684
Non-current liabilities	64,052,063	59,548,203	4,503,860	48,957,580	10,590,623
Total liabilities	72,611,446	68,225,452	4,385,994	55,014,145	13,211,307
Deferred inflows of resources	2,038,529	9,229,700	(7,191,171)	1,179,743	8,049,957
Net position:					
Net investment in capital assets	112,410,898	110,111,018	2,299,880	110,643,664	(532,646)
Restricted	7,432,578	4,560,392	2,872,186	6,166,090	(1,605,698)
Unrestricted	6,377,502	5,585,167	792,335	4,889,691	695,476
Total net position	\$ 126,220,978	120,256,577	5,964,401	121,699,445	(1,442,868)

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

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 \$126,220,978 and \$120,256,577 as of June 30, 2023 and 2022, respectively.

By far the largest portion of the District's net position (89% and 92% as of June 30, 2023 and 2022, 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 2023 and 2022, the District showed a positive balance in its unrestricted net position of \$6,377,502 and \$5,585,167, respectively. 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, 2023 and 2022.

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

	2023	2022	Change	As Restated 2021	Change
Revenue:					
Operating revenue	\$ 24,244,711	23,587,781	656,930	25,378,535	(1,790,754)
Non-operating revenue	1,583,230	370,904	1,212,326	454,369	(83,465)
Total revenue	<u>25,827,941</u>	<u>23,958,685</u>	<u>1,869,256</u>	<u>25,832,904</u>	<u>(1,874,219)</u>
Expense:					
Operating expense	15,868,059	21,663,342	(5,795,283)	20,737,073	926,269
Depreciation and amortization	4,523,906	4,023,236	500,670	3,887,096	136,140
Non-operating expense	1,232,870	1,540,478	(307,608)	811,143	729,335
Total expense	<u>21,624,835</u>	<u>27,227,056</u>	<u>(5,602,221)</u>	<u>25,435,312</u>	<u>1,791,744</u>
Net income(expense) before capital contributions					
capital contributions	4,203,106	(3,268,371)	7,471,477	397,592	(3,665,963)
Capital contributions	<u>1,761,295</u>	<u>1,825,503</u>	<u>(64,208)</u>	<u>4,588,088</u>	<u>(2,762,585)</u>
Changes in net position	<u>5,964,401</u>	<u>(1,442,868)</u>	<u>7,407,269</u>	<u>4,985,680</u>	<u>(6,428,548)</u>
Net position, beginning of year	<u>120,256,577</u>	<u>121,699,445</u>	<u>(1,442,868)</u>	<u>116,713,765</u>	<u>4,985,680</u>
Net position, end of year	<u>\$ 126,220,978</u>	<u>120,256,577</u>	<u>5,964,401</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 increased 5.0% or \$5,964,401 to \$126,220,978 due to net revenue from ongoing operations of \$4,203,106, that include \$3,438,780 in current year GASB 68 pension adjustments, and capital contributions of \$1,761,295. In fiscal year 2022, the District's 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 2023, the District's operating revenues increased 2.8% or \$656,930 due primarily to increases in bi-monthly meter service charges of \$499,854 and in water consumption sales of \$132,809. 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.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

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

In 2023, the District's non-operating revenues increased by 326.9% or \$1,212,326 due primarily to an increase in net investments earnings of \$1,256,847. 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.

In 2023, the District's capital contributions decreased by 3.5% or \$64,208 due primarily to a decrease in connection fees of \$524,300 offset by increases from developer contributions of \$355,528 and state and local capital grants of \$104,564. 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 2023, the District's operating expenses decreased 26.8% or \$5,795,282 due primarily to decreases in transmission and distribution of \$1,643,280 which includes \$1,149,892 in GASB 68 related pension adjustments, source of supply of \$1,448,891 due primarily to a decrease of \$1,436,318 in purchased water from Sonoma County Water Agency capital contribution credit, general and administrative of \$1,377,148 which includes \$1,469,057 in GASB 68 related pension adjustment changes, water facilities operations of \$706,694 which includes \$716,070 in GASB 68 related pension adjustment changes, water conservation of \$242,691 which includes \$191,276 in GASB 68 related pension adjustment changes; and customer service of \$114,672 which includes \$165,786 in GASB 68 related pension adjustment changes. 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 \$933,926 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 2023, the District's non-operating expenses decreased by 20.0% or \$307,609 due primarily to a \$1,754,360 decrease in unrealized investment loss from prior year levels and no current year debt issuance cost as compared with prior year, which were offset by increases in interest expense on long-term debt of \$430,763. 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 2023 the District's depreciation and amortization increased by 12.4% or \$500,670 due primarily to the capitalization of additions to the distribution system, treatment plant, other plant and equipment, and equipment leases. 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.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

Total District Revenues

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>As Restated 2021</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 16,537,824	16,405,015	132,809	19,546,611	(3,141,596)
Monthly meter service charge	7,017,426	6,517,572	499,854	5,210,162	1,307,410
Sewer service charge	304,560	290,460	14,100	276,360	14,100
Other charges and services	384,901	374,734	10,167	345,402	29,332
Total operating revenues	<u>24,244,711</u>	<u>23,587,781</u>	<u>656,930</u>	<u>25,378,535</u>	<u>(1,790,754)</u>
Non-operating revenues:					
Property tax revenue	143,332	132,649	10,683	125,416	7,233
Investment earnings, net	1,256,847	-	1,256,847	143,166	(143,166)
Interest earnings from note receivable – BPGL	9,009	11,177	(2,168)	11,551	(374)
Interest earnings from loan receivable – MMWD	79,845	56,418	23,427	60,352	(3,934)
Interest earnings from leases	12,782	14,054	(1,272)	14,782	(728)
Rental revenue	69,876	94,843	(24,967)	80,942	13,901
Gain on sale of capital assets	-	34,135	(34,135)	-	34,135
Other non-operating revenues	11,539	27,628	(16,089)	18,160	9,468
Total non-operating revenues	<u>1,583,230</u>	<u>370,904</u>	<u>1,212,326</u>	<u>454,369</u>	<u>(83,465)</u>
Total revenues	<u>\$ 25,827,941</u>	<u>23,958,685</u>	<u>1,869,256</u>	<u>25,832,904</u>	<u>(1,874,219)</u>

In 2023, total revenues increased \$1,869,256. In 2022, total revenues decreased \$1,874,219.

Total District Expenses

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

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>As Restated 2021</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Source of supply	\$ 5,001,982	6,450,873	(1,448,891)	8,624,268	(2,173,395)
Pumping	493,027	522,717	(29,690)	642,477	(119,760)
Water facilities operations	678,573	1,385,267	(706,694)	1,218,090	167,177
Water treatment	2,353,464	2,588,135	(234,671)	1,917,786	670,349
Transmission and distribution	2,913,847	4,557,127	(1,643,280)	3,623,201	933,926
Sewage collection and treatment	220,375	217,921	2,454	185,533	32,388
Customer service	386,333	501,005	(114,672)	470,411	30,594
General and administrative	3,499,861	4,877,009	(1,377,148)	3,658,893	1,218,116
Water conservation	320,597	563,288	(242,691)	396,414	166,874
Depreciation and amortization	4,523,906	4,023,236	500,670	3,887,096	136,140
Total operating expenses including depreciation expenses	<u>20,391,965</u>	<u>25,686,578</u>	<u>(5,294,613)</u>	<u>24,624,169</u>	<u>1,062,409</u>
Non-operating expenses:					
Unrealized loss, net of investment inc.	-	497,513	(497,513)	-	497,513
Interest expense – long-term debt	1,219,819	789,056	430,763	740,004	49,052
Capital contribution to Agency	-	124,000	(124,000)	-	124,000
Loss on disposition of capital assets	10,885	-	10,885	-	-
Other non-operating expenses	2,166	129,909	(127,743)	71,139	58,770
Total non-operating expenses	<u>1,232,870</u>	<u>1,540,478</u>	<u>(307,608)</u>	<u>811,143</u>	<u>729,335</u>
Total expenses	<u>\$ 21,624,835</u>	<u>27,227,056</u>	<u>(5,602,221)</u>	<u>25,435,312</u>	<u>1,791,744</u>

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

Total District Expenses, continued

In 2023, total expenses decreased \$5,602,221. In 2022, total expenses increased \$1,791,744.

Capital Asset Administration

Changes in capital asset amounts for 2023 were as follows:

	Balance 2022	Additions	Transfers/ Deletions	Balance 2023
Capital assets:				
Non-depreciable assets	\$ 10,013,663	10,717,500	(2,350,134)	18,381,029
Depreciable and amortizable assets	202,832,150	2,449,082	(213,592)	205,067,640
Accumulated depreciation and amortization	(72,041,998)	(4,523,906)	180,544	(76,385,360)
Total capital assets, net	<u>\$ 140,803,815</u>	<u>8,642,676</u>	<u>(2,383,182)</u>	<u>147,063,309</u>

Changes in capital asset amounts for 2022 were as follows:

	Balance 2021	Additions	Transfers/ Deletions	Balance 2022
Capital assets:				
Non-depreciable assets	\$ 8,876,858	4,621,625	(3,484,820)	10,013,663
Depreciable and amortizable assets	198,573,660	4,362,146	(103,656)	202,832,150
Accumulated depreciation and amortization	(68,108,586)	(4,023,236)	89,824	(72,041,998)
Total capital assets, net	<u>\$ 139,341,932</u>	<u>4,960,535</u>	<u>(3,498,652)</u>	<u>140,803,815</u>

At the end of fiscal years 2023 and 2022, the District's investment in capital assets (net of accumulated depreciation) totaled \$147,063,309 and \$140,803,815, 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 2023 were as follows:

	Balance 2022	Additions	Principal Payments	Balance 2023
Long-term debt:				
Leases payable	\$ 800,066	215,258	(550,903)	464,421
Loans payable	48,058,224	-	(3,389,253)	44,668,971
Total long-term debt	<u>\$ 48,858,290</u>	<u>215,258</u>	<u>(3,940,156)</u>	<u>45,133,392</u>

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

Debt Administration, continued

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

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

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 7,081,362	19,032,327
Restricted – cash and cash equivalents (note 2)	15,152,734	22,725,885
Restricted – investments (note 2)	11,448,459	-
Accrued interest receivable	213,124	53,608
Accounts receivable – water and sewer sales and services	4,177,746	4,095,646
Accounts receivable – governmental agencies	288,404	309,411
Accounts receivable – other	39,413	67,632
Leases receivable (note 3)	30,016	27,522
Note receivable (note 4)	38,406	38,024
Loan receivable (note 4)	157,092	152,942
Materials and supplies inventory	940,172	852,274
Prepaid expenses and deposits	425,960	363,217
Total current assets	<u>39,992,888</u>	<u>47,718,488</u>
Non-current assets:		
Restricted – investments (note 2)	3,646,592	2,899,976
Leases receivable (note 3)	357,790	403,371
Note receivable (note 4)	1,022,382	1,060,788
Loan receivable (note 4)	1,620,204	1,777,296
Notes receivable – employee housing assistance loans, net (note 5)	250,000	250,000
Capital assets, not being depreciated (note 8)	18,381,029	10,013,663
Depreciable capital assets, net (note 8)	128,682,280	130,790,152
Total non-current assets	<u>153,960,277</u>	<u>147,195,246</u>
Total assets	<u>193,953,165</u>	<u>194,913,734</u>
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 11)	22,539	28,485
Deferred pension outflows (note 12)	6,895,249	2,769,510
Total deferred outflows of resources	<u>\$ 6,917,788</u>	<u>2,797,995</u>

Continued on next page

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Net Position, continued
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,659,579	2,578,445
Accrued wages and related payables	309,098	312,415
Accrued claims payable	20,125	23,440
Customer advances and deposits	1,973,477	1,861,255
Accrued interest payable – long-term debt	355,078	243,814
Long-term liabilities – due within one year:		
Compensated absences (note 9)	173,828	184,290
Leases payable (note 10)	199,124	531,843
Loans payable (note 10)	2,869,074	2,941,747
Total current liabilities	<u>8,559,383</u>	<u>8,677,249</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 9)	521,487	552,869
Leases payable (note 10)	265,297	268,223
Loans payable (note 10)	41,799,897	45,116,477
Total other post-employment benefits liability (note 11)	4,287,222	4,343,600
Net pension liability (note 12)	17,178,160	9,267,034
Total non-current liabilities	<u>64,052,063</u>	<u>59,548,203</u>
Total liabilities	<u>72,611,446</u>	<u>68,225,452</u>
Deferred inflows of resources:		
Deferred lease inflows (note 3)	359,912	402,237
Deferred other post-employment benefits inflows (note 11)	324,457	249,134
Deferred pension inflows (note 12)	1,354,160	8,578,329
Total deferred inflows of resources	<u>2,038,529</u>	<u>9,229,700</u>
Net position: (note 13)		
Net investment in capital assets	112,410,898	110,111,018
Restricted	7,432,578	4,560,392
Unrestricted	6,377,502	5,585,167
Total net position	<u>\$ 126,220,978</u>	<u>120,256,577</u>

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water consumption sales	\$ 16,537,824	16,405,015
Bi-monthly meter service charge	7,017,426	6,517,572
Sewer service charges	304,560	290,460
Other charges and services	384,901	374,734
Total operating revenues	<u>24,244,711</u>	<u>23,587,781</u>
Operating expenses:		
Source of supply	5,001,982	6,450,873
Pumping	493,027	522,717
Water facilities operations	678,573	1,385,267
Water treatment	2,353,464	2,588,135
Transmission and distribution	2,913,847	4,557,127
Sewage collection and treatment	220,375	217,921
Customer service	386,333	501,005
General and administrative	3,499,861	4,877,009
Water conservation	320,597	563,288
Total operating expenses	<u>15,868,059</u>	<u>21,663,342</u>
Operating income before depreciation	8,376,652	1,924,439
Depreciation and amortization expense – capital recovery	(4,523,906)	(4,023,236)
Operating income (loss)	<u>3,852,746</u>	<u>(2,098,797)</u>
Non-operating revenues(expenses):		
Property tax revenue	143,332	132,649
Investment (market value unrealized loss) earnings, net	1,256,847	(497,513)
Interest earnings from note receivable – BPGL	9,009	11,177
Interest earnings from loan receivable – MMWD	79,845	56,418
Interest earnings from leases receivable	12,782	14,054
Rental revenue	69,876	94,843
Interest expense – long-term debt	(1,219,819)	(789,056)
Debt issuance costs	-	(124,000)
(Loss) gain on sale of capital assets	(10,885)	34,135
Other non-operating revenues	11,539	27,628
Other non-operating expenses	(2,166)	(129,909)
Total non-operating revenue(expenses), net	<u>350,360</u>	<u>(1,169,574)</u>
Net income (loss) before capital contributions	<u>4,203,106</u>	<u>(3,268,371)</u>
Capital contributions:		
Developers and others	946,042	590,514
Connection fees	437,680	961,980
Capital grants – state and local	377,573	273,009
Total capital contributions	<u>1,761,295</u>	<u>1,825,503</u>
Change in net position	5,964,401	(1,442,868)
Net position, beginning of year	<u>120,256,577</u>	<u>121,699,445</u>
Net position, end of year	<u>\$ 126,220,978</u>	<u>120,256,577</u>

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 24,314,591	24,306,910
Cash paid to employees for salaries and wages	(6,680,654)	(6,194,360)
Cash paid to vendors and suppliers for materials and services	<u>(12,763,770)</u>	<u>(12,180,630)</u>
Net cash provided by operating activities	<u>4,870,167</u>	<u>5,931,920</u>
Cash flows from non-capital financing activities:		
Property tax revenue	<u>143,332</u>	<u>132,649</u>
Net cash provided by non-capital financing activities	<u>143,332</u>	<u>132,649</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(10,783,400)	(5,485,119)
Proceeds from the sale of capital assets	(10,885)	34,135
Proceeds from capital contributions and connection fees	1,782,302	2,048,694
Proceeds from principal issued on long-term debt	-	20,000,000
Proceeds from capital leases	215,258	710,689
Costs paid on debt issuance	-	(124,000)
Principal paid on long-term debt	(3,940,156)	(2,629,807)
Interest paid on long-term debt	<u>(1,108,555)</u>	<u>(693,642)</u>
Net cash (used in) provided by capital and related financing activities	<u>(13,845,436)</u>	<u>13,860,950</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,643,925	2,820,000
Purchases of investments	(14,839,000)	(2,728,000)
Principal received on notes receivable	38,024	37,646
Principal received on loans receivable	196,029	173,932
Principal received on employee housing assistance loans	-	275,000
Investment earnings, net of fair value	<u>1,268,843</u>	<u>(351,461)</u>
Net cash (used in) provided by investing activities	<u>(10,692,179)</u>	<u>227,117</u>
Net (decrease) increase in cash and cash equivalents	(19,524,116)	20,152,636
Cash and cash equivalents, beginning of year	<u>41,758,212</u>	<u>21,605,576</u>
Cash and cash equivalents, end of year	<u>\$ 22,234,096</u>	<u>41,758,212</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 7,081,362	19,032,327
Restricted assets – cash and cash equivalents	<u>15,152,734</u>	<u>22,725,885</u>
Total cash and cash equivalents	<u>\$ 22,234,096</u>	<u>41,758,212</u>

Continued on next page

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Cash Flows, continued
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 3,852,746	(2,098,797)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense – capital recovery	4,523,906	4,023,236
Other non-operating revenue	11,539	27,628
Other non-operating expenses	(2,166)	(129,909)
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	(82,100)	394,784
Accounts receivable – other	28,219	19,781
Materials and supplies inventory	(87,898)	(164,928)
Prepaid expenses and other deposits	(62,743)	75,919
(Increase)Decrease in deferred outflows of resources:		
Other post-employment benefits related	5,946	461,406
Pension related	(4,125,739)	237,832
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	81,134	867,990
Accrued wages and related payables	(3,317)	7,895
Accrued claims payable	(3,315)	-
Customer advances and deposits	112,222	276,936
Compensated absences	(41,844)	(62,753)
Other post-employment benefit liability	(56,378)	(594,431)
Net pension liability	7,911,126	(5,460,626)
Increase(Decrease) in deferred inflows of resources:		
Lease related	(42,325)	(38,405)
Other post-employment benefits related	75,323	144,867
Pension related	(7,224,169)	7,943,495
Total adjustments	<u>1,017,421</u>	<u>8,030,717</u>
Net cash provided by operating activities	<u>\$ 4,870,167</u>	<u>5,931,920</u>
Non-cash investing, capital, and financing transactions:		
Change in fair value of investments	<u>\$ (384,953)</u>	<u>(637,944)</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, 2023 and 2022

(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, 2023 and 2022

(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 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.

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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

C. Financial Reporting, continued

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.

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.

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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

C. Financial Reporting, continued

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.

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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

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

5. 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.

6. Accounts Receivable

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

7. Property Taxes

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

8. Lease Receivable / Payable

Leases receivable / payable are measured at the present value of payments expected to be received / paid during the lease term.

9. Prepaid Expenses

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

10. Capital Assets 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 – 4 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.

11. 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:

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

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

11. Deferred Outflows of Resources, continued

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 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 pension.
- 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.

12. Compensated Absences

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

Full-time District employees earn sick leave at a rate of one day per month. District employees may elect to be paid for accumulated and unused sick leave in excess of 90 days, at a rate of one-half of the value of such accumulated amount. The District has accrued a liability for such excess amounts. Employees hired after 10/1/2000 may apply their unused sick leave credit to enhance CalPERS retirement benefits but are not eligible to receive any pay for accrued unused sick leave from the District.

13. 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, 2021 and 2020
- Measurement Date: June 30, 2022 and 2021
- Measurement Period: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

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

14. 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 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.
- Deferred inflow 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(2) Cash and Investments

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

	2023	2022
Cash and cash equivalents	\$ 7,081,362	19,032,327
Restricted – cash and cash equivalents	15,152,734	22,725,885
Total cash and cash equivalents	22,234,096	41,758,212
Restricted – investments	11,448,459	-
Restricted – investments non-current	3,646,592	2,899,976
Total restricted investments	15,095,051	2,899,976
Total cash and investments	\$ 37,329,147	44,658,188

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

	2023	2022
Cash on hand	\$ 350	350
Deposits with financial institutions	1,221,972	705,307
Deposits with County of Marin Treasury	1,064,608	1,038,110
California Local Agency Investment Fund	19,947,166	40,014,445
Investments	15,095,051	2,899,976
Total cash and investments	\$ 37,329,147	44,658,188

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

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

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, 2023 and 2022, 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.

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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

Interest Rate Risk, continued

As of June 30, 2023, 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	\$ 7,058,326	3,411,734	3,646,592	-	-
U.S. Treasury bill	8,036,725	8,036,725		-	-
Total	\$ 15,095,051	11,448,459	3,646,592	-	-

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	-

Credit ratings as of June 30, 2023, were as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings AA+ to AA-
Certificates-of-deposit	\$ 7,058,326	N/A	7,058,326	-
U.S. Treasury bill	8,036,725	N/A	-	8,036,725
Total	\$ 15,095,051		7,058,326	8,036,725

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	-

Fair Value Measurements

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2023, 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	\$ 7,058,326	-	7,058,326	-
U.S. Treasury bill	8,036,725	8,036,725	-	-
Total investments measured at fair value	\$ 15,095,051	8,036,725	7,058,326	-

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

Fair Value Measurements, continued

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	-

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).

(3) Leases Receivable

Changes in leases receivable for 2023 were as follows:

	Balance 2022	Additions	Principal Payments	Balance 2023	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
<i>Novato Water</i>							
Indian Valley Golf Course	\$ 120,663	-	(25,551)	95,112	11,120	83,992	(92,377)
Tower development	287,778	-	(12,437)	275,341	13,465	261,876	(251,680)
Subtotal leases Novato	408,441	-	(37,988)	370,453	24,585	345,868	(344,057)
<i>West Marin Water</i>							
Horizon Cable TV Inc.	22,452	-	(5,099)	17,353	5,431	11,922	(15,855)
Total leases receivable	\$ 430,893	-	(43,087)	387,806	30,016	357,790	(359,912)

Changes in leases receivable for 2022 were as follows:

	Restated Balance 2021	Additions	Principal Payments	Balance 2022	Current Portion	Long-term Portion	Deferred Inflows
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	428,690	-	(20,249)	408,441	22,423	386,018	(381,097)
<i>West Marin Water</i>							
Horizon Cable TV Inc.	27,233	-	(4,781)	22,452	5,099	17,353	(21,140)
Total leases receivable	\$ 455,923	-	(25,030)	430,893	27,522	403,371	(402,237)

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(3) Leases Receivable, continued

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, 2023 and 2022, deferred inflows were reported at \$92,377 and \$110,057, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2024	\$ 11,120	2,800	13,920	\$ (13,197)
2025	11,880	2,444	14,324	(13,196)
2026	12,676	2,063	14,739	(13,197)
2027	13,510	1,657	15,167	(13,196)
2028	14,382	1,224	15,606	(13,197)
2029-2030	31,544	1,039	32,583	(26,394)
Total	95,112	11,227	106,339	\$ (92,377)
Current	(11,120)			
Non-current	\$ 83,992			

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, 2023 and 2022, deferred inflows were reported at \$251,680 and \$271,040, respectively.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(3) Leases Receivable, continued

Tower Development, continued

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
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	18,113	6,680	24,793	(19,360)
2029-2033	111,470	24,107	135,577	(96,800)
2034-2037	85,205	5,381	90,586	(58,080)
Total	275,341	67,771	343,112	\$ (251,680)
Current	(13,465)			
Non-current	\$ 261,876			

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, 2023 and 2022, deferred inflows were reported at \$15,855 and \$21,140, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
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	17,353	1,102	18,455	\$ (15,855)
Current	(5,431)			
Non-current	\$ 11,922			

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(4) Note and Loan Receivable

Changes in note and loan receivable for 2023 were as follows:

	Balance 2022	Additions	Principal Payments	Balance 2023	Current Portion	Long-term Portion
Note receivable:						
Marin Country Club	\$ 1,098,812	-	(38,024)	1,060,788	38,406	1,022,382
Total notes receivable	1,098,812	-	(38,024)	1,060,788	38,406	1,022,382
Loan receivable:						
Marin Municipal Water District	1,930,238	-	(152,942)	1,777,296	157,092	1,620,204
Total loans receivable	1,930,238	-	(152,942)	1,777,296	157,092	1,620,204
Total notes and loans receivable	\$ 3,029,050	-	(190,966)	2,838,084	195,498	2,642,586

Changes in notes 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

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, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
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	39,972	8,882	48,854
2029-2033	205,960	38,309	244,269
2034-2038	216,511	27,758	244,269
2039-2043	227,602	16,667	244,269
2044-2048	214,791	5,048	219,839
Total	1,060,788	136,128	1,196,916
Current	(38,406)		
Non-current	\$ 1,022,382		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	174,850	30,470	205,320
2029-2033	948,034	78,566	1,026,600
Total	1,777,296	275,904	2,053,200
Current	(157,092)		
Non-current	\$ 1,620,204		

(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, 2023 and 2022:

<u>Origination</u>	<u>2023</u>	<u>2022</u>
March 2015	\$ 250,000	250,000

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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 67.

Annual debt service requirements for the loan are as follows:

Fiscal Year		Principal	Interest	Total
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		98,356	17,364	115,720
2029-2033		533,819	44,783	578,602
Total		1,000,000	157,203	1,157,203
Current		(88,253)		
Non-current	\$	911,747		

(7) Transfer

In 2023, the Novato Water system transferred \$614,299 to the Novato Recycled system to assist the Novato Recycled system's operations.

In 2022, the Novato Water system transferred \$743,438 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:

	2023	2022
Developer construction – Novato Water	\$ 1,334,617	1,659,492
Other construction – Novato Water	13,219,450	4,613,699
Other construction – Novato Recycled	661	89,594
Other construction – West Marin Water	2,080,970	1,835,126
Other construction – Oceana Marin Sewer	252,240	322,661
Total construction-in-progress	\$ 16,887,938	8,520,572

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(8) Capital Assets, continued

The change in capital assets for 2023 are as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land and land rights	\$ 1,493,091	-	-	1,493,091
Construction-in-progress	8,520,572	10,717,500	(2,350,134)	16,887,938
Total non-depreciable assets	<u>10,013,663</u>	<u>10,717,500</u>	<u>(2,350,134)</u>	<u>18,381,029</u>
Depreciable and amortizable assets:				
Distribution system	109,925,253	1,733,833	-	111,659,086
Treatment plant	23,012,963	250,304	-	23,263,267
Storage facilities	26,174,758	23,760	-	26,198,518
Transmission system	29,503,127	-	-	29,503,127
Source facilities	5,675,845	-	-	5,675,845
Sewer facilities	1,267,600	37,834	(86,784)	1,218,650
Structures and improvements	2,119,365	-	-	2,119,365
Other plant and equipment	4,111,348	187,615	(126,808)	4,172,155
Leased structures	587,691	-	-	587,691
Leased equipment	454,200	215,736	-	669,936
Total depreciable and amortizable assets	<u>202,832,150</u>	<u>2,449,082</u>	<u>(213,592)</u>	<u>205,067,640</u>
Accumulated depreciation and amortization:				
Distribution system	(37,936,358)	(1,995,631)	-	(39,931,989)
Treatment plant	(11,820,270)	(737,450)	-	(12,557,720)
Storage facilities	(8,938,120)	(536,495)	-	(9,474,615)
Transmission system	(4,983,846)	(259,728)	-	(5,243,574)
Source facilities	(2,618,026)	(107,411)	-	(2,725,437)
Sewer facilities	(743,504)	(29,296)	53,735	(719,065)
Structures and improvements	(1,492,670)	(52,415)	-	(1,545,085)
Other plant and equipment	(3,277,921)	(252,235)	126,809	(3,403,347)
Leased structures	(81,669)	(441,969)	-	(523,638)
Leased equipment	(149,614)	(111,276)	-	(260,890)
Total accumulated depreciation and amortization	<u>(72,041,998)</u>	<u>(4,523,906)</u>	<u>180,544</u>	<u>(76,385,360)</u>
Total depreciable assets, net	<u>130,790,152</u>	<u>(2,074,824)</u>	<u>(33,048)</u>	<u>128,682,280</u>
Total capital assets, net	<u>\$ 140,803,815</u>	<u>8,642,676</u>	<u>(2,383,182)</u>	<u>147,063,309</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(8) Capital Assets, continued

The change in capital assets for 2022 are as follows:

	<u>Balance 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	20,000	-	1,493,091
Construction-in-progress	<u>7,403,767</u>	<u>4,601,625</u>	<u>(3,484,820)</u>	<u>8,520,572</u>
Total non-depreciable assets	<u>8,876,858</u>	<u>4,621,625</u>	<u>(3,484,820)</u>	<u>10,013,663</u>
Depreciable and amortizable 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
Leased structures	-	587,691	-	587,691
Leased equipment	<u>357,492</u>	<u>122,997</u>	<u>(26,289)</u>	<u>454,200</u>
Total depreciable and amortizable assets	<u>198,573,660</u>	<u>4,362,146</u>	<u>(103,656)</u>	<u>202,832,150</u>
Accumulated depreciation and amortization:				
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)
Leased structures	-	(81,669)	-	(81,669)
Leased equipment	<u>(91,071)</u>	<u>(71,000)</u>	<u>12,457</u>	<u>(149,614)</u>
Total accumulated depreciation and amortization	<u>(68,108,586)</u>	<u>(4,023,236)</u>	<u>89,824</u>	<u>(72,041,998)</u>
Total depreciable assets, net	<u>130,465,074</u>	<u>338,910</u>	<u>(13,832)</u>	<u>130,790,152</u>
Total capital assets, net	<u>\$ 139,341,932</u>	<u>4,960,535</u>	<u>(3,498,652)</u>	<u>140,803,815</u>

(9) Compensated Absences

The change in compensated absences for 2023 was as follows:

	<u>Balance 2022</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>737,159</u>	<u>929,860</u>	<u>(971,704)</u>	<u>695,315</u>	<u>173,828</u>	<u>521,487</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(9) Compensated Absences, continued

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

(10) Long-term Debt

The change in long-term debt for 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Long-term debt:						
Leases payable:						
Enterprise vehicle lease	\$ 292,532	215,258	(110,210)	397,580	132,283	265,297
100 Wood Hollow structure lease	378,677	-	(334,705)	43,972	43,972	-
Buck Institute structure lease	128,857	-	(105,988)	22,869	22,869	-
Total leases payable	800,066	215,258	(550,903)	464,421	199,124	265,297
Loans payable:						
<i>Novato Water</i>						
2005 DWR loan	6,695,774	-	(889,730)	5,806,044	452,855	5,353,189
2011 B of M loan	3,847,058	-	(356,125)	3,490,933	368,180	3,122,753
2018 JP Morgan Chase Loan	3,555,000	-	(280,000)	3,275,000	290,000	2,985,000
2022 Webster Bank loan	20,000,000	-	(879,669)	19,120,331	753,254	18,367,077
<i>Novato Recycled</i>						
2005 SWRCB loan	1,273,680	-	(242,799)	1,030,881	248,627	782,254
2011-2012 SWRCB loans	5,835,707	-	(475,745)	5,359,962	487,075	4,872,887
2016 SWRCB Loan	6,286,299	-	(212,910)	6,073,389	215,039	5,858,350
<i>West Marin Water</i>						
2011 B of M loan	564,706	-	(52,275)	512,431	54,044	458,387
Total loans payable	48,058,224	-	(3,389,253)	44,668,971	2,869,074	41,799,897
Total long-term debt	\$ 48,858,290	215,258	(3,940,156)	45,133,392	3,068,198	42,065,194

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	268,052	710,689	(178,675)	800,066	531,843	268,223
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	615,227	-	(50,521)	564,706	52,276	512,430
Total loans payable	30,509,356	20,000,000	(2,451,132)	48,058,224	2,941,747	45,116,477
Total long-term debt	\$ 30,777,408	20,710,689	(2,629,807)	48,858,290	3,473,590	45,384,700

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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, 2023, the District maintains leases for 22 vehicles with delivery dates from June 2019 through June 2023. Each vehicle has a term of 60 months with principal and interest due monthly through 2028.

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
2024	\$	132,283	6,624	138,907
2025		107,623	4,754	112,377
2026		80,615	3,186	83,801
2027		53,191	1,670	54,861
2028		23,868	295	24,163
Total		397,580	16,529	414,109
Current		(132,283)		
Non-current	\$	265,297		

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 commenced 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
2024	\$	43,972	151	44,123
Total		43,972	151	44,123
Current		(43,972)		
Non-current	\$	-		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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 commenced 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
2024	\$	22,869	213	23,082
Total		22,869	213	23,082
Current		(22,869)		
Non-current	\$	-		

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
2024	\$	452,855	69,382	522,237
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		990,124	54,350	1,044,474
2029-2030		1,530,000	36,712	1,566,712
Total		5,806,044	460,803	6,266,847
Current		(452,855)		
Non-current	\$	5,353,189		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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
2024	\$	248,627	24,741	273,368
2025		254,593	18,774	273,367
2026		260,703	12,664	273,367
2027		266,958	6,407	273,365
Total		1,030,881	62,586	1,093,467
Current		(248,627)		
Non-current	\$	782,254		

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
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		535,177	79,122	614,299
2029-2033		2,707,684	198,047	2,905,731
2034		98,074	2,158	100,232
Total		5,359,962	717,496	6,077,458
Current		(487,075)		
Non-current	\$	4,872,887		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	422,224	130,577	552,801
2025		437,229	115,571	552,800
2026		452,405	100,395	552,800
2027		468,107	84,693	552,800
2028		484,175	68,625	552,800
2029-2032		1,739,224	103,443	1,842,667
Total		4,003,364	603,304	4,606,668
Current		(422,224)		
Non-current	\$	3,581,140		

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:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		223,770	52,002	275,772
2029-2033		1,152,869	225,996	1,378,865
2034-2038		1,211,677	167,188	1,378,865
2039-2043		1,273,484	105,380	1,378,864
2044-2048		1,338,445	40,420	1,378,865
Total		6,073,389	820,934	6,894,323
Current		(215,039)		
Non-current	\$	5,858,350		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		320,000	55,549	375,549
2029-2033		1,745,000	143,243	1,888,243
Total		3,275,000	503,436	3,778,436
Current		(290,000)		
Non-current	\$	2,985,000		

2022 Webster Bank Loan

In May 2022, the District entered into an agreement with Webster Bank, N.A. for a loan in the 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.

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		851,422	496,475	1,347,897
2029-2033		4,671,157	2,068,327	6,739,484
2034-2038		5,444,129	1,295,355	6,739,484
2039-2043		4,997,112	394,473	5,391,585
Total		19,120,331	6,489,704	25,610,035
Current		(753,254)		
Non-current	\$	18,367,077		

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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>2023</u>	<u>2022</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, 2023 and 2022

(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 \$4,287,222 and \$4,343,600 was measured as of June 30, 2023 and 2022, respectively, and was determined by an actuarial valuation as of July 1, 2020, to June 30, 2021.

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

Inflation	2023 - 2.75 percent 2022 - 2.75 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2023 - 3.86 percent 2022 - 3.69 percent
Healthcare cost trend rates	5.00 percent for 2023, 5.20 percent for 2024-2069 4.00 percent for 2070 and later years

As of and for the years ended June 30, 2023 and 2022, the discount rates were based on the Fidelity GO AA 20-Years Municipal Index of 3.86% and 3.69%, respectively.

As of and for the year ended June 30, 2023, pre-retirement mortality rates were based on the CalPERS Experience Study (2000-2019).

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

Changes in the Total OPEB Liability

	Total OPEB Liability 2023	Total OPEB Liability 2022
Balance at beginning of year	\$ 4,343,600	4,938,031
Changes for the year:		
Service cost	133,569	189,098
Interest	160,146	101,213
Difference between expected and actual experience	-	138,698
Changes in assumptions or other inputs	(73,234)	(758,672)
Benefit payments	(276,859)	(264,768)
Net change	(56,378)	(594,431)
Balance at end of year	\$ 4,287,222	4,343,600

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

Changes in the Total OPEB Liability, continued

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.69% in 2022 to 3.86% in 2023.

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, 2023, 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% (2.86%)	Current Discount Rate (3.86%)	Discount Rate + 1% (4.86%)
District's total OPEB liability	\$ 4,748,886	4,287,222	3,894,652

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

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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, 2023, 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:

		Healthcare Cost Trend Rates	
	1% Decrease (4.00%) increasing to 4.20%)	(5.00%) increasing to 5.20%)	1% Increase (6.00%) increasing to 6.20%)
District's total OPEB liability	\$ 4,031,340	4,287,222	4,593,288

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:

		Healthcare Cost Trend Rates	
	1% Decrease (4.00%) increasing to 4.20%)	(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

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

For the year ended June 30, 2023 and 2022, the District recognized OPEB expense of \$24,891 and \$11,842, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2023		2022	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	(324,457)	-	(249,134)
Differences between actual and expected experience	22,539	-	28,485	-
Total	\$ 22,539	(324,457)	28,485	(249,134)

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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, 2023, 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 and Actual Experience		Net Deferred Outflows/(Inflows) of Resources
2024	\$ (15,772)	(12,187)		(27,959)
2025	(49,401)	(9,940)		(59,341)
2026	(122,630)	23,508		(99,122)
2027	(128,810)	21,158		(107,652)
2028	(7,844)	-		(7,844)
Total	\$ (324,457)	22,539		(301,918)

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:

Actuarially Determined Deferred Outflows/(Inflows) - OPEB

Fiscal Year June 30:	Net Changes in Assumptions	Net Differences between Expected and Actual 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)

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

See page 64 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 Q Street, Sacramento, California 95811.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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	2023: 7.96%	2023: 6.75%
	2022: 7.96%	2022: 6.75%
Required employer contribution rates	2023: 12.21%	2023: 7.47%
	2022: 12.20%	2022: 7.59%

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>2023</u>	<u>2022</u>
Contributions – employer	\$ 1,874,485	1,674,677

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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>2023</u>	<u>2022</u>
Proportionate share of net pension liability	\$ 17,178,160	9,267,034

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, 2023 and 2022, the net pension liability of the Plan is measured as of June 30, 2022 and 2021 (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, 2021 and 2020 (valuation dates), rolled forward to June 30, 2022 and 2021, 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, 2023 and 2022, were as follows:

	<u>Proportionate Share</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>
Change in proportion	<u>(0.02263)</u>
Proportion at Measurement Date – June 30, 2023	<u>0.14872 %</u>

Deferred Pension Outflows (Inflows) of Resources

For the years ended June 30, 2023 and 2022, the District recognized pension income and expense of \$1,564,295 and \$4,395,375, respectively.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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	2023		2022	
	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	\$ 1,874,485	-	1,674,677	-
Net difference between actual and expected experience	113,924		1,039,198	
Net change in assumptions	1,760,260	-	-	-
Net difference between projected and actual earnings on plan investments	3,146,580	-	-	(8,089,629)
Net difference between actual contribution and proportionate share of contribution	-	(558,545)	-	(488,700)
Net change due to differences in proportion of net pension liability	-	(795,615)	55,635	-
Total	\$ 6,895,249	(1,354,160)	2,769,510	(8,578,329)

As of June 30 2023 and 2022, the District reported \$1,874,485 and \$1,674,677, 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, 2023, will be recognized as a reduction of the net pension liability for the year ended June 30, 2024. Pension contributions subsequent to the measurement date for the year ended June 30, 2022, were recognized as a reduction of the net pension liability for the year ended June 30, 2023.

At June 30, 2023, 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's Investments	Net Difference between Actual Contribution and Proportionate Share of Contribution	Net Change due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
2024	\$ 179,313	649,518	365,124	(285,007)	(273,479)	635,469
2025	38,153	657,025	336,211	(186,331)	(322,377)	522,681
2026	(103,542)	453,717	145,387	(87,207)	(199,759)	208,596
2027	-	-	2,299,858	-	-	2,299,858
Total	\$ 113,924	1,760,260	3,146,580	(558,545)	(795,615)	3,666,604

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

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 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
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)

Actuarial Assumptions

The total pension liabilities in the June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2022 - 6.90% 2021 - 7.15%
Inflation	2022 - 2.30% 2021 - 2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2021 and 2020 – 1997-2015
Post Retirement Benefit	2021 and 2020 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance 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.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022 and 2021, for the PERF C was 6.90% and 7.15%, respectively. This discount rate is not adjusted for administrative expenses.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

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*
Global equity - cap-weighted	30.00 %	4.45 %
Global equity non-cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59
	<u>100.00 %</u>	

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

As June 30, 2023, 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% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's net pension liability	\$ <u>25,132,339</u>	<u>17,178,160</u>	<u>10,633,845</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(12) Defined Benefit Pension Plan, continued

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 (7.15%)	Discount Rate + 1% (8.15%)
District's net pension liability	\$	16,589,157	9,267,034	3,213,939

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 65 and 66 for Required Supplementary Schedules.

(13) Net Position

Calculation of net position per fund as of June 30, 2023, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 15,922,939	661	2,204,381	253,048	18,381,029
Depreciable capital assets, net	91,898,532	29,563,702	6,252,447	967,599	128,682,280
Webster loan fund – administrative building	10,480,981	-	-	-	10,480,981
Current:					
Leases payable	(199,124)	-	-	-	(199,124)
Loans payable	(1,864,289)	(950,741)	(54,044)	-	(2,869,074)
Non-current:					
Leases payable	(265,297)	-	-	-	(265,297)
Loans payable	(29,828,019)	(11,513,491)	(458,387)	-	(41,799,897)
Total net investment in capital assets	86,145,723	17,100,131	7,944,397	1,220,647	112,410,898
Restricted net position:					
SRF loan fund – Stafford Treatment Plant	1,063,737	-	-	-	1,063,737
Webster loan fund – administrative building	-	-	-	-	-
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	-	5,263,769	-	-	5,263,769
Total restricted net position	1,063,737	6,368,841	-	-	7,432,578
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	940,172	-	-	-	940,172
Prepaid expenses and deposits	424,662	-	-	1,298	425,960
Non-current:					
Notes receivable	-	1,022,382	-	-	1,022,382
Notes receivable – employee housing loans	250,000	-	-	-	250,000
Total non-spendable net position	1,614,834	1,022,382	-	1,298	2,638,514
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,343,600	-	-	-	4,343,600
Operating reserve (deficit)	(1,529,975)	634,342	(182,224)	473,245	(604,612)
Total spendable net position (deficit)	2,813,625	634,342	(182,224)	473,245	3,738,988
Total unrestricted net position	4,428,459	1,656,724	(182,224)	474,543	6,377,502
Total net position	\$ 91,637,919	25,125,696	7,762,173	1,695,190	126,220,978

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(13) Net Position, continued

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
Webster loan fund – administrative building	18,165,493	-	-	-	18,165,493
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	84,166,900	17,046,121	7,631,047	1,266,950	110,111,018
Restricted net position:					
SRF loan fund – Stafford Treatment Plant	1,035,064	-	-	-	1,035,064
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	1,035,064	3,522,283	916	2,129	4,560,392
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)	(4,813,057)	2,976,376	(232,901)	470,445	(1,599,137)
Total spendable net position (deficit)	(155,032)	2,976,376	(232,901)	470,445	3,058,888
Total unrestricted net position	1,308,541	4,037,164	(232,243)	471,705	5,585,167
Total net position	\$ 86,510,505	24,605,568	7,399,720	1,740,784	120,256,577

(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	<u>4,970,399</u>
Subtotal adjustments	<u>4,985,680</u>
Net position at June 30, 2021, as restated	<u>\$ 121,699,445</u>

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, the assets of the deferred compensation savings plan totaled \$8,777,675 and \$7,957,241, 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, 2023, 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 \$85,131,398 and coverage extension blanket up to \$2 million subject to a \$50,000 deductible; and mobile equipment coverage up to \$689,500 for scheduled, \$100,000 for unscheduled, and \$250,000 for borrowed, rented, or leased subject to a \$50,000 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, 2023 and 2022.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

(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. 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.

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.

North Marin Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2023 and 2022

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

Governmental Accounting Standards Board Statement No. 101, continued

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 \$7,246,436 and \$13,132,701 in capital expenditures as of June 30, 2023 and 2022, 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.

(19) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of December 5, 2023, 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, 2023
Last Ten Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 133,569	189,098	166,020	140,410	137,480	145,989
Interest	160,146	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	(73,234)	(758,672)	256,981	363,781	195,564	(197,296)
Benefit payments	<u>(276,859)</u>	<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	(56,378)	(594,431)	280,006	137,861	396,599	(294,640)
Total OPEB liability - beginning	<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>	<u>4,418,205</u>
Total OPEB liability - ending	<u>\$ 4,287,222</u>	<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	\$ 6,668,362	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>64.29%</u>	<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, 2022</u>	<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	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	4.00%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Mortality, retirement, turnover	(2)	(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 is compiled.

North Marin Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

Required Supplementary Schedule #1

Description	Measurement Dates								
	June 30, 2022	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	0.14872%	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 \$	17,178,160	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 \$	5,228,970	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	328.52%	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	70.56%	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.

From fiscal year June 30, 2021 to June 30, 2022:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

* 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, 2023
Last Ten Years*

Required Supplementary Schedule #2

Description	Fiscal Years							
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	\$ 1,867,734	1,674,677	1,490,360	1,370,702	1,155,358	1,017,325	926,448	828,792
Contributions in relation to the actuarially determined contribution	(1,867,734)	(1,674,677)	(1,490,360)	(1,370,702)	(1,155,358)	(1,017,325)	(926,448)	(828,792)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$ 5,387,870	5,228,970	5,013,891	4,877,510	4,878,849	4,953,247	4,600,500	4,542,666
Contribution's as a percentage of covered payroll	34.67%	32.03%	29.72%	28.10%	23.68%	20.54%	20.14%	18.24%
Notes to schdeule:								
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
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	Market Value
Inflation	2.30%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	7.15% (3)	7.25% (3)	7.375% (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 pf 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, 2023

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	\$ 2,371,442	3,479,403	746,011	484,506	7,081,362
Restricted – cash and cash equivalents	11,821,852	3,330,882	-	-	15,152,734
Restricted – investments	11,448,459	-	-	-	11,448,459
Accrued interest receivable	213,124	-	-	-	213,124
Accounts receivable – water and sewer sales	3,733,529	253,927	188,767	1,523	4,177,746
Accounts receivable – governmental agencies	202,868	-	83,216	2,320	288,404
Accounts receivable – other	-	39,413	-	-	39,413
Leases receivable	24,585	-	5,431	-	30,016
Note receivable	-	38,406	-	-	38,406
Loan receivable	157,092	-	-	-	157,092
Interfund loan – West Marin (note 6)	88,253	-	-	-	88,253
Materials and supplies inventory	940,172	-	-	-	940,172
Prepaid expenses and deposits	424,662	-	-	1,298	425,960
Total current assets	31,426,038	7,142,031	1,023,425	489,647	40,081,141
Non-current assets:					
Restricted – investments	3,646,592	-	-	-	3,646,592
Leases receivable	345,868	-	11,922	-	357,790
Notes receivable	-	1,022,382	-	-	1,022,382
Loan receivable	1,620,204	-	-	-	1,620,204
Interfund loan – West Marin (note 6)	911,747	-	-	-	911,747
Note receivable – employee housing loans, net	250,000	-	-	-	250,000
Capital assets, not being depreciated	15,922,939	661	2,204,381	253,048	18,381,029
Depreciable capital assets, net	91,898,532	29,563,702	6,252,447	967,599	128,682,280
Total non-current assets	114,595,882	30,586,745	8,468,750	1,220,647	154,872,024
Total assets	146,021,920	37,728,776	9,492,175	1,710,294	194,953,165
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	22,539	-	-	-	22,539
Deferred pension outflows	6,895,249	-	-	-	6,895,249
Total deferred outflows of resources	6,917,788	-	-	-	6,917,788
Current liabilities:					
Accounts payable and accrued expenses	2,659,579	-	-	-	2,659,579
Accrued wages and related payables	220,077	37,371	39,812	11,838	309,098
Accrued claims payable	18,659	534	666	266	20,125
Customer advances and deposits	1,835,794	912	133,771	3,000	1,973,477
Accrued interest payable – long-term debt	227,580	100,031	27,467	-	355,078
Long-term liabilities – due within one year:					
Compensated absences	173,828	-	-	-	173,828
Interfund loan – West Marin (note 6)	-	-	88,253	-	88,253
Leases payable	199,124	-	-	-	199,124
Loans payable	1,864,289	950,741	54,044	-	2,869,074
Total current liabilities	7,198,930	1,089,589	344,013	15,104	8,647,636
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	521,487	-	-	-	521,487
Interfund loan – West Marin (note 6)	-	-	911,747	-	911,747
Leases payable	265,297	-	-	-	265,297
Loans payable	29,828,019	11,513,491	458,387	-	41,799,897
Other post-employment benefits liability	4,287,222	-	-	-	4,287,222
Net pension liability	17,178,160	-	-	-	17,178,160
Total non-current liabilities	52,080,185	11,513,491	1,370,134	-	64,963,810
Total liabilities	59,279,115	12,603,080	1,714,147	15,104	73,611,446
Deferred inflows of resources:					
Deferred lease inflows	344,057	-	15,855	-	359,912
Deferred other post-employment benefits inflows	324,457	-	-	-	324,457
Deferred pension inflows	1,354,160	-	-	-	1,354,160
Total deferred inflows of resources	2,022,674	-	15,855	-	2,038,529
Net position:					
Net investment in capital assets	86,145,723	17,100,131	7,944,397	1,220,647	112,410,898
Restricted for capital projects and debt service	1,063,737	6,368,841	-	-	7,432,578
Unrestricted (deficit)	4,428,459	1,656,724	(182,224)	474,543	6,377,502
Total net position	\$ 91,637,919	25,125,696	7,762,173	1,695,190	126,220,978

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
Note 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
Notes 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	84,166,900	17,046,121	7,631,047	1,266,950	110,111,018
Restricted for capital projects and debt service	1,035,064	3,522,283	916	2,129	4,560,392
Unrestricted	1,308,541	4,037,164	(232,243)	471,705	5,585,167
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 Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 14,520,476	1,382,898	634,450	-	16,537,824
Bi-monthly meter service charge	6,625,825	134,313	257,288	-	7,017,426
Sewer service charges	-	-	-	304,560	304,560
Other charges and services	375,288	-	9,613	-	384,901
Total operating revenues	21,521,589	1,517,211	901,351	304,560	24,244,711
Operating expenses:					
Source of supply	4,657,596	331,168	13,218	-	5,001,982
Pumping	422,830	2,258	67,939	-	493,027
Water facilities operations	551,185	76,014	51,374	-	678,573
Water treatment	2,192,411	3,814	157,239	-	2,353,464
Transmission and distribution	2,623,780	128,299	161,768	-	2,913,847
Sewage collection and treatment	-	-	-	220,375	220,375
Customer service	363,490	1,627	19,394	1,822	386,333
General and administrative	3,085,613	138,163	201,145	74,940	3,499,861
Water conservation projects	312,861	-	7,736	-	320,597
Total operating expenses	14,209,766	681,343	679,813	297,137	15,868,059
Operating income before depreciation	7,311,823	835,868	221,538	7,423	8,376,652
Depreciation	(3,455,892)	(788,511)	(233,218)	(46,285)	(4,523,906)
Operating income(loss)	3,855,931	47,357	(11,680)	(38,862)	3,852,746
Non-operating revenues(expenses):					
Property tax revenue	143,332	-	-	-	143,332
Investment earnings	1,168,552	74,359	5,544	8,392	1,256,847
Interest earnings from note receivable – BPGL	-	9,009	-	-	9,009
Interest earnings from loan receivable – MMWD	79,845	-	-	-	79,845
Interest earnings from leases	12,084	-	698	-	12,782
Rental revenue	64,341	-	5,285	250	69,876
Interest expense – long-term debt	(948,973)	(224,896)	(45,950)	-	(1,219,819)
Gain on sale of capital assets	22,164	-	-	(33,049)	(10,885)
Other non-operating revenues	11,524	-	15	-	11,539
Other non-operating expenses	(2,158)	-	-	(8)	(2,166)
Total non-operating revenues(expense), net	550,711	(141,528)	(34,408)	(24,415)	350,360
Net income(loss) before capital contributions	4,406,642	(94,171)	(46,088)	(63,277)	4,203,106
Capital contributions:					
Developers and others	897,391	-	48,651	-	946,042
Connection fees	437,680	-	-	-	437,680
Capital grants – state and local	-	-	359,890	17,683	377,573
Total capital contributions	1,335,071	-	408,541	17,683	1,761,295
Transfer in(out)	(614,299)	614,299	-	-	-
Change in net position	5,127,414	520,128	362,453	(45,594)	5,964,401
Net position, beginning of year	86,510,505	24,605,568	7,399,720	1,740,784	120,256,577
Net position, end of year	\$ 91,637,919	25,125,696	7,762,173	1,695,190	126,220,978

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	4,349,216	50,526	157,385	-	4,557,127
Sewage collection and treatment	-	-	-	217,921	217,921
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	(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, net	(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 capital assets	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 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
Transfers 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	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

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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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Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	76-79
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.	80-81
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	82-83
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.	84-85

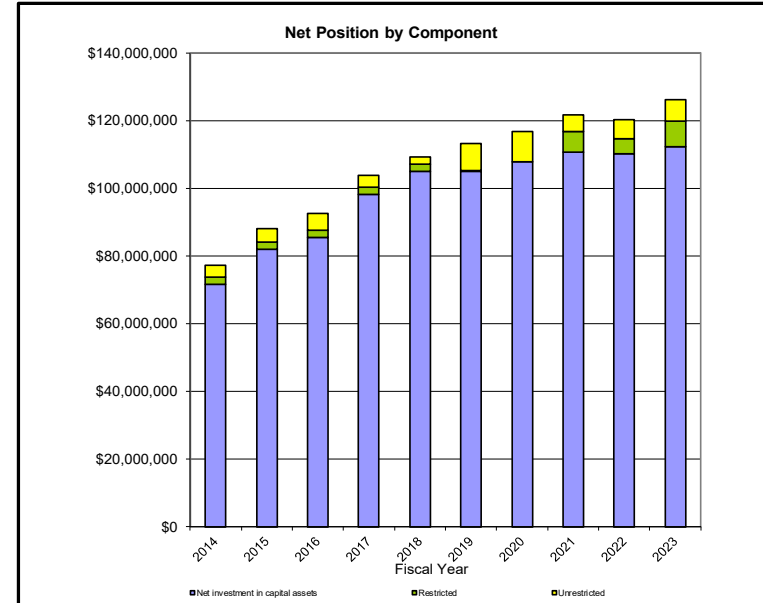
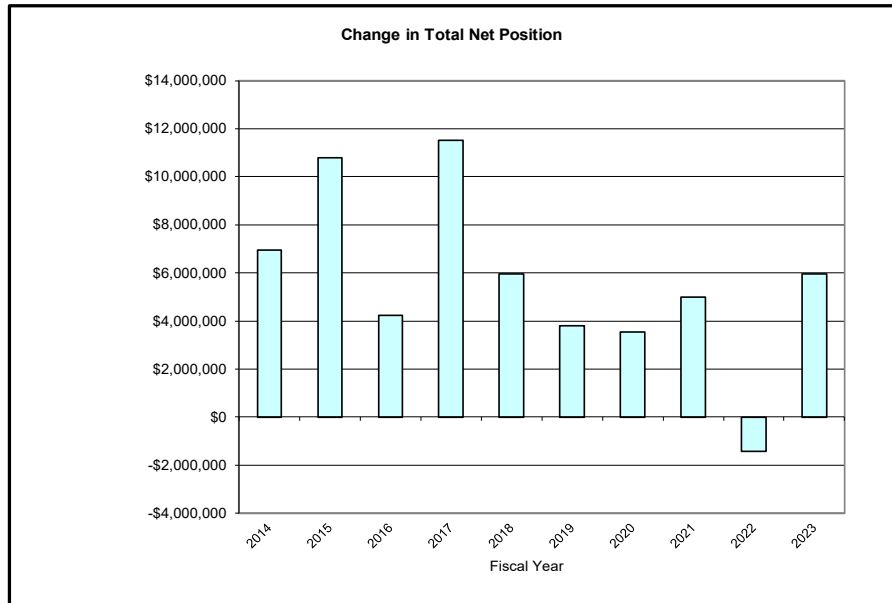
North Marin Water District

Changes in Net Position and Net Position by Component

Last Ten Fiscal Years

Schedule 1

	Fiscal Year									
	Restated 2014	2015	2016	2017	Restated 2018	Restated 2019	2020	Restated 2021	2022	2023
Change in net position:										
Operating revenues (see schedule 2)	\$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	\$24,244,711
Operating expenses (see schedule 3)	(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)	(15,868,060)
Depreciation and amortization	(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)	(4,523,906)
Operating income(loss)	\$4,334,294	\$1,569,459	\$420,453	\$187,378	\$2,198,995	\$1,949,599	\$1,025,926	\$754,366	(\$2,098,797)	\$3,852,745
Net non-op revenue(expense) (see schedule 4)	(518,474)	(488,661)	(328,734)	(304,830)	(253,110)	(59,467)	(239,641)	(356,774)	(1,169,574)	350,361
Net income(loss) before capital contributions	\$3,815,820	\$1,080,798	\$91,719	(\$117,452)	\$1,945,885	\$1,890,132	\$786,285	\$397,592	(\$3,268,371)	\$4,203,106
Capital contributions	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	1,761,295
Change in net position	\$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)	\$5,964,401
Net position by component:										
Net investment in capital assets	\$71,538,168	\$82,037,287	\$85,542,035	\$98,131,574	\$104,921,863	\$105,092,277	\$107,946,623	\$110,643,664	\$110,111,018	\$112,410,898
Restricted	2,156,020	2,170,429	2,122,980	2,140,681	2,186,164	71,715	-	6,166,090	4,560,392	7,432,578
Unrestricted	3,696,449	3,977,830	5,007,769	3,639,717	2,244,629	8,000,505	8,767,142	4,889,691	5,585,167	6,377,502
Total net position	\$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	\$126,220,978

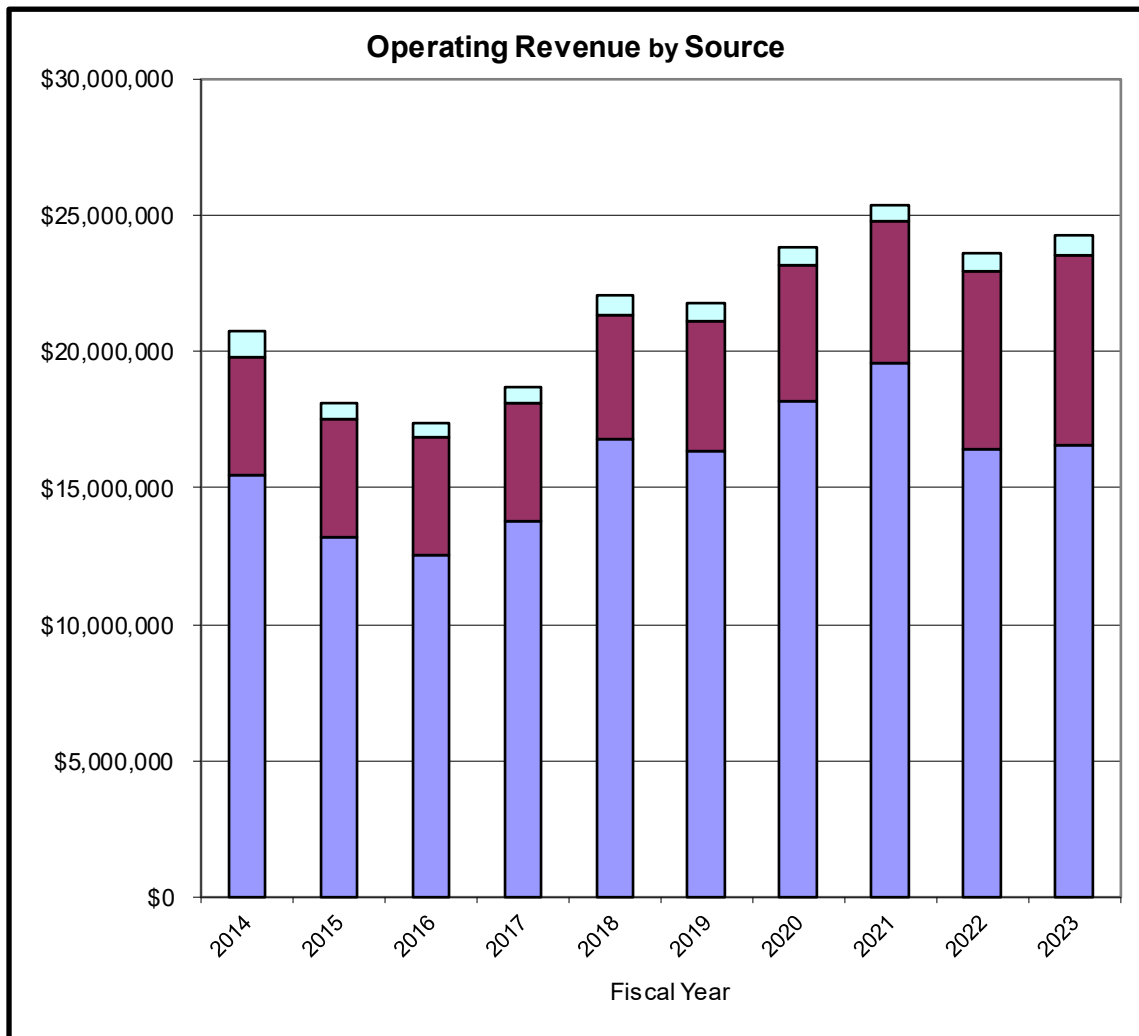


Source: North Marin Water District Audited Financial Statements

**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
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
2023		16,537,824	7,017,426	689,461	24,244,711

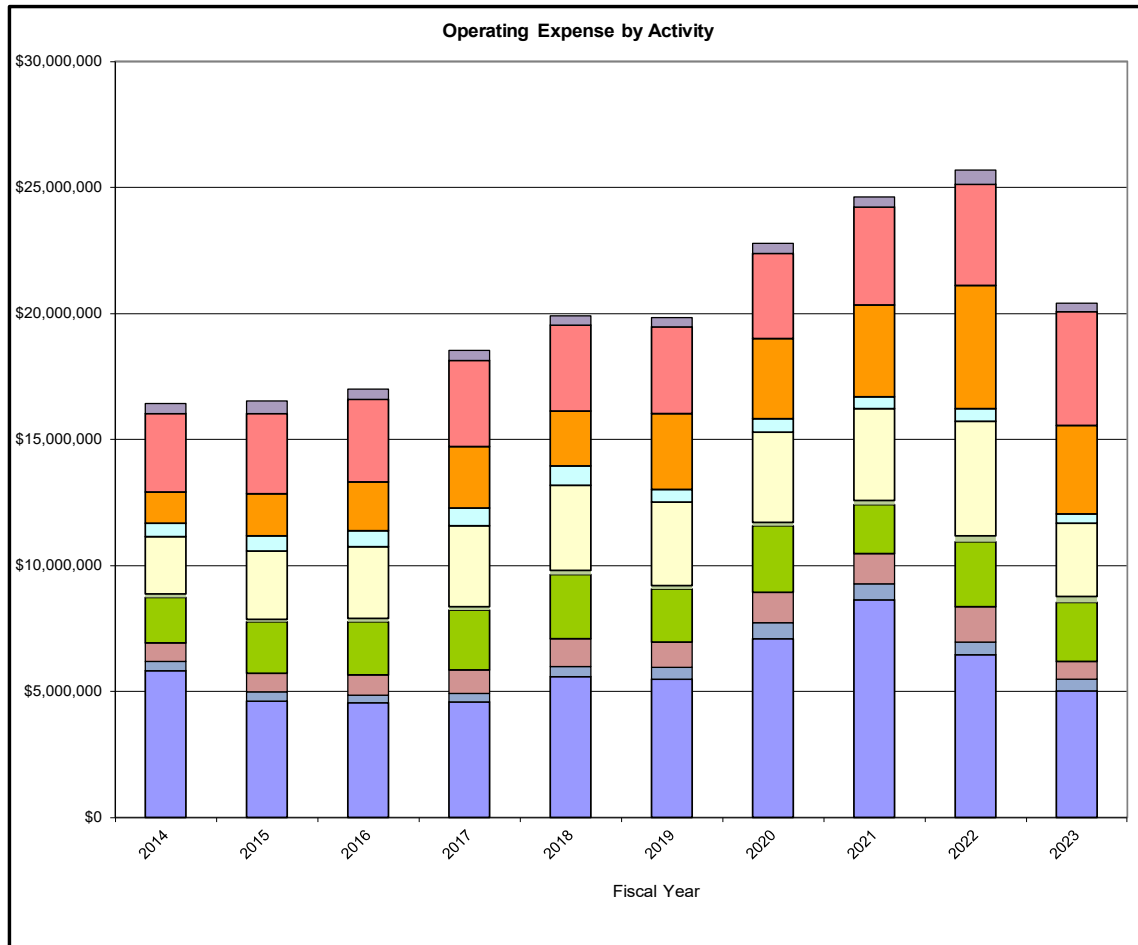


Source: North Marin Water District Audited Financial Statements

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
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
2023	5,001,982	493,027	678,573	2,353,464	221,031	2,913,192	386,333	3,499,861	320,597	4,523,906	20,391,966

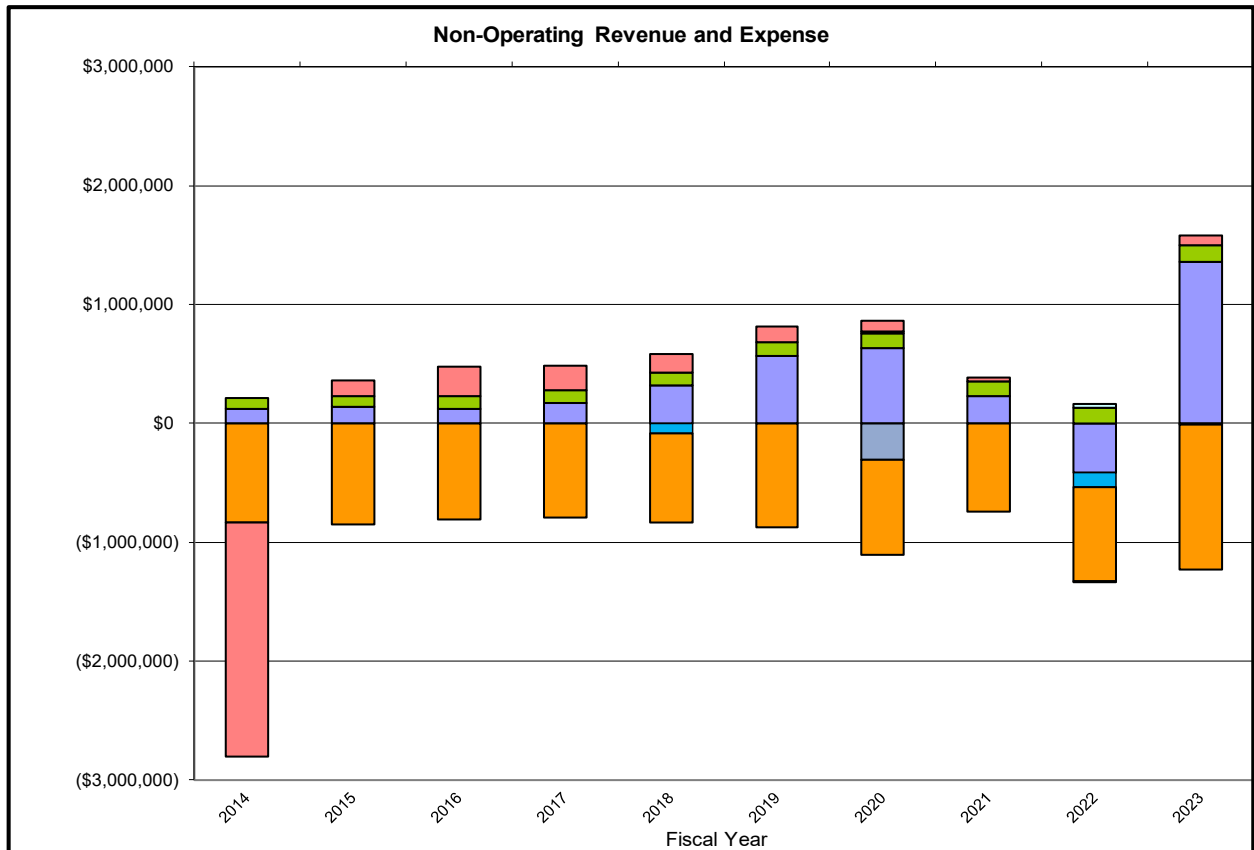


Source: North Marin Water District Audited Financial Statements

**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)
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)
2023	1,358,483	143,332	(10,885)	-	-	(1,219,819)	79,250	350,361



Notes:

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

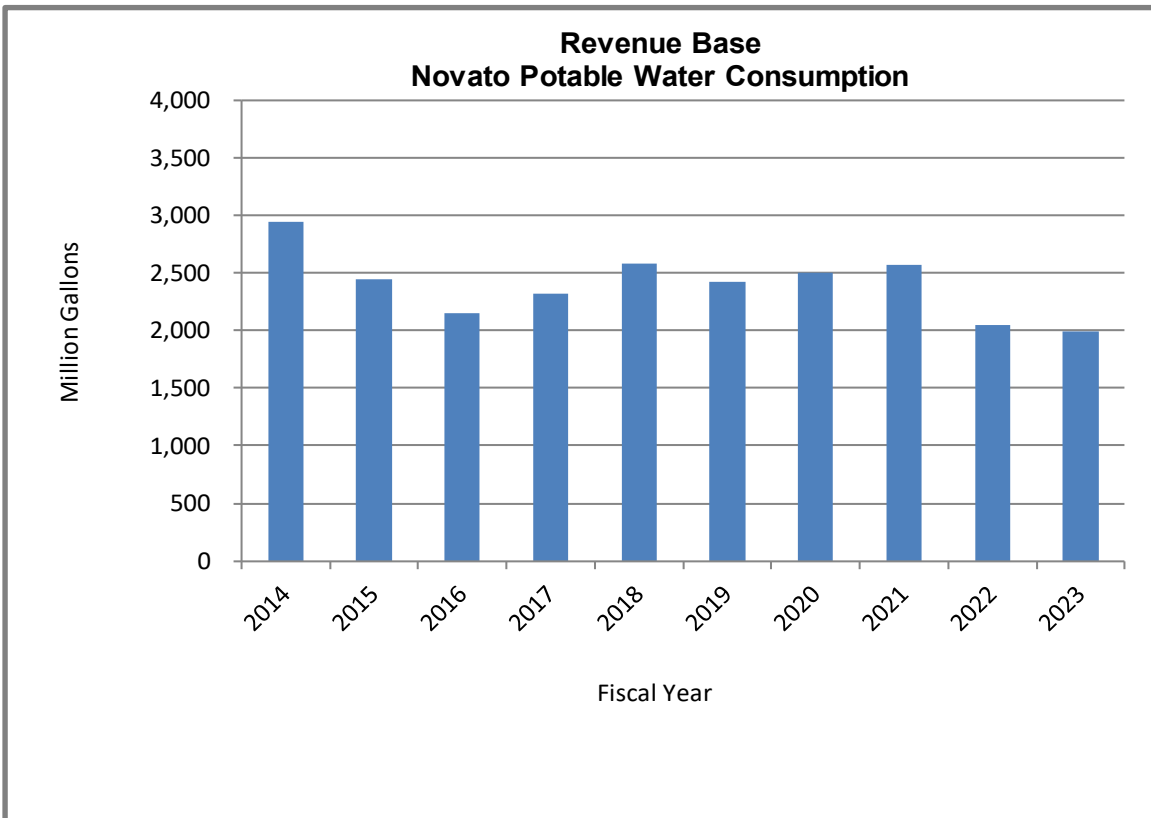
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

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)
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	2,052
2023	1,993



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	Commercial/ Business	Government	Recycled			
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
2023	18,686	699	1,228	218	100	792	235	21,958

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	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
5/8" & 3/4"	\$ 30.00	\$ 30.00	\$ 30.00	\$ 31.50	\$ 33.00	\$ 34.15	\$ 34.15	\$ 41.46	\$ 43.95	\$ 46.58
1"	60.00	60.00	60.00	63.00	66.00	68.30	68.30	74.06	78.50	83.21
1 1/2"	73.00	73.00	73.00	77.00	80.50	83.30	83.30	128.38	136.08	144.25
2"	114.00	114.00	114.00	120.00	125.50	129.90	129.90	193.57	205.18	217.50
3"	227.00	227.00	227.00	238.00	248.50	257.20	257.20	367.41	389.45	412.82
4"	364.00	364.00	364.00	382.00	399.00	413.00	413.00	562.98	596.76	632.56
6"	761.00	761.00	761.00	799.00	835.00	864.00	864.00	1,106.23	1,172.60	1,242.96
8"	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	1,609.20

Water Use Rate (per 1,000 Gallons)										
User Type	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	6/30/23
<u>Residential Zone A</u>										
Base Rate ⁽¹⁾	\$ 4.29	\$ 4.46	\$ 4.77	\$ 5.01	\$ 5.24	\$ 5.42	\$ 5.42	\$ 5.50	\$ 5.83	\$ 6.18
Tier 1 ⁽²⁾	6.84	7.11	7.61	7.99	8.35	8.64	8.64	6.23	6.60	7.00
Tier 2 ⁽²⁾	11.90	12.38	13.25	13.91	14.54	15.05	15.05	7.57	8.13	8.62
<u>Non-Residential Zone A</u>										
Base Rate ⁽¹⁾	4.73	4.92	5.26	5.52	5.77	5.97	5.97	5.50	5.83	6.18
Seasonal Rate	5.08	5.28	5.65	5.93	6.20	6.42	6.42	7.67	8.13	8.62

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-FY23, Tier 2 = >1845 gpd FY13-FY20, >720 gpd FY21-FY23

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

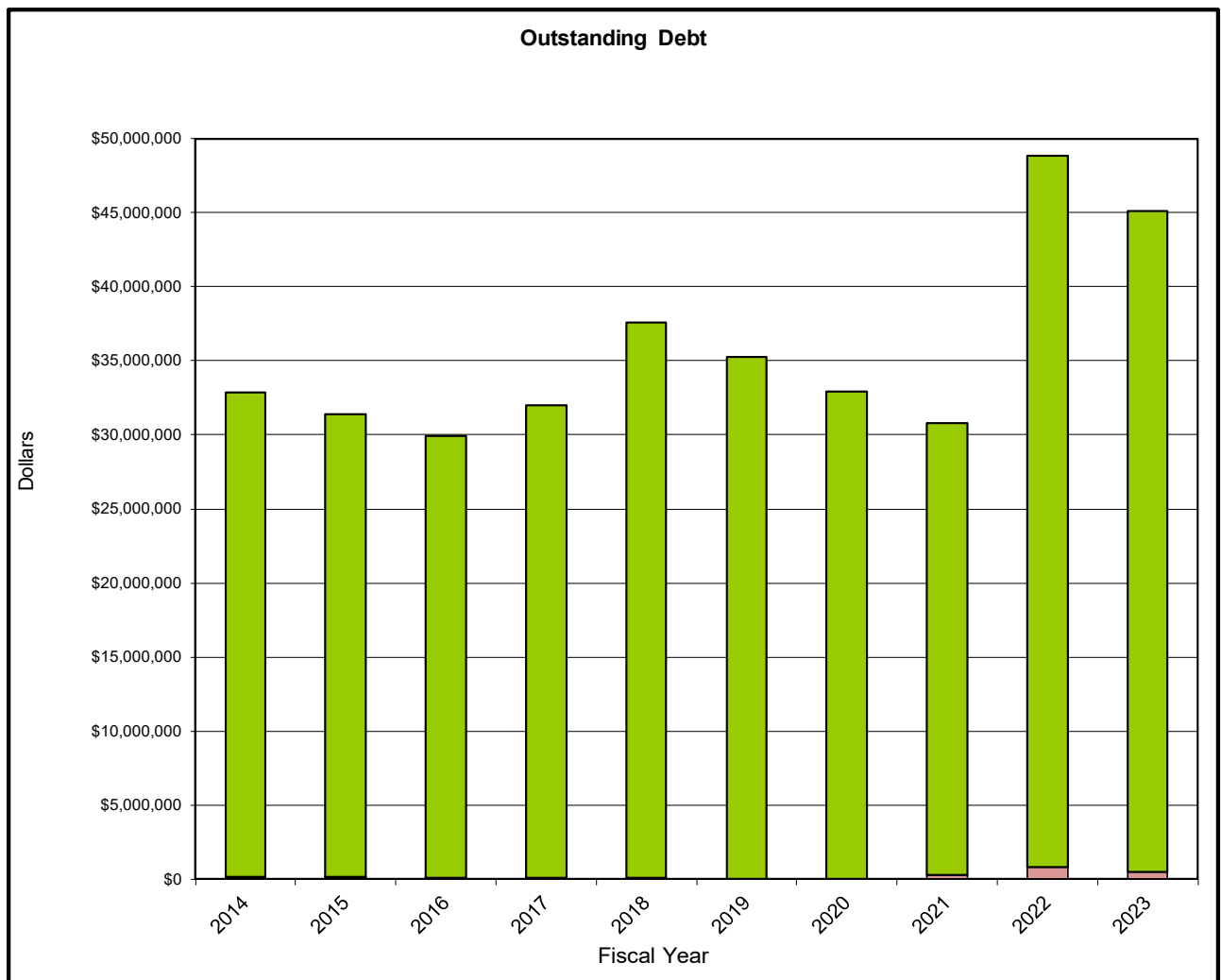
	FY 2022/23	% of Total	FY 2013/14	% of Total
1	Bay Club Stonetree	2.1%	City Of Novato	2.3%
2	City Of Novato	2.0%	Novato Unified School District	1.7%
3	Novato Unified School District	1.4%	Bay Club Stonetree	1.4%
4	Marin Country Club	1.3%	Coast Guard Spanish Housing	0.8%
5	Biomarin Pharmaceutical	1.3%	BioMarin Pharmaceutical	0.7%
6	Indian Valley Golf Course	0.9%	Indian Valley Golf Course	0.7%
7	NCP Multifamily LLC	0.8%	Meadow Park HOA	0.5%
8	Marion Park Apts	0.6%	Bay Vista Apartments	0.5%
9	Meadow Park HOA	0.6%	Fireman's Fund	0.5%
10	Vintage Oaks Shopping Ctr	0.5%	Marin Country Club	0.4%
		<u>11.5%</u>		<u>9.5%</u>
	Total Water Service Revenue	\$23,555,000	Total Water Service Revenue	\$19,394,000

Source: NMWD CORE billing system (t:\finance\audit\audit23\acfr fy23\top revenue 2014_2023.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⁾
2014	159,916	-	32,687,391	32,847,307	318.46	0.24%
2015	136,000	-	31,237,390	31,373,390	538.48	0.28%
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%
2023	-	464,421	44,668,971	45,133,392	792.02	0.30%



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			Net Available		Debt Service			Coverage
	Revenue ⁽¹⁾	Expense ⁽²⁾	Revenue	Principal	Interest	Total	Ratio	
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	2.01
2018		22,506,537	(16,470,065)	6,036,472	1,814,680	747,118	2,561,798	2.35
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	2,629,807	789,056	3,418,863	1.98
2023		26,122,289	(17,409,629)	8,712,660	3,940,156	1,031,254	4,971,410	1.75

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.

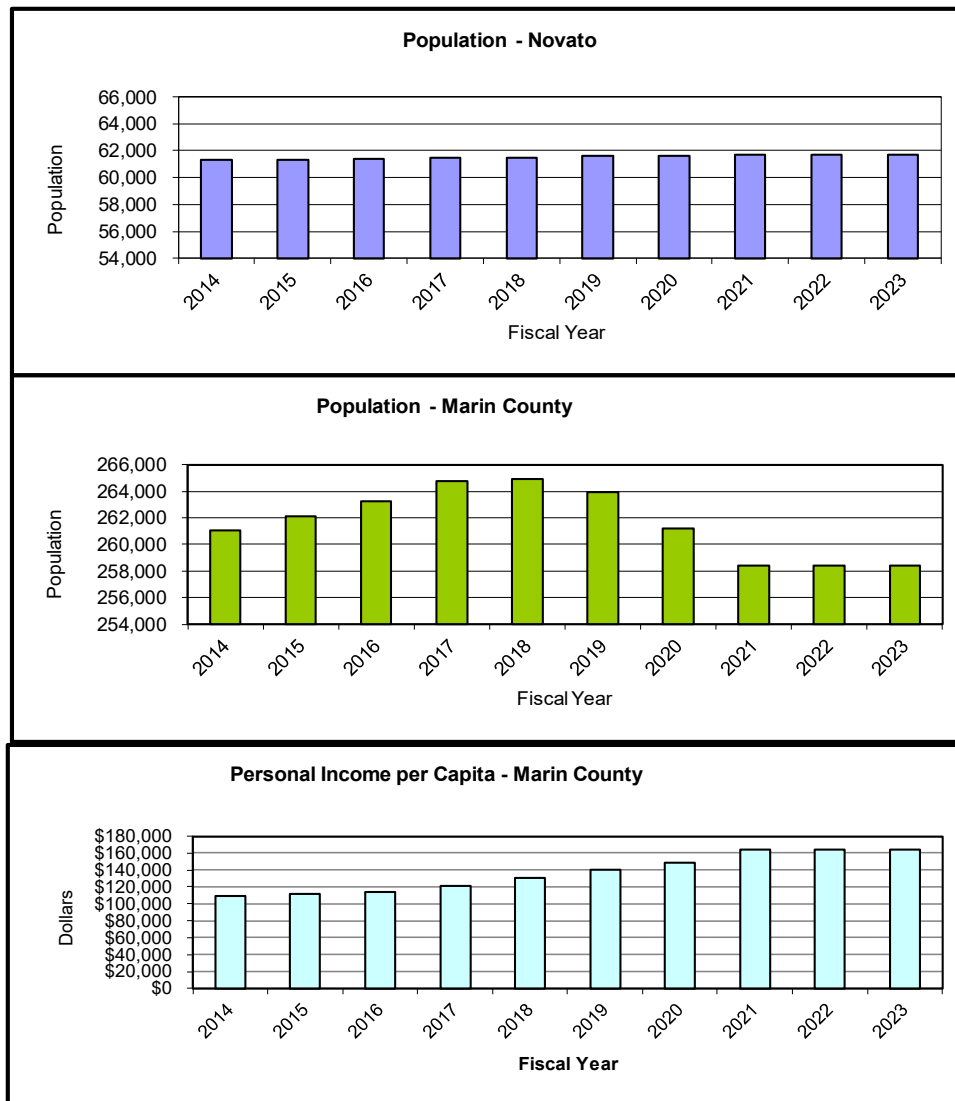
Source: North Marin Water District Audited Financial Statements

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

Schedule 11

Year	Novato Service Area ⁽¹⁾		County of Marin		
	Estimated Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2014	61,307	4.1%	261,033	\$ 28,455,468	\$ 109,011
2015	61,343	3.5%	262,105	29,332,433	111,911
2016	61,376	3.5%	263,257	30,059,737	114,184
2017	61,448	3.1%	264,753	32,089,917	121,207
2018	61,486	2.6%	264,944	34,476,633	130,128
2019	61,637	2.5%	263,917	36,919,613	139,891
2020	61,658	7.4%	261,227	38,771,050	148,419
2021	61,681	4.5%	258,385	42,405,629	164,118
2022	61,693	2.5%	258,385	42,405,629	164,118
2023	61,688	3.1%	258,385	42,405,629	164,118



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 County of Marin for 2022 & 2023 was unavailable, 2021 amount was used
 Personal Income per Capita for 2022 & 2023 was unavailable, 2021 amount was used.

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

FY 2022/2023*			FY 2013/2014		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 County of Marin	2,436	1.92%	County of Marin	2,065	1.51%
2 Kaiser Permanente	2,339	1.84%	Kaiser Permanente	1,832	1.34%
3 BioMarin Pharmaceutical	1,868	1.47%	San Quentin Prsion	1,654	1.21%
4 San Quentin Prsion	1,547	1.22%	Marin General Hospital	1,637	1.19%
5 Glassdoor Inc.	1,452	1.15%	Autodesk Inc.	1,095	0.80%
6 San Rafael City Schools	1,145	0.90%	BioMarin Pharmaceutical	850	0.62%
7 Marin General Hospital	1,081	0.85%	Novato Unified School District	812	0.59%
8 Novato Unified School District	800	0.63%	Fireman's Fund Insurance Co.	750	0.55%
9 Marin Community Clinics	576	0.45%	Lucasfilm Ltd.	400	0.29%
10 Marin County Office of Education	449	0.35%	Macy's	385	0.28%
	<u>13,693</u>	<u>10.80%</u>		<u>11,480</u>	<u>8.38%</u>

Source: County of Marin

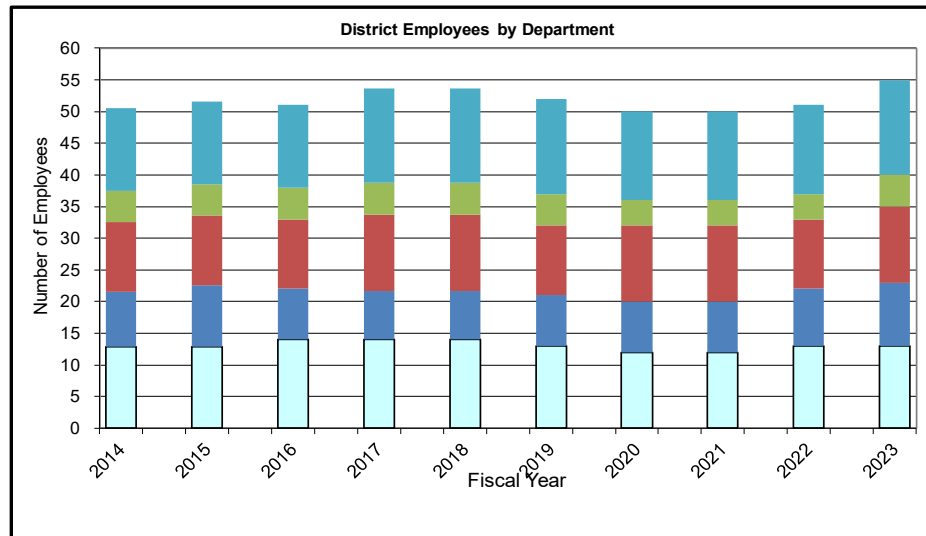
<https://www.marincounty.org/depts/df/annual-comprehensive-financial-reports-acfr>

* 2022/2023 Largest Employers was not available. The last available year available was FY 2021/2022.

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

Schedule 13

Department	Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administrative Services	13	13	14	14	14	13	12	12	13	13
Engineering Services	9	10	8	8	8	8	8	8	9	10
Construction /Maintenance	11	11	11	12	12	11	12	12	11	12
Water Quality	5	5	5	5	5	5	4	4	4	5
Operations / Maintenance	13	13	13	15	15	15	14	14	14	15
	51	52	51	54	54	52	50	50	51	55



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)
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
2023	100	368	2,896	40

Source: North Marin Water District - Engineering Department

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Report on Internal Controls and Compliance



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Jonathan Abadesco, CPA
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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, 2023, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 5, 2023.

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs

Cypress, California

December 5, 2023