



NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2015 and 2014





**NORTH MARIN
WATER DISTRICT**

| Name | Title | Elected/ Appointed | Current Term |
|---------------------------|-----------------------|-------------------------------|-------------------------|
| Jack Baker | President | Elected | 12/11 - 12/15 |
| John C. Schoonover | Vice-President | Elected | 12/13 - 12/17 |
| Rick Fraites | Director | Elected | 12/13 - 12/17 |
| Stephen Petterle | Director | Elected | 12/11 - 12/15 |
| Dennis J. Rodoni | Director | Elected | 12/11 - 12/15 |

**Chris DeGabriele, General Manager
North Marin Water District
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Novato, California 94945
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North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2015 and 2014

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

Prepared by:
Finance Department
David Bentley, Auditor-Controller
Dianne Landeros, Accounting/Human Resources Supervisor

**North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2015 and 2014**

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Introductory Section



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October 20, 2015

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North Marin Water District

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It is our pleasure to submit the Annual Financial Report for the North Marin Water District for the fiscal years ended June 30, 2015 and 2014, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that the Governmental Accounting Standards Board believes necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

The North Marin Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The North Marin Water District has been providing water service to its customers since 1948. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The North Marin Water District employs 52 (51.7 full-time equivalent) employees, some of whom are part-time, plus a small cadre of temporary and seasonal employees as the workload dictates. There are currently 21 office positions and 31 field positions. The District's Board of Directors meets on the first and third Tuesday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

District Services

The District provides water service to the greater Novato area and to areas of West Marin (Point Reyes Station, Olema, Bear Valley, Inverness Park and Paradise Ranch Estates). The District provides sewer service to the Oceana Marin subdivision adjacent to Dillon Beach.

The District provides water service to approximately 61,000 residents in the greater Novato area through 20,498 potable water service connections and 44 recycled water connections. The District also provides water service to approximately 1,800 residents in the Point Reyes service area of West Marin County through 778 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 229 service connections.

District Services, continued

Residential customers comprise approximately 93% of the District's customer base and consume approximately 80% of the water produced annually by the District. The District purchases approximately 80% of its Novato water supply from the Sonoma County Water Agency (Agency) with the balance derived from the District's Stafford Lake Reservoir and some recycled water. The District purchased approximately 1.9 billion gallons and 2.6 billion gallons of water in fiscal years 2015 and 2014, respectively, from the Agency.

Economic Condition, Outlook and Major Initiatives

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

The Russian River water delivery system operated by the Agency typically provides 80% of Novato's water supply, but continues to have limited capacity in summer months. Novato Rainfall in FY 2015 totaled 26.19", which was close to the historical average annual rainfall. On April 1, 2015, the Governor imposed outdoor water use restrictions to achieve a 25% statewide reduction in CA potable urban water use through February 28, 2016. On May 19 the North Marin Board of Directors implemented the State mandate to activate mandatory restrictions on water use to achieve a 24% reduction compared to the same billing periods in 2013. In 2015, ample water was available in Lake Sonoma for fish, agriculture and urban use on the lower Russian River system and no restrictions on the Russian River water deliveries were imposed. North Marin's Stafford Lake water treatment plant produced 573 million gallons of water to augment Russian River supplies with local water supply during the fiscal year. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island combined to provide 147 million gallons of highly-treated recycled wastewater to irrigate turf within the District's service territory.

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

A commodity rate increase averaging 3% for customers in the Novato service area was authorized by the Board of Director's effective June 1, 2015. No increase in the bimonthly service charge was implemented. At \$672 per year, the cost of water service for a typical Novato single family home using 100,500 gallons of water per year remains a good value for Novato customers.

In West Marin, normal year supply conditions existed on Lagunitas Creek. Work on the grant funded \$1.4M Gallagher Well Pipeline was completed by the close of calendar year 2014.

District Water Supply

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

Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (acre-feet) (1,450 MG) of water. Water from Stafford Lake is fed into the 6 million gallons per day (mgd) treatment plant located just below the dam. In fiscal year 2015 and 2014, 1,759 AF (573 MG) and 1,470 AF (479 MG), respectively, was produced by the Stafford Lake Water Treatment Plant.

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

Russian River water originates from both the Eel River and the Russian River watersheds northeast of the City of Ukiah (Lake Mendocino) and west of Healdsburg (Lake Sonoma). The Coyote Dam and Lake Mendocino impound the Eel River diversions and winter runoff from the local watershed. Warm Springs Dam and Lake Sonoma impound winter runoff from the Dry Creek and Warm Springs local watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet the regions’ water supply needs, which totaled 45,868 acre feet in fiscal year 2015. Releases from the lakes flow to a point about 10 miles upstream of Guerneville where six deep Ranney Collector wells collect river water that has been filtered through 60 to 90 feet of natural sand and gravel to perforated pipes located at the bottom of each well. The thick layer of sand and gravel through which the water must pass before reaching the intake pipes provides a highly-efficient, natural filtration process which, with chlorination treatment, produces a clear, potable, bacteria-free water. This water is then fed directly into the Agency’s aqueduct system.

During the fiscal years 2015 and 2014, the District received 5,916 AF (1,928 MG) and 7,767 AF (2,531 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, corporate medium-term notes and time certificates of deposit.

Water Rates and District Revenues

Revenue from user charges generated from District customers supports District operations. Accordingly, water and sewer rates are reviewed annually. Water and sewer rates are user charges imposed on customers for services and are the primary component of the District’s revenue. Water rates are comprised of a commodity (water use) charge and a bimonthly service charge; whereas, sewer rates are comprised exclusively of a fixed charge.

Audit and Financial Reporting

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

Awards and Acknowledgements

For the sixth 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 2014 Consolidated Annual Financial Report (CAFR). To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

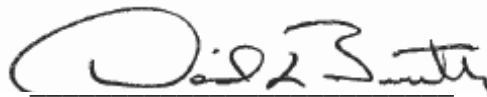
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for 2015.

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

Respectfully submitted,



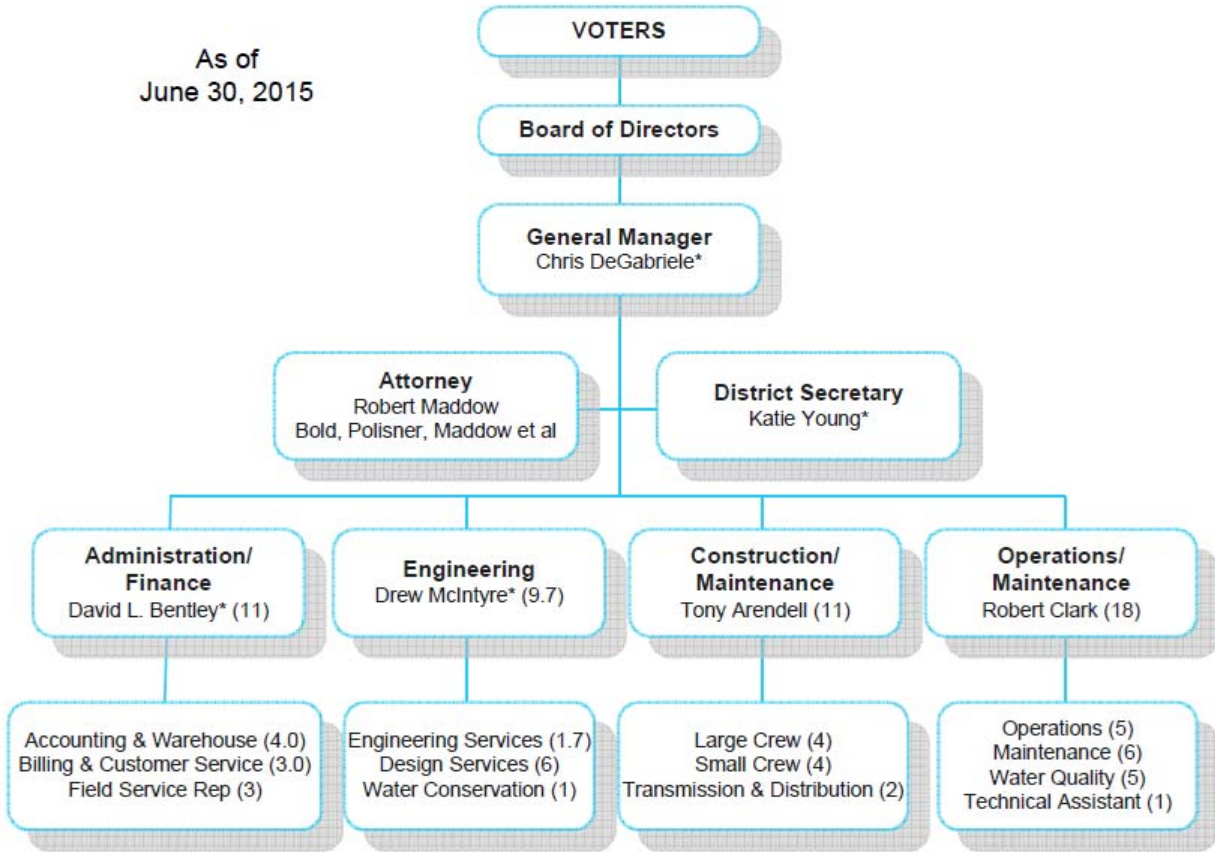
Chris DeGabriele
General Manager



David L. Bentley
Auditor-Controller

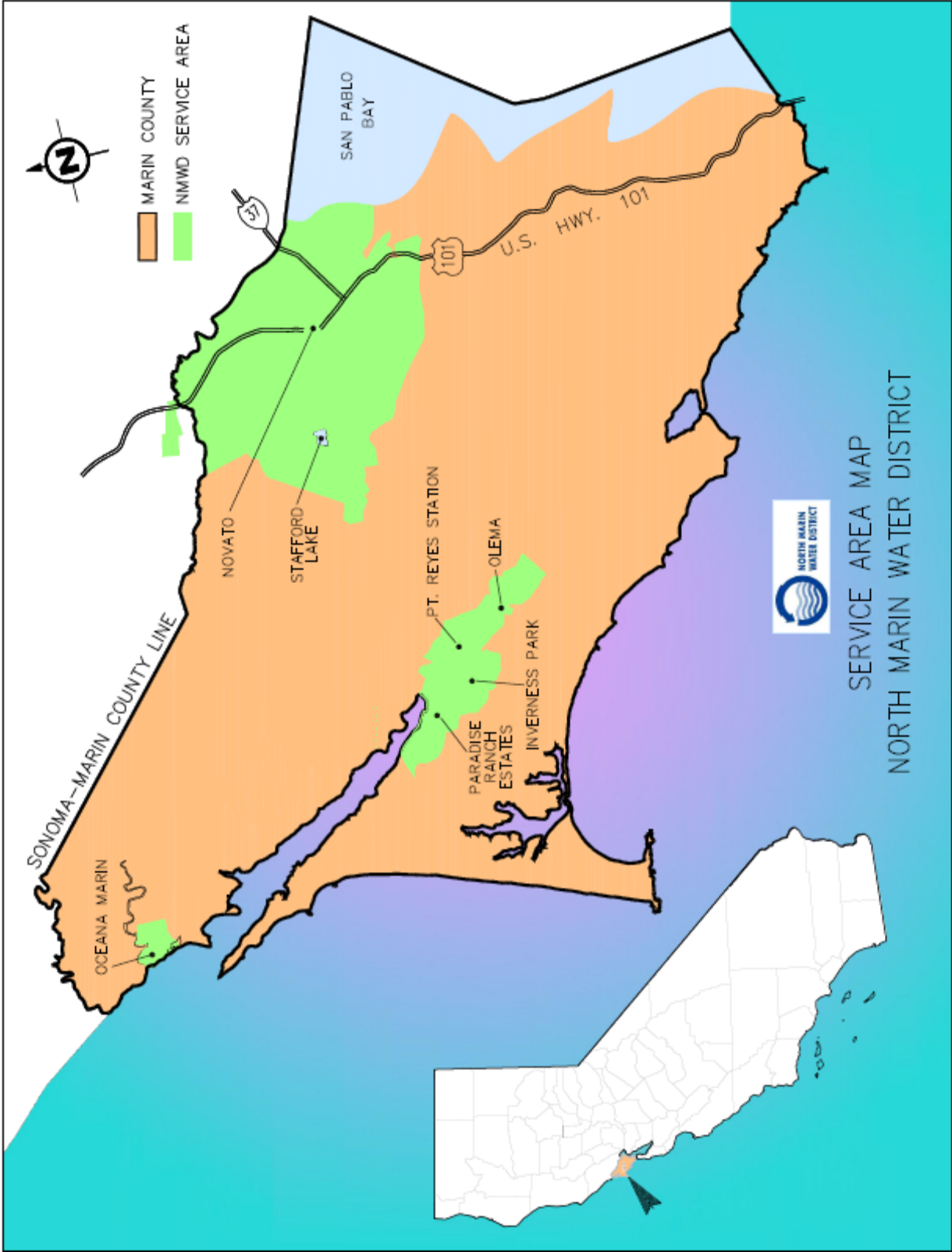
North Marin Water District Organizational Chart

As of
June 30, 2015



* Also serves as District Officer

* Also Serves as District Officer




 SERVICE AREA MAP
 NORTH MARIN WATER DISTRICT



Government Finance Officers Association

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

Presented to

**North Marin Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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Financial Section



Fedak & Brown LLP

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Independent Auditor's Report

Board of Directors
North Marin Water District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Marin Water District (District), which comprises the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Marin Water District as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10 through 14 and the required supplementary information on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Independent Auditor's Report, continued

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

Other Matters

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 7, the supplementary information of combining schedules on pages 51 through 54, and the statistical section on pages 55 through 70 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Implementation of New Accounting Standards

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68, for the year ended June 30, 2015.

Prior Period Restatement

As part of our audits of the June 30, 2015 and 2014 financial statements, we also audited the adjustments described in Note 14 that were applied to restate the June 30, 2014 and 2013 financial statements. In our opinion, the adjustments are appropriate and have been properly applied.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2015, 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 71 and 72.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 20, 2015

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

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North Marin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2015 and 2014. 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 2015, the District's net position increased 3.0% or \$2,671,715 to \$88,155,270. In fiscal year 2014, the District's net position increased 4.7% or \$4,027,352 to \$85,483,555.
- In 2015, the District's operating revenues decreased 14.9% or \$2,691,112 to \$18,081,317. In 2014, the District's operating revenues increased 12.1% or \$2,515,791 to \$20,772,429.
- In 2015, the District's operating expenses before depreciation decreased 6.3% or \$843,198. In 2014, the District's operating expenses before depreciation increased 7.3% or \$1,028,011.

Required Financial Statements

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

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

Financial Analysis of the District

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

These two statements report the District's *net position* and changes in it. You can think of the District's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, new or changed government legislation or accounting standards, as well as changes in Federal and State water quality standards.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 through 47.

Statements of Net Position

| Condensed Statements of Net Position | | | | | |
|--|-----------------------|----------------------|-------------------|----------------------|--------------------|
| | 2015 | As Restated* 2014 | Change | As Restated* 2013 | Change |
| Assets: | | | | | |
| Current assets | \$ 10,041,136 | 14,752,587 | (4,711,451) | 16,549,860 | (1,797,273) |
| Non-current assets | 12,208,592 | 9,429,420 | 2,779,172 | 8,549,393 | 880,027 |
| Capital assets, net | 111,476,381 | 98,696,826 | 12,779,555 | 96,202,212 | 2,494,614 |
| Deferred outflows of resources: | 757,200 | - | 757,200 | - | - |
| Total assets and deferred outflows of resources | \$ 134,483,309 | 122,878,833 | 11,604,476 | 121,301,465 | 1,577,368 |
| Liabilities: | | | | | |
| Current liabilities | \$ 6,152,009 | 4,724,639 | 1,427,370 | 3,571,752 | 1,152,887 |
| Non-current liabilities | 37,994,020 | 32,670,639 | 5,323,381 | 36,273,510 | (3,602,871) |
| Deferred inflows of resources: | 2,182,010 | - | 2,182,010 | - | - |
| Total liabilities and deferred inflows of resources | \$ 46,328,039 | 37,395,278 | 8,932,761 | 39,845,262 | (2,449,984) |
| Net position: | | | | | |
| Net investment in capital assets | \$ 82,037,287 | 71,538,168 | 10,499,119 | 65,839,724 | 5,698,444 |
| Restricted for capital projects and debt | 2,170,429 | 2,156,020 | 14,409 | 2,186,452 | (30,432) |
| Unrestricted | 3,947,554 | 11,789,367 | (7,841,813) | 13,430,027 | (1,640,660) |
| Total net position | 88,155,270 | 85,483,555 | 2,671,715 | 81,456,203 | 4,027,352 |
| Total liabilities, deferred inflows of resources and net position | \$ 134,483,309 | 122,878,833 | 11,604,476 | 121,301,465 | 1,577,368 |

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 of the District exceeded liabilities by \$88,155,270 and \$85,483,555 as of June 30, 2015 and 2014, respectively.

By far the largest portion of the District's net position (93% and 84% as of June 30, 2015 and 2014, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$3,947,554 and \$11,789,367 respectively. See note 13 for the amount of spendable net position that may be utilized in future years.

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

Statements of Revenues, Expenses and Changes in Net Position

| Condensed Statements of Revenues, Expenses and Changes in Net Position | | | | | |
|--|----------------------|----------------------|--------------------|----------------------|--------------------|
| | 2015 | As Restated* 2014 | Change | As Restated* 2013 | Change |
| Revenue: | | | | | |
| Operating revenue | \$ 18,081,317 | 20,772,429 | (2,691,112) | 18,256,638 | 2,515,791 |
| Non-operating revenue | 425,399 | 549,736 | (124,337) | 348,443 | 201,293 |
| Total revenue | 18,506,716 | 21,322,165 | (2,815,449) | 18,605,081 | 2,717,084 |
| Expense: | | | | | |
| Operating expense | 13,325,658 | 14,168,856 | (843,198) | 13,140,845 | 1,028,011 |
| Depreciation and amortization | 3,183,725 | 3,128,302 | 55,423 | 2,793,360 | 334,942 |
| Non-operating expense | 946,811 | 3,141,911 | (2,195,100) | 633,933 | 2,507,978 |
| Total expense | 17,456,194 | 20,439,069 | (2,982,875) | 16,568,138 | 3,870,931 |
| Net income(loss) before cap. con. | 1,050,522 | 883,096 | 167,426 | 2,036,943 | (1,153,847) |
| Capital contributions | 9,714,111 | 3,144,256 | 6,569,855 | 3,357,870 | (213,614) |
| Change in net position | 10,764,633 | 4,027,352 | 6,737,281 | 5,394,813 | (1,367,461) |
| Net position, beginning of year | 85,483,555 | 81,456,203 | 4,027,352 | 76,061,390 | 5,394,813 |
| Prior period adjustment | (8,092,918) | - | (8,092,918) | - | - |
| Net position, end of year | \$ 88,155,270 | 85,483,555 | 2,671,715 | 81,456,203 | 4,027,352 |

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

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased 3.0% or \$2,671,715 to \$88,155,270 which was due primarily to a \$10,764,633 increase from operations, which was offset by an \$8,092,918 decrease related to a prior period adjustment. (See note 14 for further information). In fiscal year 2014, the District's net position increased 4.7% or \$4,027,352 to \$85,483,555, which was comprised of an increase of \$2,006,596 from operations combined with a prior period adjustment increase in the amount of \$2,020,756. (See note 14 for further information).

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

In 2015, the District's operating revenues decreased 14.9% or \$2,691,112 to \$18,081,308 due primarily to water consumption sales affected by drought restrictions. In 2014, the District's operating revenues increased 12.1% or \$2,515,791 to \$20,772,429 due primarily to implemented rate increases.

In 2015, the District's operating expenses before depreciation decreased 6.3% or \$843,198 due primarily to a decrease of \$1,601,595 in source of supply which was offset by increases of \$372,017 in general and administrative, \$310,800 in transmission and distribution, and \$90,755 in water treatment expense. In 2014, the District's operating expenses before depreciation increased 7.3% or \$1,028,011 due primarily to increases of \$883,262 in source of supply, \$167,127 in water conservation, and \$76,038 in transmission and distribution, which were offset by decreases of \$148,654 in general and administrative, \$56,816 in water treatment.

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

Total District Revenues

| | <u>2015</u> | <u>As Restated* 2014</u> | <u>Change</u> | <u>As Restated* 2013</u> | <u>Change</u> |
|-------------------------------------|----------------------|------------------------------|--------------------|------------------------------|------------------|
| Operating revenues: | | | | | |
| Water consumption sales | \$ 13,180,015 | 15,480,438 | (2,300,423) | 13,987,034 | 1,493,404 |
| Monthly meter service charge | 4,312,108 | 4,308,584 | 3,524 | 3,630,425 | 678,159 |
| Sewer service charges | 186,864 | 177,970 | 8,894 | 157,992 | 19,978 |
| Water conservation | 11,970 | 4,410 | 7,560 | 1,260 | 3,150 |
| Other charges and services | 390,360 | 801,027 | (410,667) | 479,927 | 321,100 |
| Total operating revenues | <u>18,081,317</u> | <u>20,772,429</u> | <u>(2,691,112)</u> | <u>18,256,638</u> | <u>2,515,791</u> |
| Non-operating revenues: | | | | | |
| Property tax revenue | 94,391 | 90,071 | 4,320 | 88,088 | 1,983 |
| Investment earnings | 86,011 | 66,612 | 19,399 | 22,002 | 44,610 |
| Interest earnings from note – BPGL | 49,296 | 54,059 | (4,763) | 58,711 | (4,652) |
| Rental revenue | 89,657 | 89,593 | 64 | 71,850 | 17,743 |
| Other non-operating revenues | 106,044 | 139,401 | (33,357) | 107,792 | 31,609 |
| Total non-operating revenues | <u>425,399</u> | <u>439,736</u> | <u>(14,337)</u> | <u>348,443</u> | <u>91,293</u> |
| Total revenues | <u>\$ 18,506,716</u> | <u>21,212,165</u> | <u>(2,705,449)</u> | <u>18,605,081</u> | <u>2,607,084</u> |

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

In 2015 and 2014, total District revenues increased \$2,705,449 and \$2,607,084, respectively.

Total District Expenses

| | <u>2015</u> | <u>As Restated* 2014</u> | <u>Change</u> | <u>As Restated* 2013</u> | <u>Change</u> |
|--|----------------------|------------------------------|--------------------|------------------------------|------------------|
| Operating expenses: | | | | | |
| Source of supply | \$ 4,624,655 | 6,226,250 | (1,601,595) | 5,342,988 | 883,262 |
| Pumping | 352,007 | 362,997 | (10,990) | 351,816 | 11,181 |
| Water facilities operations | 751,940 | 785,143 | (33,203) | 716,780 | 68,363 |
| Water treatment | 2,020,865 | 1,930,110 | 90,755 | 1,986,926 | (56,816) |
| Transmission and distribution | 2,727,168 | 2,416,368 | 310,800 | 2,340,330 | 76,038 |
| Sewage collection and treatment | 108,928 | 120,548 | (11,620) | 127,903 | (7,355) |
| Customer service | 588,579 | 587,067 | 1,512 | 552,202 | 34,865 |
| General and administrative | 1,673,156 | 1,301,139 | 372,017 | 1,449,793 | (148,654) |
| Improvement projects | - | - | - | - | - |
| Water conservation | 478,360 | 439,234 | 39,126 | 272,107 | 167,127 |
| Depreciation and amortization | 3,183,725 | 3,128,302 | 55,423 | 2,793,360 | 334,942 |
| Total operating expenses | <u>16,509,383</u> | <u>17,297,158</u> | <u>(787,775)</u> | <u>15,934,205</u> | <u>1,362,953</u> |
| Non-operating expenses: | | | | | |
| Interest expense – long-term debt | 847,950 | 830,830 | 17,120 | 778,763 | 52,067 |
| Amortization of deferred charges | - | - | - | 88,876 | (88,876) |
| Allowance for impairment of emp. loans | - | (110,000) | 110,000 | (280,000) | 170,000 |
| Other non-operating expenses | 98,861 | 2,311,081 | (2,212,220) | 46,294 | 2,264,787 |
| Total non-operating expenses | <u>946,811</u> | <u>3,031,911</u> | <u>(2,085,100)</u> | <u>633,933</u> | <u>2,397,978</u> |
| Total expenses | <u>\$ 17,456,194</u> | <u>20,329,069</u> | <u>(2,872,875)</u> | <u>16,568,138</u> | <u>3,760,931</u> |

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

In 2015 and 2014, total District expenses decreased by \$2,872,875 and increased by \$3,760,931, respectively.

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

Capital Asset Administration

Changes in capital asset amounts for 2015 were as follows:

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

Changes in capital asset amounts for 2014 were as follows:

| | <u>Balance 2013</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2014</u> |
|---------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 13,666,696 | 4,873,071 | (11,617,522) | 6,922,245 |
| Depreciable assets | 124,183,143 | 12,383,025 | (202,364) | 136,363,804 |
| Accumulated depreciation | <u>(41,647,627)</u> | <u>(3,128,302)</u> | <u>186,706</u> | <u>(44,589,223)</u> |
| Total capital assets, net | <u>\$ 96,202,212</u> | <u>14,127,794</u> | <u>(11,633,180)</u> | <u>98,696,826</u> |

At the end of fiscal year 2015 and 2014, the District's investment in capital assets amounted to \$111,476,381 and \$98,696,826, respectively, (net of accumulated depreciation). This investment in capital assets includes: land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-progress, etc. (See Note 7 for further information)

Debt Administration

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

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

Changes in long-term debt amounts for 2014 were as follows:

| | <u>Balance 2013</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2014</u> |
|----------------------|-------------------------|------------------|-------------------------------|-------------------------|
| Long-term debt: | | | | |
| Bonds payable | \$ 181,652 | - | (21,736) | 159,916 |
| Loans payable | <u>34,241,714</u> | <u>42,079</u> | <u>(1,596,402)</u> | <u>32,687,391</u> |
| Total long-term debt | <u>\$ 34,423,366</u> | <u>42,079</u> | <u>(1,618,138)</u> | <u>32,847,307</u> |

(See Note 11 for further information)

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Auditor-Controller at 999 Rush Creek Place, Novato, California 94945, Telephone: (415) 897-4133.

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Basic Financial Statements

**North Marin Water District
Statements of Net Position
June 30, 2015 and 2014**

| <i>Assets and Deferred Outflows of Resources</i> | 2015 | As Restated 2014 |
|--|-----------------------|-----------------------------|
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 1,139,225 | 5,234,452 |
| Restricted – cash and cash equivalents (note 2) | 3,804,189 | 3,317,531 |
| Accrued interest receivable | 18,767 | 13,561 |
| Accounts receivable – water and sewer sales and services | 2,994,131 | 3,612,141 |
| Accounts receivable – governmental agencies | 1,000,009 | 1,649,222 |
| Accounts receivable – other | 33,255 | 38,212 |
| Capital grants and loan proceeds receivable | 213,409 | 65,159 |
| Note receivable – Black Point Golf Links – current portion (note 3) | 206,155 | 201,276 |
| Notes receivable – employee computer loans (note 4) | 445 | 590 |
| Materials and supplies inventory | 556,658 | 582,837 |
| Prepaid expenses and deposits | 74,893 | 37,606 |
| Total current assets | <u>10,041,136</u> | <u>14,752,587</u> |
| Non-current assets: | | |
| Restricted – investments (note 2) | 9,244,351 | 6,244,026 |
| Note receivable – Black Point Golf Links (note 3) | 1,730,041 | 1,936,194 |
| Notes receivable – employee housing assistance loans, net (note 5) | 1,234,200 | 1,249,200 |
| Capital assets, not being depreciated (note 7) | 18,528,855 | 6,922,245 |
| Depreciable capital assets, net (note 7) | 92,947,526 | 91,774,581 |
| Total non-current assets | <u>123,684,973</u> | <u>108,126,246</u> |
| Deferred outflows of resources: | | |
| Deferred pension outflows (note 12) | 757,200 | - |
| Total assets and deferred outflows of resources | <u>\$ 134,483,309</u> | <u>122,878,833</u> |
| <i>Liabilities, Deferred Inflows of Resources and Net Position</i> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 3,554,478 | 2,325,903 |
| Accrued wages and related payables | 265,707 | 224,157 |
| Accrued claims payable (note 8) | 58,720 | 24,956 |
| Customer advances and deposits | 659,502 | 566,556 |
| Accrued interest payable – long-term debt | 116,943 | 118,124 |
| Long-term liabilities – due within one year: | | |
| Compensated absences (note 9) | 153,698 | 148,657 |
| Bonds payable (note 11) | 20,000 | 23,916 |
| Loans payable (note 11) | 1,322,961 | 1,292,370 |
| Total current liabilities | <u>6,152,009</u> | <u>4,724,639</u> |
| Non-current liabilities: | | |
| Long-term liabilities – due in more than one year: | | |
| Compensated absences (note 9) | 461,090 | 445,971 |
| Other post-employment benefits payable (note 10) | 801,236 | 693,647 |
| Bonds payable (note 11) | 116,000 | 136,000 |
| Loans payable (note 11) | 29,914,430 | 31,395,021 |
| Net pension liability (note 12) | 6,701,264 | - |
| Total non-current liabilities | <u>37,994,020</u> | <u>32,670,639</u> |
| Deferred inflows of resources: | | |
| Deferred pension inflows (note 12) | 2,182,010 | - |
| Total liabilities and deferred inflows of resources | <u>\$ 46,328,039</u> | <u>37,395,278</u> |
| Net position: (note 13, 14) | | |
| Net investment in capital assets | \$ 82,037,287 | 71,538,168 |
| Restricted for capital projects and debt service | 2,170,429 | 2,156,020 |
| Unrestricted | 3,947,554 | 11,789,367 |
| Total net position | <u>88,155,270</u> | <u>85,483,555</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 134,483,309</u> | <u>122,878,833</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, 2015 and 2014

| | 2015 | As Restated 2014 |
|--|-------------------|-----------------------------|
| Operating revenues: | | |
| Water consumption sales | \$ 13,180,015 | 15,480,438 |
| Bi-monthly meter service charge | 4,312,108 | 4,308,584 |
| Sewer service charges | 186,864 | 177,970 |
| Water conservation | 11,970 | 4,410 |
| Other charges and services | 390,360 | 801,027 |
| Total operating revenues | 18,081,317 | 20,772,429 |
| Operating expenses: | | |
| Source of supply | 4,624,655 | 6,226,250 |
| Pumping | 352,007 | 362,997 |
| Water facilities operations | 751,940 | 785,143 |
| Water treatment | 2,020,865 | 1,930,110 |
| Transmission and distribution | 2,727,168 | 2,416,368 |
| Sewage collection and treatment | 108,928 | 120,548 |
| Customer service | 588,579 | 587,067 |
| General and administrative | 1,673,156 | 1,301,139 |
| Water conservation | 478,360 | 439,234 |
| Total operating expenses | 13,325,658 | 14,168,856 |
| Operating income before depreciation | 4,755,659 | 6,603,573 |
| Depreciation expense – capital recovery | (3,183,725) | (3,128,302) |
| Operating income | 1,571,934 | 3,475,271 |
| Non-operating revenues(expenses): | | |
| Property tax revenue | 94,391 | 90,071 |
| Investment earnings | 86,011 | 66,612 |
| Interest earnings from note receivable – BPGL | 49,296 | 54,059 |
| Rental revenue | 89,657 | 89,593 |
| Interest expense – long-term debt | (847,950) | (830,830) |
| Change in allowance for impairment of employee housing loans | - | 110,000 |
| Other non-operating revenues | 106,044 | 139,401 |
| Other non-operating expenses | (98,861) | (2,311,081) |
| Total non-operating revenues, net | (521,412) | (2,592,175) |
| Net income before capital contributions | 1,050,522 | 883,096 |
| Capital contributions: | | |
| State of California – Caltrans | 7,070,554 | 1,625,948 |
| Developers and others | 337,332 | 399,005 |
| Contributed capital assets | - | 6,600 |
| Connection fees | 801,600 | 152,800 |
| Capital grants – federal | - | 138,073 |
| Capital grants – state and local | 1,504,625 | 821,830 |
| Capital contributions | 9,714,111 | 3,144,256 |
| Change in net position | 10,764,633 | 4,027,352 |
| Net position, beginning of year | 85,483,555 | 81,456,203 |
| Prior period adjustment (note 14) | (8,092,918) | |
| Net position, end of year | \$ 88,155,270 | 85,483,555 |

See accompanying notes to the basic financial statements

**North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014**

| | 2015 | As Restated 2014 |
|---|---------------|-----------------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers and others | \$ 19,549,198 | 20,879,614 |
| Cash paid to employees for salaries and wages | (4,701,050) | (4,410,443) |
| Cash paid to vendors and suppliers for materials and services | (7,183,437) | (9,834,446) |
| Net cash provided by operating activities | 7,664,711 | 6,634,725 |
| Cash flows from non-capital financing activities: | | |
| Property tax revenue | 94,391 | 90,071 |
| Net cash provided by non-capital financing activities | 94,391 | 90,071 |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (15,989,420) | (5,445,989) |
| Proceeds from capital contributions and connection fees | 9,565,861 | 5,554,717 |
| Proceeds from principal issued on long-term debt | 212,607 | 42,079 |
| Principal paid on long-term debt | (1,686,521) | (1,618,138) |
| Interest paid on long-term debt | (849,131) | (784,522) |
| Net cash used in capital and related financing activities | (8,746,604) | (2,251,853) |
| Cash flows from investing activities: | | |
| Purchases of investments | (2,951,499) | (3,233,004) |
| Principal received on notes receivable | 201,274 | 196,513 |
| Principal received(issued) on employee computer loans, net | 145 | 1,548 |
| Investment earnings | 129,013 | 94,370 |
| Net cash used in investing activities | (2,621,067) | (2,940,573) |
| Net increase (decrease) in cash and cash equivalents | (3,608,569) | 1,532,370 |
| Cash and cash equivalents, beginning of year | 8,551,983 | 7,019,613 |
| Cash and cash equivalents, end of year | \$ 4,943,414 | 8,551,983 |
| Reconciliation of cash and cash equivalents to statement of financial position: | | |
| Cash and cash equivalents | \$ 1,139,225 | 5,234,452 |
| Restricted assets – cash and cash equivalents | 3,804,189 | 3,317,531 |
| Total cash and cash equivalents | \$ 4,943,414 | 8,551,983 |

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statements of Cash Flows, continued
For the Year Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>As Restated 2014</u> |
|---|---------------------|-----------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 1,571,934 | 3,475,271 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense – capital recovery | 3,183,725 | 3,128,302 |
| Rental revenue | 89,657 | 89,593 |
| Other non-operating revenue | 106,044 | 139,401 |
| Other non-operating expenses | (98,861) | (2,311,081) |
| 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 | 618,010 | (178,961) |
| Accounts receivable – governmental agencies | 649,213 | 9,103 |
| Accounts receivable – other | 4,957 | 48,049 |
| Materials and supplies inventory | 19,579 | 19,800 |
| Prepaid expenses and other deposits | (37,287) | 9,490 |
| (Increase)Decrease in deferred outflows of resources: | 2,175,524 | - |
| Increase(Decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 1,228,575 | 824,858 |
| Accrued wages and related payables | 41,550 | 16,618 |
| Accrued claims payable | 33,764 | 2,480 |
| Customer advances and deposits | 92,946 | 1,255,769 |
| Compensated absences | 20,160 | (1,405) |
| Other post-employment retirement benefits | 107,589 | 107,438 |
| Net pension liability | (4,324,378) | - |
| Increase(Decrease) in deferred inflows of resources: | 2,182,010 | - |
| Total adjustments | <u>6,092,777</u> | <u>3,159,454</u> |
| Net cash provided by operating activities | \$ <u>7,664,711</u> | <u>6,634,725</u> |
| Non-cash investing, capital and financing transactions: | | |
| Change in fair value of investments | \$ 1,088 | 11,756 |
| Contributed capital | <u>-</u> | <u>6,600</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, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The North Marin Water District (District) is an independent special district formed in April 1948, which operates under the authority of Division 12 of the California Water Code. The District's service area includes the City of Novato, adjacent areas, plus annexed areas in West Marin County. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The District's operations are accounted for by the following service areas, some of which were originally established as Improvement Districts. Although the Improvement Districts are legally separate organizations, they are reported herein as if they were part of the primary government because the primary government controls the Improvement Districts and the Board of Directors serve as their governing board. The following service areas are reported as blended component units.

Novato Water System – The Novato Water System is the primary service division of the District and represents the basic primary component of the District.

West Marin Water System formally *Point Reyes Service Area*. – This service area began in 1970 as a separate voter-approved Improvement District. Point Reyes was consolidated with the Olema Improvement District in 1996 and the Paradise Ranch Estate Improvement District in 2002, forming the West Marin Water System.

Oceana Marin Sewer Service – By agreement with a private developer, this service area was formed to provide sewer service to area residents commencing in June 1973.

Novato Recycled Water System – This enterprise fund was formed by the District in 2007 to account for the operation of the District's recycled water treatment and distribution system.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the cost of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and sewer service charges, along with water purchases and wastewater disposal, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which the District gives (receives) value without directly receiving (giving) value in exchange.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(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.

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*, effective for financial statements for fiscal years beginning after June 15, 2014. The District implemented this new pronouncement in the current year. The purpose of the implementation of this statement to the District is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*, effective for financial statements for periods beginning after December 15, 2013. The District implemented this new pronouncement in the current year. At June 30, 2015, there was no effect of the implementation of this statement to the District.

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The District implemented this new pronouncement in the current year. The effect of the implementation of this statement to the District is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. 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.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

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

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

5. 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.

6. 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.

7. 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.

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for capitalizing equipment purchases at \$5,000. Donated assets are recorded at estimated cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Dam – 100 years
- Transmission and distribution systems – 50 to 150 years
- Treatment plant – 20 to 50 years
- Sewer mains and pumps – 10 to 40 years
- Buildings and storage facilities – 35 to 50 years
- Equipment and vehicles – 5 to 10 years

9. 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.

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

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

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

10. Pensions, continued

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date (VD): June 30, 2013
- Measurement Date (MD): June 30, 2014
- Measurement Period (MP): July 1, 2013 to June 30, 2014

11. 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.

12. 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.

13. Capital and Operating Grants

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

14. 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.

15. Net Position

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

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

16. Reclassification

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

17. Prior Year Financial Data Presentation

The District has determined to present the annual financial statements with prior year data for comparative purposes, but not restate with regard to GASB 68 and 71, the prior year data as all information available to restate prior year amounts was not readily available.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(2) Cash and Investments

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

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|-------------------|
| Cash and cash equivalents | \$ 1,139,225 | 5,234,452 |
| Restricted – cash and cash equivalents | 3,804,189 | 3,317,531 |
| Restricted – investments | <u>9,244,351</u> | <u>6,244,026</u> |
| Total cash and investments | <u>\$ 14,187,765</u> | <u>14,796,009</u> |

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

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|-------------------|
| Cash on hand | \$ 350 | 350 |
| Deposits with financial institutions | 423,665 | 382,168 |
| Deposits with County of Marin Treasury | 630,140 | 528,020 |
| Investments | <u>13,133,610</u> | <u>13,885,471</u> |
| Total cash and investments | <u>\$ 14,187,765</u> | <u>14,796,009</u> |

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.

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

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

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

Custodial Credit Risk

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(2) Cash and Investments, continued

Custodial Credit Risk, continued

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

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investments at June 30, 2015, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Remaining Maturity (in Months)</u> | | | |
|------------------------------|---------------|---------------------------------------|------------------------|---------------------|----------------------------|
| | | <u>12 months or less</u> | <u>13 to 24 months</u> | <u>25-60 months</u> | <u>More than 60 months</u> |
| Local Agency Investment Fund | \$ 3,890,723 | 3,890,723 | - | - | - |
| Certificates-of-deposit | 4,223,000 | 1,986,000 | 2,237,000 | - | - |
| Corporate medium-term notes | 2,001,510 | 2,001,510 | - | - | - |
| U.S. Treasury note | 2,009,609 | 1,002,031 | 1,007,578 | - | - |
| U.S. Agency securities | 1,008,770 | - | 1,008,770 | - | - |
| Total | \$ 13,133,612 | 8,880,264 | 4,253,348 | - | - |

Investments at June 30, 2014, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Remaining Maturity (in Months)</u> | | | |
|-------------------------------|---------------|---------------------------------------|------------------------|---------------------|----------------------------|
| | | <u>12 months or less</u> | <u>13 to 24 months</u> | <u>25-60 months</u> | <u>More than 60 months</u> |
| Local Agency Investment Fund | \$ 7,643,726 | 7,643,726 | - | - | - |
| Certificates-of-deposit | 3,226,000 | 1,240,000 | 1,986,000 | - | - |
| Corporate medium-term notes | 2,010,509 | - | 2,010,509 | - | - |
| U.S. Treasury note | 1,001,133 | - | 1,001,133 | - | - |
| Olema general obligation bond | 4,103 | 4,103 | - | - | - |
| Total | \$ 13,885,471 | 8,887,829 | 4,997,642 | - | - |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(2) Cash and Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

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

| <u>Investment Type</u> | <u>Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Ratings</u> | |
|------------------------------|----------------------|-------------------------------------|---------------------------------------|-------------------|------------------|
| | | | | <u>AA+ to AA-</u> | <u>AA+ to A-</u> |
| Local Agency Investment Fund | \$ 3,890,723 | N/A | 3,890,723 | - | - |
| Certificates-of-deposit | 4,223,000 | N/A | 4,223,000 | - | - |
| Corporate medium-term notes | 2,001,510 | A- | - | 2,001,510 | - |
| U.S. Treasury note | 2,009,608 | AA+ | - | 2,009,608 | - |
| U.S. Agency securities | 1,008,769 | AA+ | - | 1,008,769 | - |
| Total | <u>\$ 13,133,610</u> | | <u>8,113,723</u> | <u>5,019,887</u> | <u>-</u> |

Credit ratings at June 30, 2014, consisted of the following:

| <u>Investment Type</u> | <u>Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Ratings</u> | |
|-------------------------------|----------------------|-------------------------------------|---------------------------------------|-------------------|------------------|
| | | | | <u>AA+ to AA-</u> | <u>AA+ to A-</u> |
| Local Agency Investment Fund | \$ 7,643,726 | N/A | 7,643,726 | - | - |
| Certificates-of-deposit | 3,226,000 | N/A | 3,226,000 | - | - |
| Corporate medium-term notes | 2,010,509 | A- | - | 2,010,509 | - |
| U.S. Treasury note | 1,001,133 | AA+ | - | 1,001,133 | - |
| Olema general obligation bond | 4,103 | A+ | - | 4,103 | - |
| Total | <u>\$ 13,885,471</u> | | <u>10,869,726</u> | <u>3,015,745</u> | <u>-</u> |

(3) Note Receivable – Black Point Golf Links

The District has entered into a contractual agreement with Black Point Golf Links whereby the golf course agreed to reimburse the District for construction costs incurred for a new recycled water facility, in-lieu of connection fees. The reimbursement is collected in bi-monthly installments through February 2024, including interest at a rate of 2.400%. As of June 30th, the amount receivable under the contract is as follows:

The balance at June 30, consists of the following:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|------------------|
| Note receivable – Black Point Golf Links – current portion | \$ 206,155 | 201,276 |
| Note receivable – Black Point Golf Links | <u>1,730,041</u> | <u>1,936,194</u> |
| Note receivable – Black Point Golf Links | <u>\$ 1,936,196</u> | <u>2,137,470</u> |

(4) Notes Receivable – Employee Computer Loans

The District allows employees to purchase personal computers and to secure a loan from the District to pay for the purchase of the computer up to \$3,500 per person. These employee computer loans are repaid to the District over a period of up to 36 months through payroll deduction with interest rates applied that are based on the District's investment portfolio return rate at the origination of the loan plus one percent. As of June 30, 2015 and 2014 the District had various outstanding loans totaling \$445 and \$590, respectively.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(5) Notes Receivable – Employee Housing Assistance Loans

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

The balance at June 30, consists of the following:

| <u>Origination</u> | <u>2015</u> | <u>2014</u> |
|--------------------|---------------------|------------------|
| August 2004 | \$ 250,000 | 250,000 |
| Sept. 2004 | 39,200 | 39,200 |
| October 2006 | 300,000 | 300,000 |
| Sept. 2007 | - | 140,000 |
| Nov. 2007 | 150,000 | 150,000 |
| July 2008 | - | 125,000 |
| October 2008* | - | - |
| June 2010 | 245,000 | 245,000 |
| March 2015 | 250,000 | - |
| Sub-total | 1,234,200 | 1,249,200 |
| Allowance | - | - |
| Total | \$ <u>1,234,200</u> | <u>1,249,200</u> |

* In October 2013, The District acquired the 1st trust deed in the October 2008 note receivable, and combined it with the 2nd trust deed ownership of \$192,585; therefore, capitalizing the purchase of the home as a capital asset. The home was subsequently sold in March 2015.

(6) Internal Balances

Due To/From Other Funds and Transfers

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

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

Transfers between funds as of June 30, 2014 was as follows:

| <u>Purpose</u> | <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|----------------------|----------------------|--------------------|---------------------|
| Capital Contribution | Novato Water | Novato Recycled | \$ <u>1,550,201</u> |

In 2015 and 2014, the Novato Water system transferred \$688,916 and \$1,550,201, respectively, in net position to the Novato Recycled system for the local share of the North/South Recycled Water Expansion, SRF loan payments and grant administration costs. (See the Supplementary Schedules on pages 51 through 54 for further information)

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(7) Capital Assets

Construction-In-Progress

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

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|----------------------|------------------|-------------------|
| Developer construction – Novato Water | \$ 965,313 | 641,858 | 422,113 |
| Developer construction – Novato Recycled | - | - | - |
| Developer construction – West Marin Water | - | 5,239 | 25,540 |
| Developer construction – Oceana Marin Sewer | 5,000 | - | - |
| Other construction – Novato Water | 1,619,299 | 4,280,383 | 16,048,994 |
| Other construction – Novato Recycled | 8,806,758 | 4,024 | 251,219 |
| Other construction – West Marin Water | 565,161 | 497,995 | 297,599 |
| Other construction – Oceana Marin Sewer | 232,074 | 19,655 | 10,299 |
| Total construction-in-progress per year | <u>\$ 12,193,605</u> | <u>5,449,154</u> | <u>17,055,764</u> |

Changes in capital assets for the year were as follows:

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(7) Capital Assets, continued

Changes in capital assets for the year were as follows:

| | <u>Balance 2013</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2014</u> |
|--------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land and land rights | \$ 1,473,091 | - | - | 1,473,091 |
| Construction-in-progress | 12,193,605 | 4,873,071 | (11,617,522) | 5,449,154 |
| Total non-depreciable assets | <u>13,666,696</u> | <u>4,873,071</u> | <u>(11,617,522)</u> | <u>6,922,245</u> |
| Depreciable assets: | | | | |
| Distribution system | 68,070,235 | 10,550,206 | (15,658) | 78,604,783 |
| Treatment plant | 21,060,231 | - | - | 21,060,231 |
| Storage facilities | 18,396,517 | 476,000 | - | 18,872,517 |
| Transmission system | 5,489,830 | - | - | 5,489,830 |
| Source facilities | 5,294,920 | 337,211 | - | 5,632,131 |
| Sewer facilities | 917,452 | 237,073 | - | 1,154,525 |
| Structures and improvements | 1,905,340 | 579,767 | - | 2,485,107 |
| Other plant and equipment | 3,048,618 | 202,768 | (186,706) | 3,064,680 |
| Total depreciable assets | <u>124,183,143</u> | <u>12,383,025</u> | <u>(202,364)</u> | <u>136,363,804</u> |
| Accumulated depreciation: | | | | |
| Distribution system | (22,492,024) | (1,555,861) | - | (24,047,885) |
| Treatment plant | (5,492,576) | (698,771) | - | (6,191,347) |
| Storage facilities | (4,961,686) | (385,721) | - | (5,347,407) |
| Transmission system | (3,255,321) | (87,287) | - | (3,342,608) |
| Source facilities | (1,637,856) | (104,951) | - | (1,742,807) |
| Sewer facilities | (456,334) | (44,132) | - | (500,466) |
| Structures and improvements | (1,096,658) | (44,212) | - | (1,140,870) |
| Other plant and equipment | (2,255,172) | (207,367) | 186,706 | (2,275,833) |
| Total accumulated depreciation | <u>(41,647,627)</u> | <u>(3,128,302)</u> | <u>186,706</u> | <u>(44,589,223)</u> |
| Total depreciable assets, net | <u>82,535,516</u> | <u>9,254,723</u> | <u>(15,658)</u> | <u>91,774,581</u> |
| Total capital assets, net | <u>\$ 96,202,212</u> | <u>14,127,794</u> | <u>(11,633,180)</u> | <u>98,696,826</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(8) Accrued Claims Payable

As of July 1, 2011, the District re-commenced self-insuring its workers' compensation obligation and established a risk financing internal service fund where assets are set aside for claim settlements associated with the risk of loss up to certain limits for workers' compensation claims.

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

The balance at June 30, consists of the following:

| | 2015 | 2014 |
|---|-------------|-------------|
| Accrued claims payable, beginning of year | \$ 24,956 | 22,476 |
| Current year claims recognized | 2,256 | 20,116 |
| Current year claims paid | (247) | (20,116) |
| Prior year claims incurred | 97,442 | 16,653 |
| Prior year claims paid | (65,687) | (14,173) |
| Accrued claims payable, end of year | \$ 58,720 | 24,956 |

(9) Compensated Absences

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

Changes to compensated absences for 2015, were as follows:

| Balance 2014 | Earned | Taken | Balance 2015 | Current Portion | Long-term Portion |
|-------------------------|---------------|--------------|-------------------------|----------------------------|------------------------------|
| \$ 594,629 | 1,039,956 | (1,019,797) | 614,788 | 153,698 | 461,090 |
| | | | | | |

Changes to compensated absences for 2014, were as follows:

| Balance 2013 | Earned | Taken | Balance 2014 | Current Portion | Long-term Portion |
|-------------------------|---------------|--------------|-------------------------|----------------------------|------------------------------|
| \$ 596,033 | 970,349 | (971,753) | 594,629 | 148,657 | 445,971 |
| | | | | | |

(10) Other Post-Employment Benefits Payable

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Other Post-Employment Benefits – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Members in the post employment benefit plan consisted of the following members as of June 30:

| | 2015 | 2014 | 2013 |
|---|-------------|-------------|-------------|
| Active plan members | 52 | 51 | 51 |
| Retirees and beneficiaries receiving benefits | 33 | 32 | 34 |
| Separated plan members entitled to but not yet receiving benefits | 3 | 3 | 3 |
| Total plan membership | 88 | 86 | 88 |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(10) Other Post-Employment Benefits Payable, continued

Other Post-Employment Benefits – Benefits Offered

The District offers other post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's CalPERS medical coverage, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors. For retirees between the ages of 55 to 65 with a minimum of 12 years services, who retired prior to January 1, 2013, the District's contribution toward the chosen medical plan will be 90% of the Kaiser Basic Medical Plan premium amount. For retirees between the ages of 55 to 65 with a minimum of 12 years services, who retire on or after January 1, 2013, the District's contribution toward the chosen plan will be 85% of the Kaiser Basic Medical Plan premium amount. The District will make a monthly contribution toward the cost of health insurance coverage for all other retirees based on the contract effective at the time of their retirement.

Funding Policy

The District's *Annual Required Contribution (ARC)* is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 6.1% of the annual covered payroll.

The District funds the benefits on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the years ended June 30, 2015 and 2014, the District's annual ARC cost after adjustments were \$286,640 and \$286,640, respectively. The District's net other post employment benefits payable obligation amounted to \$801,236 and \$693,647 for the years ended June 30, 2015 and 2014, respectively. The District contributed \$166,521 and \$168,750 in retiree benefit contributions for current retiree OPEB premiums for the years ended June 30, 2015 and 2014, respectively.

The balance at June 30, consists of the following:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------------|------------------|------------------|
| Annual OPEB expense: | | | |
| Annual required contribution (ARC) | \$ 286,640 | 286,640 | 286,640 |
| Interest on net OPEB obligation | 28,108 | 23,448 | 18,989 |
| Interest earnings on irrevocable trust balance | - | - | - |
| Adjustment to annual required contribution | <u>(40,638)</u> | <u>(33,900)</u> | <u>(27,454)</u> |
| Total annual OPEB expense | <u>274,110</u> | <u>276,188</u> | <u>278,175</u> |
| Contributions made: | | | |
| Contributions made to irrevocable trust | - | - | - |
| Retiree benefit payments paid outside of a trust | <u>(166,521)</u> | <u>(168,750)</u> | <u>(166,699)</u> |
| Total contributions made | <u>(166,521)</u> | <u>(168,750)</u> | <u>(166,699)</u> |
| Total change in net OPEB payable obligation | 107,589 | 107,438 | 111,476 |
| OPEB payable - beginning of year | <u>693,647</u> | <u>586,209</u> | <u>474,733</u> |
| OPEB payable - end of year | <u>\$ 801,236</u> | <u>693,647</u> | <u>586,209</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(10) Other Post-Employment Benefits Payable, continued

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

| Fiscal Year Ended | Annual OPEB Cost | Contributions Made to Trust | Retiree Benefit Payments | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation Payable |
|-------------------|------------------|-----------------------------|--------------------------|--|-----------------------------|
| 2015 | \$ 274,110 | - | 166,521 | 60.75% | \$ 801,236 |
| 2014 | 276,188 | - | 168,750 | 61.10% | 693,647 |
| 2013 | 278,175 | - | 166,699 | 59.93% | 586,209 |

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$3,130,628. There are no Plan Assets invested in an irrevocable trust. The District funds on a pay-as-you-go basis, plus designates \$1,500 per employee per year, and maintains net position equal to the remaining net other post employment benefits payable obligation. The Board of Directors of the District has designated \$3,457,561 and \$3,310,725, as of June 30, 2015 and 2014, respectively, of net position to reserve for the actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$4,701,050. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 66.6%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

| | | |
|-------------------------------|-----------------------------------|------------|
| Valuation date | July 1, 2012 | |
| Actuarial cost method | Projected Unit Credit | |
| Amortization method | 30-year level dollar, open period | |
| Remaining amortization period | 24 years as of the valuation date | |
| Asset valuation method | 20 year level contribution | |
| Actuarial assumptions: | | |
| Investment rate of return | 4.00% | |
| Projected salary increase | 3.00% | |
| Inflation - discount rate | 4.00% | |
| Healthcare cost trend rate | Fiscal Year | Percentage |
| | 2012 | 8.0% |
| | 2013 | 7.0% |
| | 2014 | 6.0% |
| | 2015+ | 5.0% |

See Page 50 for the Schedule of Funding Status for the postemployment defined benefit plan, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(11) Long-term Debt

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

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2015</u> | <u>Current Portion</u> |
|---------------------------------------|-------------------------|------------------|-------------------------------|-------------------------|----------------------------|
| Long-term debt: | | | | | |
| Bonds payable: | | | | | |
| 1975 General obligation bonds – OL-2 | \$ 3,916 | - | (3,916) | - | - |
| 1980 Revenue bonds – PRE-1 | 72,000 | - | (11,000) | 61,000 | 11,000 |
| 1981 Revenue bonds – PR-6 | 84,000 | - | (9,000) | 75,000 | 9,000 |
| Total bonds payable | <u>159,916</u> | <u>-</u> | <u>(23,916)</u> | <u>136,000</u> | <u>20,000</u> |
| Loans payable: | | | | | |
| 1977 U.S. EDA loan – Novato Water | 65,445 | - | (15,152) | 50,293 | 15,909 |
| 1977 U.S. EDA loan – West Marin Water | 9,057 | - | (2,250) | 6,807 | 2,363 |
| 2005 DWR loan – Novato Water | 13,101,375 | - | (735,720) | 12,365,655 | 374,468 |
| 2005 SWRCB loan – Novato Recycled | 3,022,026 | - | (200,839) | 2,821,187 | 205,658 |
| 2011 SWRCB loan – Novato Recycled | 9,267,978 | - | (397,767) | 8,870,211 | 403,526 |
| 2011 B of M loan – Novato Water | 6,297,090 | - | (271,020) | 6,026,070 | 279,944 |
| 2011 B of M loan – West Marin Water | 924,420 | - | (39,859) | 884,561 | 41,093 |
| 2015 SWRCB Loan – Novato Recycled | - | 212,607 | - | 212,607 | - |
| Total loans payable | <u>32,687,391</u> | <u>212,607</u> | <u>(1,662,607)</u> | <u>31,237,391</u> | <u>1,322,961</u> |
| Total long-term debt | <u>\$ 32,847,307</u> | <u>212,607</u> | <u>(1,686,523)</u> | <u>31,373,391</u> | <u>1,342,961</u> |

Changes in long-term debt amounts for 2014 were as follows:

| | <u>Balance 2013</u> | <u>Additions</u> | <u>Principal Payments</u> | <u>Balance 2014</u> | <u>Current Portion</u> |
|---------------------------------------|-------------------------|------------------|-------------------------------|-------------------------|----------------------------|
| Long-term debt: | | | | | |
| Bonds payable: | | | | | |
| 1975 General obligation bonds – OL-2 | \$ 7,652 | - | (3,736) | 3,916 | 3,916 |
| 1980 Revenue bonds – PRE-1 | 82,000 | - | (10,000) | 72,000 | 11,000 |
| 1981 Revenue bonds – PR-6 | 92,000 | - | (8,000) | 84,000 | 9,000 |
| Total bonds payable | <u>181,652</u> | <u>-</u> | <u>(21,736)</u> | <u>159,916</u> | <u>23,916</u> |
| Loans payable: | | | | | |
| 1977 U.S. EDA loan – Novato Water | 79,875 | - | (14,430) | 65,445 | 15,152 |
| 1977 U.S. EDA loan – West Marin Water | 11,201 | - | (2,144) | 9,057 | 2,250 |
| 2005 DWR loan – Novato Water | 13,819,824 | - | (718,449) | 13,101,375 | 365,676 |
| 2005 SWRCB loan – Novato Recycled | 3,218,157 | - | (196,131) | 3,022,026 | 200,839 |
| 2011 SWRCB loan – Novato Recycled | 9,590,697 | 42,079 | (364,798) | 9,267,978 | 397,767 |
| 2011 B of M loan – Novato Water | 6,559,082 | - | (261,992) | 6,297,090 | 270,827 |
| 2011 B of M loan – West Marin Water | 962,878 | - | (38,458) | 924,420 | 39,859 |
| Total loans payable | <u>34,241,714</u> | <u>42,079</u> | <u>(1,596,402)</u> | <u>32,687,391</u> | <u>1,292,370</u> |
| Total long-term debt | <u>\$ 34,423,366</u> | <u>42,079</u> | <u>(1,618,138)</u> | <u>32,847,307</u> | <u>1,316,286</u> |

Bonds Payable

1975 General Obligation Bonds – Issue OL-2

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

The bonds matured in 2015. Principal and interest are payable annually on January 1st and at a rate of 5.000%. At June 30, 2015 the bonds were paid-in-full.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(11) Long-Term Debt, continued

Bonds Payable, continued

1980 Revenue Bonds – Issue PRE-1

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

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|--------------|
| 2016 | \$ 11,000 | 3,050 | 14,050 |
| 2017 | 12,000 | 2,500 | 14,500 |
| 2018 | 12,000 | 1,900 | 13,900 |
| 2019 | 13,000 | 1,300 | 14,300 |
| 2020 | 13,000 | 650 | 13,650 |
| Total | 61,000 | 9,400 | 70,400 |
| Less current portion | (11,000) | | |
| Total non-current | \$ 50,000 | | |

1981 Revenue Bonds – Issue PR-6

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

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|--------------|
| 2016 | \$ 9,000 | 3,525 | 12,525 |
| 2017 | 10,000 | 3,050 | 13,050 |
| 2018 | 10,000 | 2,550 | 12,550 |
| 2019 | 11,000 | 2,025 | 13,025 |
| 2020 | 11,000 | 1,475 | 12,475 |
| 2021-2022 | 24,000 | 1,200 | 25,200 |
| Total | 75,000 | 13,825 | 88,825 |
| Less current portion | (9,000) | | |
| Total non-current | \$ 66,000 | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(11) Long-Term Debt, continued

Loans Payable

1977 U.S. EDA Loan – Novato Water segment

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

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|---------------|
| 2016 | \$ 15,909 | 2,504 | 18,413 |
| 2017 | 16,716 | 1,708 | 18,424 |
| 2018 | <u>17,668</u> | <u>787</u> | <u>18,455</u> |
| Total | 50,293 | <u>4,999</u> | <u>55,292</u> |
| Less current portion | <u>(15,909)</u> | | |
| Total non-current | <u>\$ 34,384</u> | | |

1977 U.S. EDA Loan – West Marin segment

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

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|--------------|
| 2016 | \$ 2,363 | 340 | 2,703 |
| 2017 | 2,483 | 220 | 2,703 |
| 2018 | <u>1,961</u> | <u>145</u> | <u>2,106</u> |
| Total | 6,807 | <u>705</u> | <u>7,512</u> |
| Less current portion | <u>(2,363)</u> | | |
| Total non-current | <u>\$ 4,444</u> | | |

2005 DWR Loan – Novato Water segment

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

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|----------------------|------------------|-------------------|
| 2016 | \$ 374,468 | 147,769 | 522,237 |
| 2017 | 762,413 | 282,062 | 1,044,475 |
| 2018 | 780,744 | 263,730 | 1,044,474 |
| 2019 | 799,515 | 244,959 | 1,044,474 |
| 2020 | 818,737 | 225,738 | 1,044,475 |
| 2021-2025 | 4,398,597 | 823,775 | 5,222,372 |
| 2026-2030 | <u>4,431,181</u> | <u>268,956</u> | <u>4,700,137</u> |
| Total | 12,365,655 | <u>2,256,989</u> | <u>14,622,644</u> |
| Less current portion | <u>(374,468)</u> | | |
| Total non-current | <u>\$ 11,991,187</u> | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(11) Long-Term Debt, continued

Loans Payable

2005 SWRCB Loan – Novato Recycled Water segment

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

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

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

| Fiscal Year | Principal | Interest | Total |
|----------------------|--------------|----------|-----------|
| 2016 | \$ 205,658 | 67,709 | 273,367 |
| 2017 | 210,594 | 62,773 | 273,367 |
| 2018 | 215,648 | 57,719 | 273,367 |
| 2019 | 220,824 | 52,543 | 273,367 |
| 2020 | 226,124 | 47,243 | 273,367 |
| 2021-2025 | 1,214,676 | 152,159 | 1,366,835 |
| 2026-2027 | 527,663 | 19,071 | 546,734 |
| Total | 2,821,187 | 459,217 | 3,280,404 |
| Less current portion | (205,658) | | |
| Total non-current | \$ 2,615,529 | | |

2011 DWR Loan – Novato Recycled Water segment – North and South Service Areas

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

In fiscal year 2012, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$5,480,740 with an interest rate of 2.20% per annum for the construction of the Recycled Water Expansion project – South Service Area. As of June 30, 2014, eligible costs for reimbursement were \$5,357,887 plus \$4,065 in capitalized interest charges for a total loan of \$5,361,952. Principal and interest payments of \$332,407 are due and payable annually on the loan until fiscal year 2034. Future annual debt service payments on the loan are as follows:

| Fiscal Year | Principal | Interest | Total |
|----------------------|--------------|-----------|------------|
| 2016 | \$ 403,526 | 210,773 | 614,299 |
| 2017 | 413,125 | 201,174 | 614,299 |
| 2018 | 422,954 | 191,345 | 614,299 |
| 2019 | 433,018 | 181,281 | 614,299 |
| 2020 | 443,323 | 170,976 | 614,299 |
| 2021-2025 | 2,380,053 | 691,442 | 3,071,495 |
| 2026-2030 | 2,677,378 | 394,117 | 3,071,495 |
| 2031-2034 | 1,696,834 | 80,531 | 1,777,365 |
| Total | 8,870,211 | 2,121,639 | 10,991,850 |
| Less current portion | (403,526) | | |
| Total non-current | \$ 8,466,685 | | |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(11) Long-Term Debt, continued

Loans Payable, continued

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

In October 2013, the District entered into a loan agreement with the Bank of Marin for a 20-year \$8.0 million construction loan with an interest rate of 3.42% per annum for the North Marin Aqueduct Energy Efficiency Project and West Marin water improvements. The loan is scheduled to mature in September of fiscal year 2033. A principal and interest payment of \$46,067 is payable monthly on the 27th day of each month. Future annual debt service requirements on the loan are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|------------------|------------------|
| 2016 | \$ 321,037 | 231,763 | 552,800 |
| 2017 | 332,811 | 219,989 | 552,800 |
| 2018 | 344,363 | 208,437 | 552,800 |
| 2019 | 356,315 | 196,485 | 552,800 |
| 2020 | 368,180 | 184,620 | 552,800 |
| 2021-2025 | 2,044,014 | 719,986 | 2,764,000 |
| 2026-2030 | 2,424,399 | 339,601 | 2,764,000 |
| 2031-2032 | 719,512 | 17,555 | 737,067 |
| Total | 6,910,631 | <u>2,118,436</u> | <u>9,029,067</u> |
| Less current portion | <u>(321,037)</u> | | |
| Total non-current | <u>\$ 6,589,594</u> | | |

2015 SWRCB Loan – Novato Recycled Water segment – Central Service Area

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$9,900,000 for the construction of the Recycled Water Expansion project – Central Service Area. As of June 30, 2015, eligible costs for reimbursement were \$212,607. Principal and interest payments of will be determined upon completion of the project. The loan as anticipated to start repayment upon project completion anticipated during fiscal year 2017.

(12) Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(12) Defined Benefit Pension Plan, continued

Benefits Provided, continued

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

The Plans' provision and benefits in effect at June 30, 2015 are summarized as follows:

| | Miscellaneous Plan | |
|---|-----------------------------|--------------------------------|
| | Tier 1 | Tier 2 |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2.5% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 6.25% |
| Required employer contribution rates | 15.701% | 6.25% |

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

| | Miscellaneous Plan 2015 |
|---|--|
| Contributions – employer | \$ 669,066 |
| Contributions – employer side fund payoff | - |
| Contributions – employee (paid by employer) | 167,080 |
| Total employer paid contributions | <u>\$ 836,146</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(12) Defined Benefit Pension Plan, continued

Contributions, continued

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

| | Proportionate Share of Pension Liability |
|--------------------|---|
| | 2015 |
| Miscellaneous Plan | \$ 6,701,264 |

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the pool. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The Districts' proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Districts' proportionate share of the pension liability for the Plan as of the actuarial's valuation date June 30, 2013 for the measurement date June 30, 2014, was as follows:

| | Miscellaneous |
|---|----------------------|
| Proportion – June 30, 2013 (Valuation Date) | 0.10769% |
| Proportion – June 30, 2014 (Measurement Date) | 0.10769% |
| Change – Increase (Decrease) | 0.00000% |

As a result of the implementation of the GASB 68 pronouncement at June 30, 2015, the District recognized pension expense of \$702,222 and \$ 0 at June 30, 2015 and 2014, respectively.

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 669,066 | - |
| Net differences between projected and actual earnings on plan investments | - | (2,182,010) |
| Change in employer's proportion of differences between the employer's contributions and the employer's proportionate share of contributions | 88,134 | - |
| Total | \$ 757,200 | (2,182,010) |

As of June 30 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$669,066 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(12) Defined Benefit Pension Plan, continued

Contributions, continued

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense (income) as follows.

Actuarially Determined Deferred Outflows and (Inflows) - Miscellaneous Plan

| Fiscal Year Ending June 30: | Adjustment Due to Differences in Proportions | Difference between Projected and Actual Earnings on Pension Plan Investments | Net, Deferred Outflows/(Inflows) of Resources |
|--|---|---|--|
| 2016 | \$ 31,477 | (545,502) | \$ (514,025) |
| 2017 | 31,477 | (545,502) | (514,025) |
| 2018 | 25,180 | (545,502) | (520,322) |
| 2019 | - | (545,504) | (545,504) |
| 2020 | - | - | - |
| Thereafter | - | - | - |
| Total | \$ 88,134 | (2,182,010) | \$ (2,093,876) |

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions: | |
| Discount rate | 7.50% |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table* | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Further details of the Experience Study can be found on the CalPERS website.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(12) Defined Benefit Pension Plan, continued

Discount Rate

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

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

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

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

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

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

| Asset Class | New Strategic Allocation | Real Return Years 1-10* | Real Return Year 11+** |
|-------------------------------|---------------------------------|--------------------------------|-------------------------------|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0 | 0.99 | 2.43 |
| Inflation Sensitive | 6.0 | 0.45 | 3.36 |
| Private Equity | 12.0 | 6.83 | 6.95 |
| Real Estate | 11.0 | 4.50 | 5.13 |
| Infrastructure and Forestland | 3.0 | 4.50 | 5.09 |
| Liquidity | 2.0 | (0.55) | (1.05) |
| Total | <u>100.0%</u> | | |

* An expected inflation of 2.5% used for this period

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(12) Defined Benefit Pension Plan, continued

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

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

| | Discount Rate – 1% (6.50%) | Current Discount Rate (7.50%) | Discount Rate + 1% (8.50%) |
|---|---|--|---|
| Plan's Net Pension Liability/(Asset) \$ | 12,079,630 | 6,701,264 | 2,237,730 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 48-49 for Required Supplementary Schedules.

(13) Net Position

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

| | Novato Water | Novato Recycled | West Marin Water | Oceana Marin Sewer | Total |
|---|-------------------------|----------------------------|-----------------------------|-------------------------------|--------------|
| Net investment in capital assets: | | | | | |
| Capital assets, not being depreciated | \$ 17,839,979 | 251,219 | 426,550 | 11,107 | 18,528,855 |
| Depreciable capital assets, net | 68,183,356 | 18,587,093 | 5,346,050 | 831,027 | 92,947,526 |
| Capital project loan proceeds unused | 956,017 | 614,299 | 646,876 | - | 2,217,192 |
| Current: | | | | | |
| Bonds payable | - | - | (20,000) | - | (20,000) |
| Loans payable | (670,321) | (609,184) | (43,456) | - | (1,322,961) |
| Non-current: | | | | | |
| Bonds payable | - | - | (116,000) | (282,895) | (398,895) |
| Loans payable | (17,771,697) | (11,294,821) | (847,912) | - | (29,914,430) |
| Total net investment in capital assets | 68,537,334 | 7,548,606 | 5,392,108 | 559,239 | 82,037,287 |
| Restricted net position: | | | | | |
| Connection fee reserve | - | - | 176,345 | - | 176,345 |
| Wohler pipeline reserve | 398,456 | - | - | - | 398,456 |
| Collector No. 6 reserve | 1,566,630 | - | - | - | 1,566,630 |
| Cash reserve for debt service | - | - | 30,101 | - | 30,101 |
| Accrued interest for debt service | - | - | (1,103) | - | (1,103) |
| Total restricted net position | 1,965,086 | - | 205,343 | - | 2,170,429 |
| Unrestricted net position: | | | | | |
| Non-spendable net position: | | | | | |
| Current: | | | | | |
| Materials and supplies inventory | 556,658 | - | - | - | 556,658 |
| Prepaid expenses and deposits | 73,830 | - | - | 1,063 | 74,893 |
| Non-current: | | | | | |
| Note receivable – Black Point Golf Links | - | 1,730,041 | - | - | 1,730,041 |
| Notes receivable – employee housing loans, net | 1,234,200 | - | - | - | 1,234,200 |
| Total non-spendable net position | 1,864,688 | 1,730,041 | - | 1,063 | 3,595,792 |
| Spendable net position are designated as follows: | | | | | |
| Other post-employment benefits reserve | 3,523,518 | - | - | - | 3,523,518 |
| Operating reserve | (5,166,838) | 1,044,477 | 336,140 | 614,465 | (3,171,756) |
| Total spendable net position | (1,643,320) | 1,044,477 | 336,140 | 614,465 | 351,762 |
| Total unrestricted net position | 221,368 | 2,774,518 | 336,140 | 615,528 | 3,947,554 |
| Total net position | \$ 70,723,788 | 10,323,124 | 5,933,591 | 1,174,767 | 88,155,270 |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(13) Net Position, continued

Calculation of net position per fund as of June 30, 2014, were as follows:

| | <u>Novato Water</u> | <u>Novato Recycled</u> | <u>West Marin Water</u> | <u>Oceana Marin Sewer</u> | <u>Total</u> |
|---|-------------------------|----------------------------|-----------------------------|-------------------------------|-------------------|
| Net investment in capital assets: | | | | | |
| Capital assets, not being depreciated | \$ 6,291,113 | 4,025 | 606,644 | 20,463 | 6,922,245 |
| Depreciable capital assets, net | 67,875,520 | 19,041,202 | 4,021,117 | 836,742 | 91,774,581 |
| Capital project loan proceeds unused | 4,435,827 | 614,299 | 638,523 | - | 5,688,649 |
| Current: | | | | | |
| Bonds payable | - | - | (23,916) | - | (23,916) |
| Loans payable | (651,655) | (598,605) | (42,110) | - | (1,292,370) |
| Non-current: | | | | | |
| Bonds payable | - | - | (136,000) | - | (136,000) |
| Loans payable | (18,812,255) | (11,691,398) | (891,368) | - | (31,395,021) |
| Total net investment in capital assets | <u>59,138,550</u> | <u>7,369,523</u> | <u>4,172,890</u> | <u>857,205</u> | <u>71,538,168</u> |
| Restricted net position: | | | | | |
| Connection fee reserve | - | - | 170,481 | - | 170,481 |
| Wohler pipeline reserve | 395,314 | - | - | - | 395,314 |
| Collector No. 6 reserve | 1,554,276 | - | - | - | 1,554,276 |
| Olema bond reserve | 3,916 | - | - | - | 3,916 |
| Cash reserve for debt service | - | - | 33,485 | - | 33,485 |
| Accrued interest for debt service | - | - | (1,452) | - | (1,452) |
| Total restricted net position | <u>1,953,506</u> | <u>-</u> | <u>202,514</u> | <u>-</u> | <u>2,156,020</u> |
| Unrestricted net position: | | | | | |
| Non-spendable net position: | | | | | |
| Current: | | | | | |
| Materials and supplies inventory | 582,837 | - | - | - | 582,837 |
| Prepaid expenses and deposits | 36,364 | - | - | 1,242 | 37,606 |
| Non-current: | | | | | |
| Note receivable – Black Point Golf Links | - | 1,936,194 | - | - | 1,936,194 |
| Notes receivable – employee housing loans, net | 1,249,200 | - | - | - | 1,249,200 |
| Total non-spendable net position | <u>1,868,401</u> | <u>1,936,194</u> | <u>-</u> | <u>1,242</u> | <u>3,805,837</u> |
| Spendable net position are designated as follows: | | | | | |
| Other post-employment benefits reserve | 3,310,725 | - | - | - | 3,310,725 |
| Operating reserve | 3,480,197 | 699,341 | 219,179 | 274,088 | 4,672,805 |
| Total spendable net position | <u>6,790,922</u> | <u>699,341</u> | <u>219,179</u> | <u>274,088</u> | <u>7,983,530</u> |
| Total unrestricted net position | <u>8,659,323</u> | <u>2,635,535</u> | <u>219,179</u> | <u>275,330</u> | <u>11,789,367</u> |
| Total net position | <u>\$ 69,751,379</u> | <u>10,005,058</u> | <u>4,594,583</u> | <u>1,132,535</u> | <u>85,483,555</u> |

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(14) Adjustment to Net Position

Accounts Receivable – Unbilled Receivable

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

Capital Contributions

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

Net Pension Liability – GASB 68 Implementation

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

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

The adjustment to net position is as follows:

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(15) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2015 and 2014 was \$4,852,525 and \$4,396,985, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(16) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance policies with a variety of coverage including a \$10.0 million excess general liability policy with a \$1.0 million self-insured retention limit, a \$54,624,000 property and equipment policy, a \$1.0 million public official's liability policy and a \$500,000 employee fidelity bond.

(17) Commitments and Contingencies

Wohler/Collector No. 6 Agreement

The District is party to an agreement with the Sonoma County Water Agency (SCWA) that provides, among other matters, that the District is obligated to pay for a prorated share of certain SCWA's costs to improve or expand the SCWA's water utility plant. The agreement expires on June 30, 2040 and is subject to renewal for 40-year terms. Under the agreement, the District is obligated to pay promptly all billings from the SCWA and may not withhold payment pending resolution of disputes, if any, which might exist between the District and SCWA. At June 30, 2015, the District's reserve balances for these obligations were \$398,456 (Wohler Pipeline) and \$1,566,630 (Collector #6).

Novato Sanitary District

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

Solar Power Services, Facilities and Site Agreement

In February 2012, the District entered into a Solar Power Services Agreement to purchase all the solar power generated from the Solar Power Generating Facility constructed near the District's Stafford Treatment Plant facilities at a Take-or-Pay price of \$0.1700 per kilowatt hour escalating 3.0% annually to \$0.2981 per kilowatt hour over a 20-year contract period. Also, in February 2013, the District executed a 20-year lease with the Solar Services company to construct the Solar Power Generating Facility on District land for a land lease of \$100 for the period (or \$5 per year).

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(17) Commitments and Contingencies, continued

Construction Contracts

The District has a variety of agreements with developers and private parties relating to the installation, improvement or modification of transmission facilities and distribution systems within its service area. The financing of such improvements is provided primarily from advances for construction. The District also improves and modifies its existing infrastructure and finances such improvements from its reserves. The District has committed to approximately \$2,738,262 in remaining costs of existing District capital projects as of June 30, 2015.

Grant Awards

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

Litigation

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

(18) Subsequent Event

Events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure as of October 20, 2015, which is the date the financial statements were available to be issued.

(19) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(19) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 73, continued

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 76

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

North Marin Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(19) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 76, continued

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Required Supplementary Information

North Marin Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2015
Last Ten Years*

| | Measurement Date |
|---|-------------------------|
| | 6/30/2014 (a) |
| Plan's Proportion of the Net Pension Liability/(Asset) | 0.10769% |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) | \$ 6,701,264 |
| Plan's Covered-Employee Payroll (b) | \$ 4,106,287 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 163.20% |
| Plan's Proportionate Share of its Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 83.47% |
| Plan's Proportionate Share of Aggregate Employer Contributions (c), (d) | \$ 2,932,724 |

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
 - (c) The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions on the Plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side is based fund (or unfunded liability) contributions made by the employer during the measurement period.
 - (d) This data is not required to be displayed by GASB 68 for employer's participating in cost-sharing plans, but is being shown here because it is used in the calculation of the Plan's pension expense.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

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

| <u>Schedule of Pension Plan Contributions (a):</u> | <u>Fiscal Year 2013-2014</u> |
|--|----------------------------------|
| Actuarially Determined Contribution (b) | \$ 900,997 |
| Contributions in Relation to the Actuarially Determined Contribution (b) | <u>(2,974,698)</u> |
| Contribution Deficiency (Excess) | \$ <u>(2,073,701)</u> |
| Covered Payroll (c), (d) | \$ <u>4,106,287</u> |
| Contribution's as a percentage of Covered-employee Payroll (c) | <u>72.44%</u> |

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
 - (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
 - (d) Payroll from prior year (\$3,986,686) was assumed to increase by the 3.00 percent payroll growth assumption.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**North Marin Water District
Schedule of Funding Status
For the Years Ended June 30, 2015 and 2014**

Other Post-Employment Benefits Payable

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|---|--|---|--------------------------|---------------------------|---|
| July 1, 2012 | \$ - | 3,130,628 | 3,130,628 | 0.00% | \$ 4,348,543 | 71.99% |
| July 1, 2009 | - | 2,601,556 | 2,601,556 | 0.00% | 4,418,559 | 58.88% |
| July 1, 2006 | - | 2,637,574 | 2,637,574 | 0.00% | 4,262,790 | 61.87% |

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016 based on the year ending June 30, 2015. (See Notes 10 and 12 for District other post-employment benefits reserve designations)

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Supplemental Information

Combining Schedules

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

| <u>Assets and Deferred Outflows of Resources</u> | Novato Water | Novato Recycled | West Marin Water | Oceana Marin Sewer | Total |
|--|-----------------------|--------------------|---------------------|-----------------------|--------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ - | 507,885 | 287,140 | 344,200 | 1,139,225 |
| Restricted – cash and cash equivalents | 2,336,568 | 614,299 | 853,322 | - | 3,804,189 |
| Accrued interest receivable | 18,767 | - | - | - | 18,767 |
| Accounts receivable – water and sewer sales | 2,583,756 | 301,044 | 107,901 | 1,430 | 2,994,131 |
| Accounts receivable – governmental agencies | 1,000,009 | - | - | - | 1,000,009 |
| Accounts receivable – other | 33,255 | - | - | - | 33,255 |
| Capital grants and loan proceeds receivable | - | 212,607 | 802 | - | 213,409 |
| Note receivable – Black Point Golf Links | - | 206,155 | - | - | 206,155 |
| Notes receivable – employee computer loans | 445 | - | - | - | 445 |
| Materials and supplies inventory | 556,658 | - | - | - | 556,658 |
| Prepaid expenses and deposits | 73,830 | - | - | 1,063 | 74,893 |
| Total current assets | <u>6,603,288</u> | <u>1,841,990</u> | <u>1,249,165</u> | <u>346,693</u> | <u>10,041,136</u> |
| Non-current assets: | | | | | |
| Restricted – investments | 9,244,351 | - | - | - | 9,244,351 |
| Note receivable – Black Point Golf Links | - | 1,730,041 | - | - | 1,730,041 |
| Notes receivable – employee housing loans, net | 1,234,200 | - | - | - | 1,234,200 |
| Capital assets, not being depreciated | 17,839,979 | 251,219 | 426,550 | 11,107 | 18,528,855 |
| Depreciable capital assets, net | 68,183,356 | 18,587,093 | 5,346,050 | 831,027 | 92,947,526 |
| Total non-current assets | <u>96,501,886</u> | <u>20,568,353</u> | <u>5,772,600</u> | <u>842,134</u> | <u>123,684,973</u> |
| Deferred outflows of resources: | | | | | |
| Deferred pension outflows | 757,200 | - | - | - | 757,200 |
| Total assets and deferred outflows of resources | <u>\$ 103,862,374</u> | <u>22,410,343</u> | <u>7,021,765</u> | <u>1,188,827</u> | <u>134,483,309</u> |
| <u>Liabilities, Deferred Outflows of Resources and Net Position</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 3,505,160 | 48,547 | - | 771 | 3,554,478 |
| Accrued wages and related payables | 205,121 | 21,745 | 28,250 | 10,591 | 265,707 |
| Accrued claims payable | 54,796 | 1,472 | 1,783 | 669 | 58,720 |
| Customer advances and deposits | 629,678 | - | 27,795 | 2,029 | 659,502 |
| Accrued interest payable – long-term debt | 2,515 | 111,450 | 2,978 | - | 116,943 |
| Long-term liabilities – due within one year: | | | | | |
| Compensated absences | 153,698 | - | - | - | 153,698 |
| Bonds payable | - | - | 20,000 | - | 20,000 |
| Loans payable | 670,321 | 609,184 | 43,456 | - | 1,322,961 |
| Total current liabilities | <u>5,221,289</u> | <u>792,398</u> | <u>124,262</u> | <u>14,060</u> | <u>6,152,009</u> |
| Non-current liabilities: | | | | | |
| Long-term liabilities – due in more than one year: | | | | | |
| Compensated absences | 461,090 | - | - | - | 461,090 |
| Other post-employment benefits payable | 801,236 | - | - | - | 801,236 |
| Bonds payable | - | - | 116,000 | - | 116,000 |
| Loans payable | 17,771,697 | 11,294,821 | 847,912 | - | 29,914,430 |
| Net pension liability | 6,701,264 | - | - | - | 6,701,264 |
| Total non-current liabilities | <u>25,735,287</u> | <u>11,294,821</u> | <u>963,912</u> | <u>-</u> | <u>37,994,020</u> |
| Deferred inflows of resources: | | | | | |
| Deferred pension inflows | 2,182,010 | - | - | - | 2,182,010 |
| Total liabilities and deferred inflows of resources | <u>\$ 33,138,586</u> | <u>12,087,219</u> | <u>1,088,174</u> | <u>14,060</u> | <u>46,328,039</u> |
| Net position: | | | | | |
| Net investment in capital assets | \$ 68,537,334 | 7,548,606 | 5,392,108 | 559,239 | 82,037,287 |
| Restricted for capital projects and debt service | 1,965,086 | - | 205,343 | - | 2,170,429 |
| Unrestricted | 221,368 | 2,774,518 | 336,140 | 615,528 | 3,947,554 |
| Total net position | <u>70,723,788</u> | <u>10,323,124</u> | <u>5,933,591</u> | <u>1,174,767</u> | <u>88,155,270</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 103,862,374</u> | <u>22,410,343</u> | <u>7,021,765</u> | <u>1,188,827</u> | <u>134,483,309</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2014

| <u>Assets and Deferred Outflows of Resources</u> | Novato Water | Novato Recycled | West Marin Water | Oceana Marin Sewer | As Restated Total |
|--|----------------------|--------------------|---------------------|-----------------------|----------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 4,443,465 | 438,053 | 70,039 | 282,895 | 5,234,452 |
| Restricted – cash and cash equivalents | 1,860,743 | 614,299 | 842,489 | - | 3,317,531 |
| Accrued interest receivable | 13,561 | - | - | - | 13,561 |
| Accounts receivable – water and sewer sales | 3,241,158 | 236,034 | 132,623 | 2,326 | 3,612,141 |
| Accounts receivable – governmental agencies | 1,649,222 | - | - | - | 1,649,222 |
| Accounts receivable – other | 29,947 | 8,265 | - | - | 38,212 |
| Capital grants and loan proceeds receivable | - | - | 65,159 | - | 65,159 |
| Note receivable – Black Point Golf Links | - | 201,276 | - | - | 201,276 |
| Notes receivable – employee computer loans | 590 | - | - | - | 590 |
| Materials and supplies inventory | 582,837 | - | - | - | 582,837 |
| Prepaid expenses and deposits | 36,364 | - | - | 1,242 | 37,606 |
| Total current assets | <u>11,857,887</u> | <u>1,497,927</u> | <u>1,110,310</u> | <u>286,463</u> | <u>14,752,587</u> |
| Non-current assets: | | | | | |
| Restricted – investments | 6,244,026 | - | - | - | 6,244,026 |
| Note receivable – Black Point Golf Links | - | 1,936,194 | - | - | 1,936,194 |
| Notes receivable – employee housing loans, net | 1,249,200 | - | - | - | 1,249,200 |
| Capital assets, not being depreciated | 6,291,113 | 4,025 | 606,644 | 20,463 | 6,922,245 |
| Depreciable capital assets, net | 67,875,520 | 19,041,202 | 4,021,117 | 836,742 | 91,774,581 |
| Total non-current assets | <u>81,659,859</u> | <u>20,981,421</u> | <u>4,627,761</u> | <u>857,205</u> | <u>108,126,246</u> |
| Deferred outflows of resources: | | | | | |
| Deferred pension outflows | - | - | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 93,517,746</u> | <u>22,479,348</u> | <u>5,738,071</u> | <u>1,143,668</u> | <u>122,878,833</u> |
| <u>Liabilities, Deferred Outflows of Resources and Net Position</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 2,267,636 | 57,520 | - | 747 | 2,325,903 |
| Accrued wages and related payables | 175,973 | 12,956 | 26,600 | 8,628 | 224,157 |
| Accrued claims payable | 23,492 | 411 | 795 | 258 | 24,956 |
| Customer advances and deposits | 543,809 | - | 21,247 | 1,500 | 566,556 |
| Accrued interest payable – long-term debt | 3,272 | 113,400 | 1,452 | - | 118,124 |
| Long-term liabilities – due within one year: | | | | | |
| Compensated absences | 148,657 | - | - | - | 148,657 |
| Bonds payable | - | - | 23,916 | - | 23,916 |
| Loans payable | 651,655 | 598,605 | 42,110 | - | 1,292,370 |
| Total current liabilities | <u>3,814,494</u> | <u>782,892</u> | <u>116,120</u> | <u>11,133</u> | <u>4,724,639</u> |
| Non-current liabilities: | | | | | |
| Long-term liabilities – due in more than one year: | | | | | |
| Compensated absences | 445,971 | - | - | - | 445,971 |
| Other post-employment benefits payable | 693,647 | - | - | - | 693,647 |
| Bonds payable | - | - | 136,000 | - | 136,000 |
| Loans payable | 18,812,255 | 11,691,398 | 891,368 | - | 31,395,021 |
| Net pension liability | - | - | - | - | - |
| Total non-current liabilities | <u>19,951,873</u> | <u>11,691,398</u> | <u>1,027,368</u> | <u>-</u> | <u>32,670,639</u> |
| Deferred inflows of resources: | | | | | |
| Deferred pension inflows | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>\$ 23,766,367</u> | <u>12,474,290</u> | <u>1,143,488</u> | <u>11,133</u> | <u>37,395,278</u> |
| Net position: | | | | | |
| Net investment in capital assets | \$ 59,138,550 | 7,369,523 | 4,172,890 | 857,205 | 71,538,168 |
| Restricted for capital projects and debt service | 1,953,506 | - | 202,514 | - | 2,156,020 |
| Unrestricted | 8,659,323 | 2,635,535 | 219,179 | 275,330 | 11,789,367 |
| Total net position | <u>69,751,379</u> | <u>10,005,058</u> | <u>4,594,583</u> | <u>1,132,535</u> | <u>85,483,555</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 93,517,746</u> | <u>22,479,348</u> | <u>5,738,071</u> | <u>1,143,668</u> | <u>122,878,833</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

| | <u>Novato Water</u> | <u>Novato Recycled</u> | <u>West Marin Water</u> | <u>Oceana Marin Sewer</u> | <u>Total</u> |
|--|-------------------------|----------------------------|-----------------------------|-------------------------------|-------------------|
| Operating revenues: | | | | | |
| Water consumption sales | \$ 11,902,357 | 715,462 | 562,196 | - | 13,180,015 |
| Bi-monthly meter service charge | 4,116,559 | 28,611 | 166,938 | - | 4,312,108 |
| Sewer service charges | - | - | - | 186,864 | 186,864 |
| Water conservation projects | 11,970 | - | - | - | 11,970 |
| Other charges and services | 383,561 | 20 | 6,639 | 140 | 390,360 |
| Total operating revenues | <u>16,414,447</u> | <u>744,093</u> | <u>735,773</u> | <u>187,004</u> | <u>18,081,317</u> |
| Operating expenses: | | | | | |
| Source of supply | 4,390,548 | 212,245 | 21,862 | - | 4,624,655 |
| Pumping | 316,702 | 4,648 | 30,657 | - | 352,007 |
| Water facilities operations | 628,362 | 64,048 | 59,530 | - | 751,940 |
| Water treatment | 1,873,680 | 6,053 | 141,132 | - | 2,020,865 |
| Transmission and distribution | 2,528,492 | 68,939 | 129,737 | - | 2,727,168 |
| Sewage collection and treatment | - | - | - | 108,928 | 108,928 |
| Customer service | 562,254 | 777 | 23,457 | 2,091 | 588,579 |
| General and administrative | 1,557,530 | 42,559 | 51,463 | 21,604 | 1,673,156 |
| Water conservation projects | 460,400 | - | 17,960 | - | 478,360 |
| Total operating expenses | <u>12,317,968</u> | <u>399,269</u> | <u>475,798</u> | <u>132,623</u> | <u>13,325,658</u> |
| Operating income before depreciation | 4,096,479 | 344,824 | 259,975 | 54,381 | 4,755,659 |
| Depreciation | (2,507,124) | (471,674) | (155,067) | (49,860) | (3,183,725) |
| Operating income(loss) | <u>1,589,355</u> | <u>(126,850)</u> | <u>104,908</u> | <u>4,521</u> | <u>1,571,934</u> |
| Non-operating revenues(expenses): | | | | | |
| Property tax revenue | - | - | 46,032 | 48,359 | 94,391 |
| Investment earnings | 73,066 | 5,840 | 5,027 | 2,323 | 86,011 |
| Interest earnings from note receivable – BPGL | - | 49,296 | - | - | 49,296 |
| Rental revenue | 85,216 | - | 3,941 | 500 | 89,657 |
| Interest expense – long-term debt | (522,290) | (287,110) | (38,795) | - | (847,950) |
| Other non-operating revenues | 100,901 | 5,143 | - | - | 106,044 |
| Other non-operating expenses | (49,902) | (17,169) | (3,119) | (28,671) | (98,861) |
| Total non-operating revenues, net | <u>(313,009)</u> | <u>(244,000)</u> | <u>13,086</u> | <u>22,511</u> | <u>(521,412)</u> |
| Net income(loss) before capital contributions | <u>1,276,346</u> | <u>(370,850)</u> | <u>117,994</u> | <u>27,032</u> | <u>1,050,522</u> |
| Capital contributions: | | | | | |
| State of California – Caltrans | 7,070,554 | - | - | - | 7,070,554 |
| Developers and others | 317,030 | - | 20,302 | - | 337,332 |
| Connection fees | 763,600 | - | 22,800 | 15,200 | 801,600 |
| Capital grants – state and local | 326,713 | - | 1,177,912 | - | 1,504,625 |
| Capital contributions | <u>8,477,897</u> | <u>-</u> | <u>1,221,014</u> | <u>15,200</u> | <u>9,714,111</u> |
| Change in net position | <u>9,754,243</u> | <u>(370,850)</u> | <u>1,339,008</u> | <u>42,232</u> | <u>10,764,633</u> |
| Net position transfer | <u>(688,916)</u> | <u>688,916</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position, beginning of year - as restated | 69,751,379 | 10,005,058 | 4,594,583 | 1,132,535 | 85,483,555 |
| Prior period adjustment | (8,092,918) | - | - | - | (8,092,918) |
| Net position, end of year | <u>\$ 70,723,788</u> | <u>10,323,124</u> | <u>5,933,591</u> | <u>1,174,767</u> | <u>88,155,270</u> |

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

| | <u>Novato Water</u> | <u>Novato Recycled</u> | <u>West Marin Water</u> | <u>Oceana Marin Sewer</u> | <u>As Restated Total</u> |
|--|-------------------------|----------------------------|-----------------------------|-------------------------------|------------------------------|
| Operating revenues: | | | | | |
| Water consumption sales | \$ 14,177,003 | 691,629 | 611,806 | - | 15,480,438 |
| Bi-monthly meter service charge | 4,112,544 | 27,002 | 169,038 | - | 4,308,584 |
| Sewer service charges | - | - | - | 177,970 | 177,970 |
| Water conservation projects | 4,410 | - | - | - | 4,410 |
| Other charges and services | 793,907 | 712 | 6,268 | 140 | 801,027 |
| Total operating revenues | <u>19,087,864</u> | <u>719,343</u> | <u>787,112</u> | <u>178,110</u> | <u>20,772,429</u> |
| Operating expenses: | | | | | |
| Source of supply | 6,033,812 | 171,265 | 21,173 | - | 6,226,250 |
| Pumping | 329,909 | 2,574 | 30,514 | - | 362,997 |
| Water facilities operations | 654,217 | 77,010 | 53,916 | - | 785,143 |
| Water treatment | 1,767,930 | 15,764 | 146,416 | - | 1,930,110 |
| Transmission and distribution | 2,244,648 | 25,154 | 146,566 | - | 2,416,368 |
| Sewage collection and treatment | - | - | - | 120,548 | 120,548 |
| Customer service | 560,499 | - | 24,333 | 2,235 | 587,067 |
| General and administrative | 1,222,340 | 21,502 | 41,561 | 15,736 | 1,301,139 |
| Water conservation projects | 429,444 | - | 9,790 | - | 439,234 |
| Total operating expenses | <u>13,242,799</u> | <u>313,269</u> | <u>474,269</u> | <u>138,519</u> | <u>14,168,856</u> |
| Operating income before depreciation | 5,845,065 | 406,074 | 312,843 | 39,591 | 6,603,573 |
| Depreciation | <u>(2,445,635)</u> | <u>(470,894)</u> | <u>(154,749)</u> | <u>(57,024)</u> | <u>(3,128,302)</u> |
| Operating income(loss) | <u>3,399,430</u> | <u>(64,820)</u> | <u>158,094</u> | <u>(17,433)</u> | <u>3,475,271</u> |
| Non-operating revenues(expenses): | | | | | |
| Property tax revenue | - | - | 45,184 | 44,887 | 90,071 |
| Investment earnings | 86,083 | 1,148 | 3,293 | 1,051 | 66,612 |
| Interest earnings from note receivable – BPGL | - | 54,059 | - | - | 54,059 |
| Rental revenue | 85,058 | - | 4,035 | 500 | 89,593 |
| Interest expense – long-term debt | (508,269) | (306,608) | (40,916) | - | (830,830) |
| Allowance for impairment of employee housing loans | 110,000 | - | - | - | 110,000 |
| CalPERS side-fund payoff | (2,073,701) | - | - | - | (2,073,701) |
| Other non-operating revenues | 139,252 | - | 149 | - | 139,401 |
| Other non-operating expenses | <u>(198,856)</u> | <u>(2,111)</u> | <u>(35,525)</u> | <u>(888)</u> | <u>(237,380)</u> |
| Total non-operating revenues, net | <u>(2,360,433)</u> | <u>(253,512)</u> | <u>(23,780)</u> | <u>45,550</u> | <u>(2,592,175)</u> |
| Net income(loss) before capital contributions | <u>1,038,997</u> | <u>(318,332)</u> | <u>134,314</u> | <u>28,117</u> | <u>883,096</u> |
| Capital contributions: | | | | | |
| State of California – Caltrans | 1,625,948 | - | - | - | 1,625,948 |
| Developers and others | 393,766 | - | 5,239 | - | 399,005 |
| Contributed capital assets | 6,600 | - | - | - | 6,600 |
| Connection fees | 99,600 | - | 22,800 | 30,400 | 152,800 |
| Capital grants – federal | - | 138,073 | - | - | 138,073 |
| Capital grants – state and local | 538,799 | 16,971 | 266,060 | - | 821,830 |
| Capital contributions | <u>2,664,713</u> | <u>155,044</u> | <u>294,099</u> | <u>30,400</u> | <u>3,144,256</u> |
| Change in net position | <u>3,703,710</u> | <u>(163,288)</u> | <u>428,413</u> | <u>58,517</u> | <u>4,027,352</u> |
| Net position transfer | <u>(1,550,201)</u> | <u>1,550,201</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position, beginning of year – as restated | <u>67,597,870</u> | <u>8,618,145</u> | <u>4,166,170</u> | <u>1,074,018</u> | <u>81,456,203</u> |
| Net position, end of year – as restated | <u>\$ 69,751,379</u> | <u>10,005,058</u> | <u>4,594,583</u> | <u>1,132,535</u> | <u>85,483,555</u> |

See accompanying notes to the basic financial statements

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Statistical Information Section

**North Marin Water District
Statistical Section**

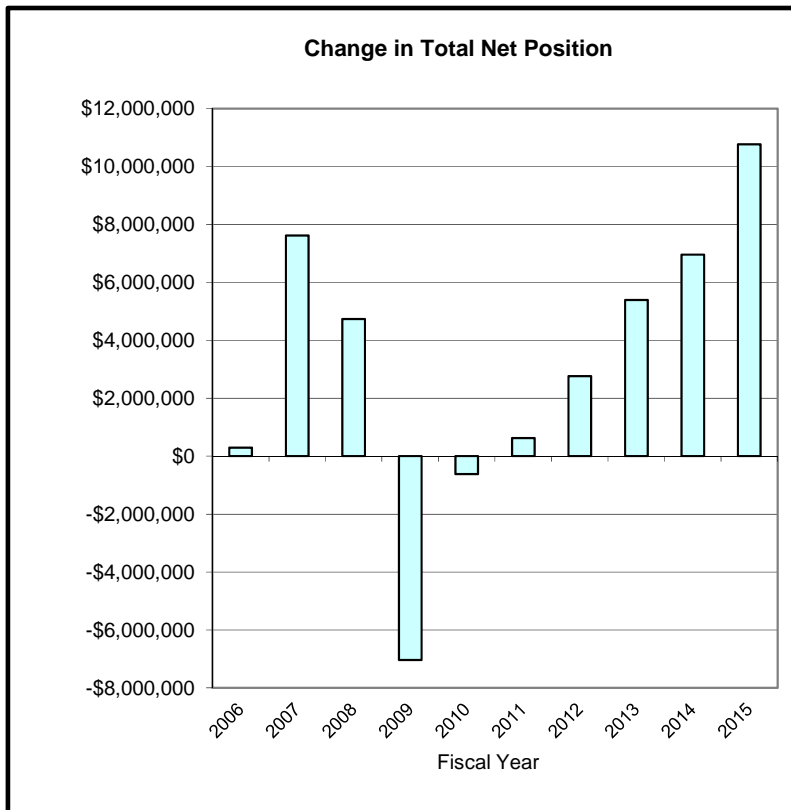
This part of the District's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

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

| | Fiscal Year | | |
|--|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 |
| Change in net assets: | | | |
| Operating revenues (see schedule 2) | \$10,089,848 | \$11,848,037 | \$11,779,157 |
| Operating expenses (see schedule 3) | (10,605,417) | (12,555,989) | (12,538,993) |
| Depreciation and amortization | (1,069,150) | (1,490,077) | (1,761,673) |
| Operating income(loss) | (\$1,584,719) | (\$2,198,029) | (\$2,521,509) |
| Net non-op revenue(expense) (see schedule 4) | (251,982) | 1,178,739 | 197,211 |
| Net income(loss) before capital contributions | (\$1,836,701) | (\$1,019,290) | (\$2,324,298) |
| Capital contributions | 2,133,298 | 8,639,031 | 7,061,891 |
| Change in net position | \$296,597 | \$7,619,741 | \$4,737,593 |
| Net position by component: | | | |
| Net investment in capital assets | \$57,718,713 | \$59,290,284 | \$65,099,863 |
| Restricted | 7,130,109 | 4,994,444 | 4,743,194 |
| Unrestricted | 6,465,974 | 11,179,233 | 10,476,733 |
| Total net position | \$71,314,796 | \$75,463,961 | \$80,319,790 |



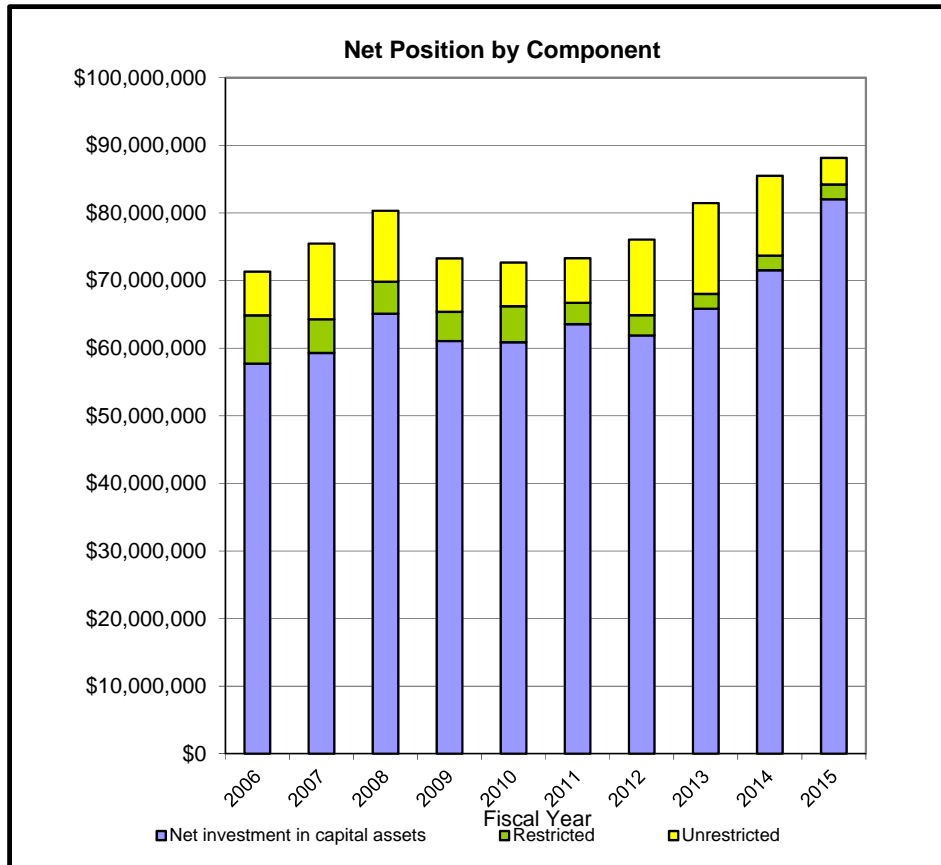
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 1

| Fiscal Year | | | | | | |
|-----------------------------|---------------|---------------|--------------|-------------------|-------------------|--------------|
| 2009 | 2010 | 2011 | 2012 | Restated* 2013 | Restated* 2014 | 2015 |
| \$12,526,294 | \$12,381,493 | \$13,797,012 | \$15,435,733 | \$18,256,638 | \$20,772,429 | \$18,081,317 |
| (13,257,125) | (13,083,372) | (11,878,612) | (12,610,862) | (13,140,845) | (14,168,856) | (13,325,658) |
| (10,091,139) ⁽¹⁾ | (2,659,883) | (2,660,418) | (2,726,598) | (2,793,360) | (3,128,302) | (3,183,725) |
| (\$10,821,970) | (\$3,361,762) | (\$742,018) | \$98,273 | \$2,322,433 | \$3,475,271 | \$1,571,934 |
| 8,954 | (255,218) | (414,563) | (531,318) | (285,490) | (2,592,175) | (521,412) |
| (\$10,813,016) | (\$3,616,980) | (\$1,156,581) | (\$433,045) | \$2,036,943 | \$883,096 | \$1,050,522 |
| 3,776,402 | 2,998,366 | 1,785,475 | 3,200,979 | 3,357,870 | 3,144,256 | 9,714,111 |
| (\$7,036,614) | (\$618,614) | \$628,894 | \$2,767,934 | \$5,394,813 | \$4,027,352 | \$10,764,633 |
| \$61,057,551 | \$60,880,162 | \$63,542,479 | \$61,882,478 | \$65,839,724 | \$71,538,168 | \$82,037,287 |
| 4,304,331 | 5,321,639 | 3,171,305 | 2,993,055 | 2,186,452 | 2,156,020 | 2,170,429 |
| 7,921,294 | 6,462,761 | 6,579,672 | 11,185,857 | 13,430,027 | 11,789,367 | 3,947,554 |
| \$73,283,176 | \$72,664,562 | \$73,293,456 | \$76,061,390 | \$81,456,203 | \$85,483,555 | \$88,155,270 |

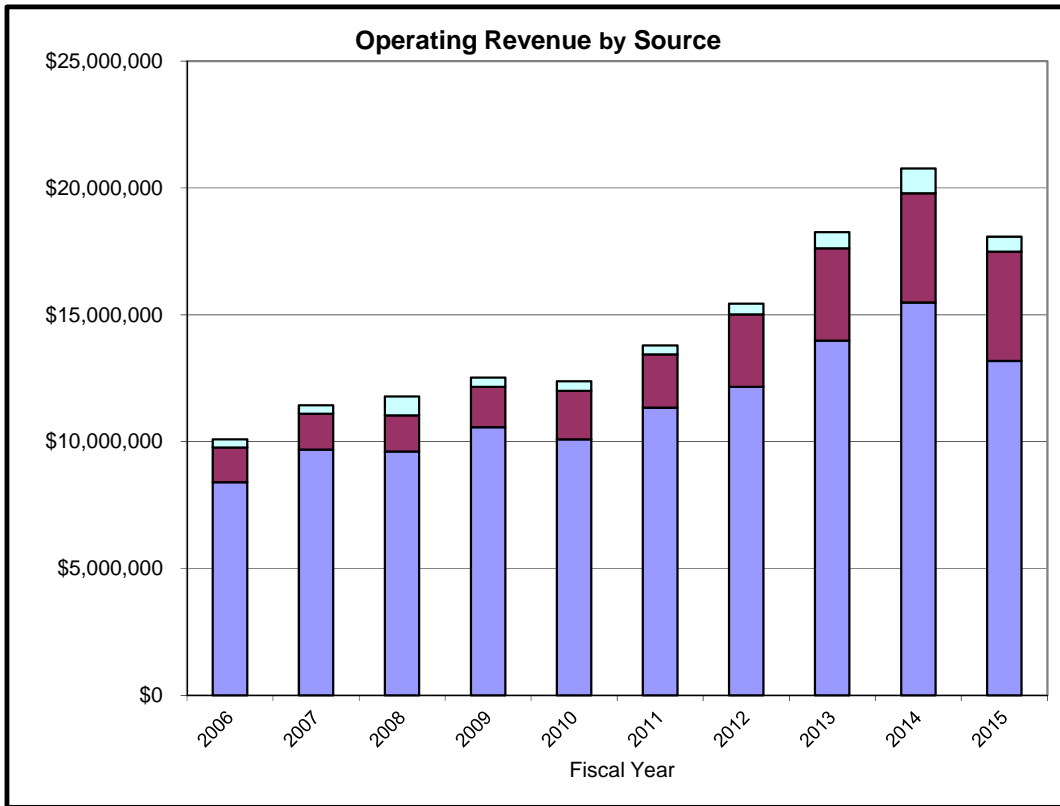


* As Restated is as a result of prior period adjustments recognized. See Note 14 for further detail.

**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 |
|--------------------|--------------------|-----------------------------------|-----------------------------------|--------------------------------|
| 2006 | 8,396,113 | 1,374,630 | 319,105 | 10,089,848 |
| 2007 | 9,693,104 | 1,412,428 | 335,692 | 11,441,224 |
| 2008 | 9,607,490 | 1,424,628 | 747,039 | 11,779,157 |
| 2009 | 10,573,368 | 1,581,407 | 371,519 | 12,526,294 |
| 2010 | 10,086,100 | 1,913,170 | 382,223 | 12,381,493 |
| 2011 | 11,334,728 | 2,109,255 | 353,029 | 13,797,012 |
| 2012 | 12,156,765 | 2,860,630 | 418,338 | 15,435,733 |
| 2013 | 13,987,034 | 3,630,425 | 639,179 | 18,256,638 |
| 2014 | 15,480,438 | 4,308,584 | 983,407 | 20,772,429 |
| 2015 | 13,180,015 | 4,312,108 | 589,194 | 18,081,317 |

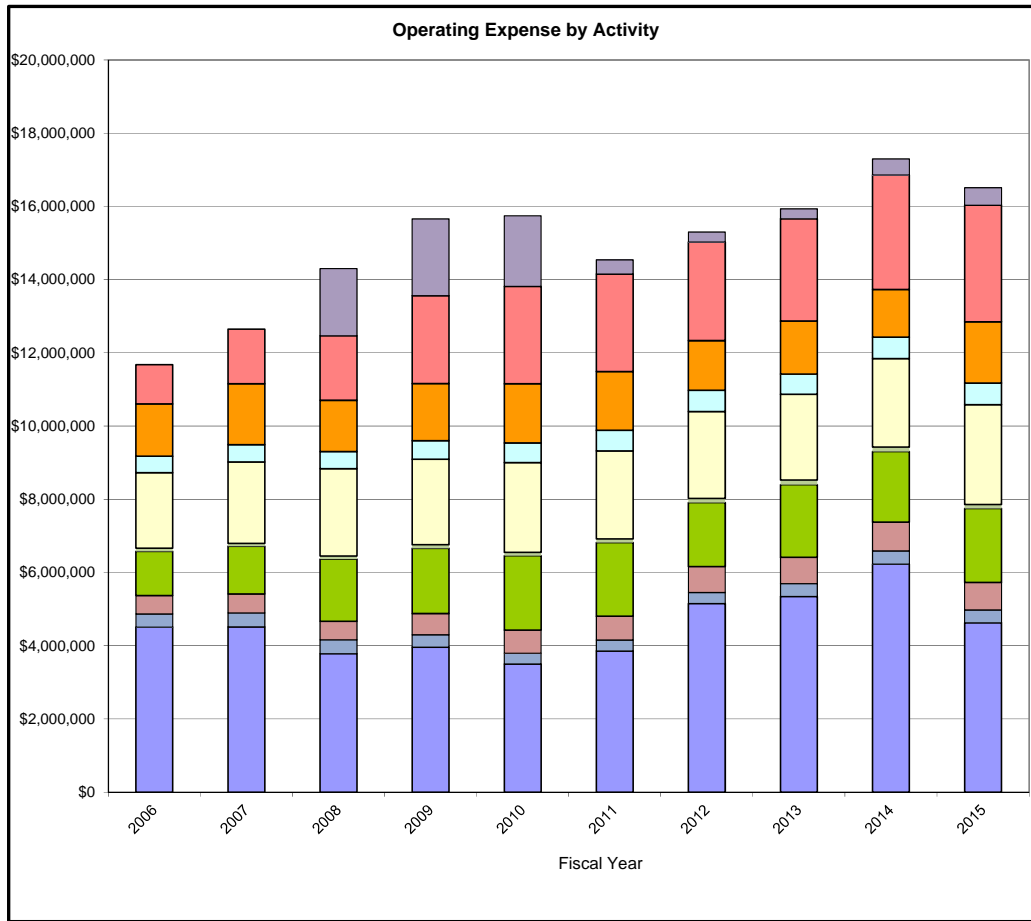


Source: North Marin Water District Audited Financial Statements

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 |
|-------------|------------------|---------|------------|-----------------|-----------------------|------------------------|------------------|---------------------|------------------|-----------------------------|------------------|
| 2006 | 4,508,463 | 358,844 | 504,493 | 1,205,527 | 88,997 | 2,059,033 | 450,280 | 1,429,780 | - | 1,069,150 | 11,674,567 |
| 2007 | 4,513,365 | 381,723 | 518,996 | 1,303,084 | 78,331 | 2,222,327 | 474,082 | 1,663,330 | - | 1,490,077 | 12,645,315 |
| 2008 | 3,782,414 | 379,341 | 506,287 | 1,698,781 | 84,418 | 2,385,742 | 466,301 | 1,400,768 | 1,834,941 | 1,761,673 | 14,300,666 |
| 2009 | 3,960,788 | 339,236 | 578,868 | 1,781,516 | 98,715 | 2,335,067 | 505,218 | 1,561,044 | 2,096,673 | 2,400,106 | 15,657,231 |
| 2010 | 3,497,565 | 298,583 | 633,259 | 2,027,052 | 95,116 | 2,450,765 | 535,401 | 1,616,317 | 1,929,314 | 2,659,883 | 15,743,255 |
| 2011 | 3,856,027 | 299,462 | 648,743 | 2,012,125 | 103,054 | 2,400,638 | 564,940 | 1,605,455 | 388,168 | 2,660,418 | 14,539,030 |
| 2012 | 5,150,183 | 304,075 | 708,570 | 1,747,166 | 112,801 | 2,373,132 | 580,534 | 1,358,682 | 275,719 | 2,690,535 | 15,301,397 |
| 2013 | 5,342,988 | 351,816 | 716,780 | 1,986,926 | 127,903 | 2,340,330 | 552,202 | 1,449,793 | 272,107 | 2,793,360 | 15,934,205 |
| 2014 | 6,226,250 | 362,997 | 785,143 | 1,930,110 | 120,548 | 2,416,368 | 587,067 | 1,301,139 | 439,234 | 3,128,302 | 17,297,158 |
| 2015 | 4,624,655 | 352,007 | 752,140 | 2,020,865 | 108,928 | 2,727,168 | 588,579 | 1,673,156 | 478,360 | 3,183,725 | 16,509,583 |



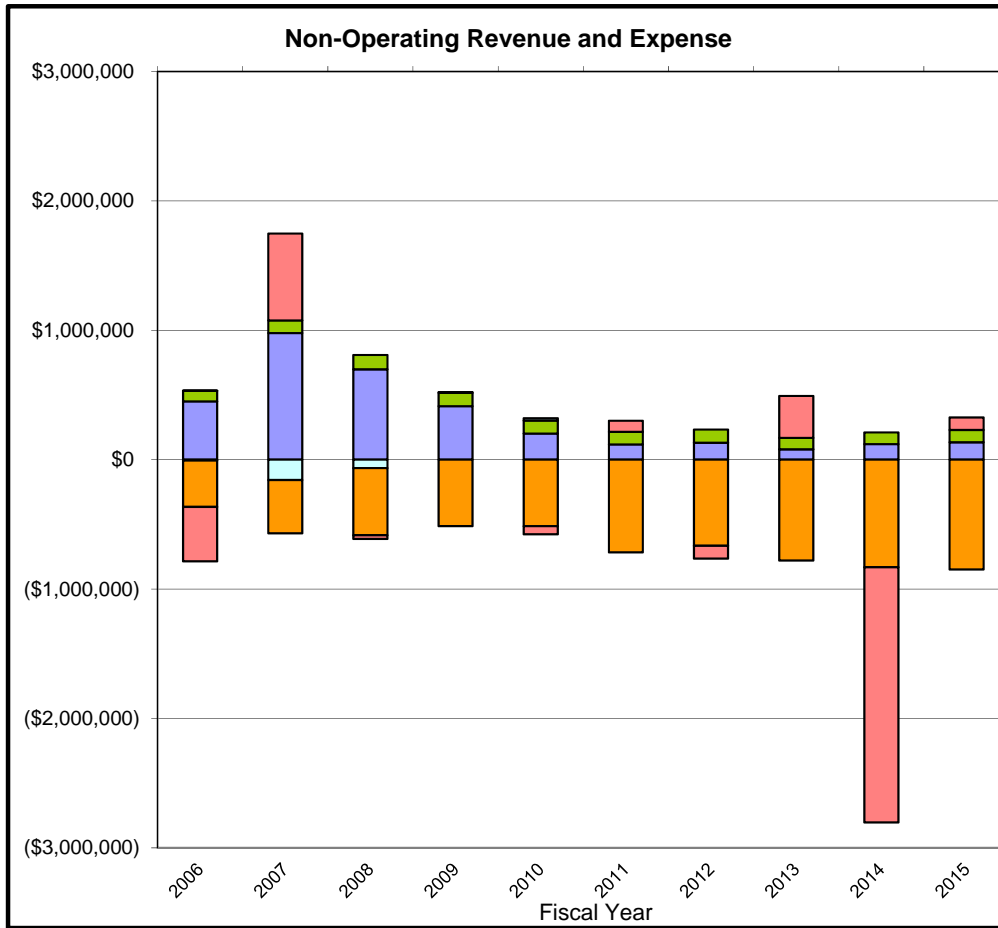
Source: North Marin Water District Audited Financial Statements

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

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

Schedule 4

| Fiscal Year | Investment Income ⁽¹⁾ | Property Taxes | Gain/(Loss) on Asset Sales | Interest Expense | Other Inc & Exp, net | Net Non-Op Rev/(Exp) |
|-------------|----------------------------------|----------------|----------------------------|------------------|----------------------|----------------------|
| 2006 | 450,799 | 82,137 | (7,178) | (357,793) | (419,947) | (251,982) |
| 2007 | 978,923 | 97,919 | (157,126) | (411,543) | 670,566 | 1,178,739 |
| 2008 | 699,107 | 110,129 | (64,347) | (519,484) | (28,194) | 197,211 |
| 2009 | 413,681 | 103,630 | - | (513,314) | 4,957 | 8,954 |
| 2010 | 202,459 | 100,220 | 17,796 | (513,763) | (61,930) | (255,218) |
| 2011 | 118,410 | 96,768 | - | (715,491) | 85,750 | (414,563) |
| 2012 | 130,974 | 101,559 | - | (665,713) | (98,138) | (531,318) |
| 2013 | 80,713 | 88,088 | - | (778,763) | 324,472 | (285,490) |
| 2014 | 120,671 | 90,071 | - | (830,830) | (1,972,087) | (2,592,175) |
| 2015 | 135,307 | 94,391 | - | (847,950) | 96,840 | (521,412) |



Notes:

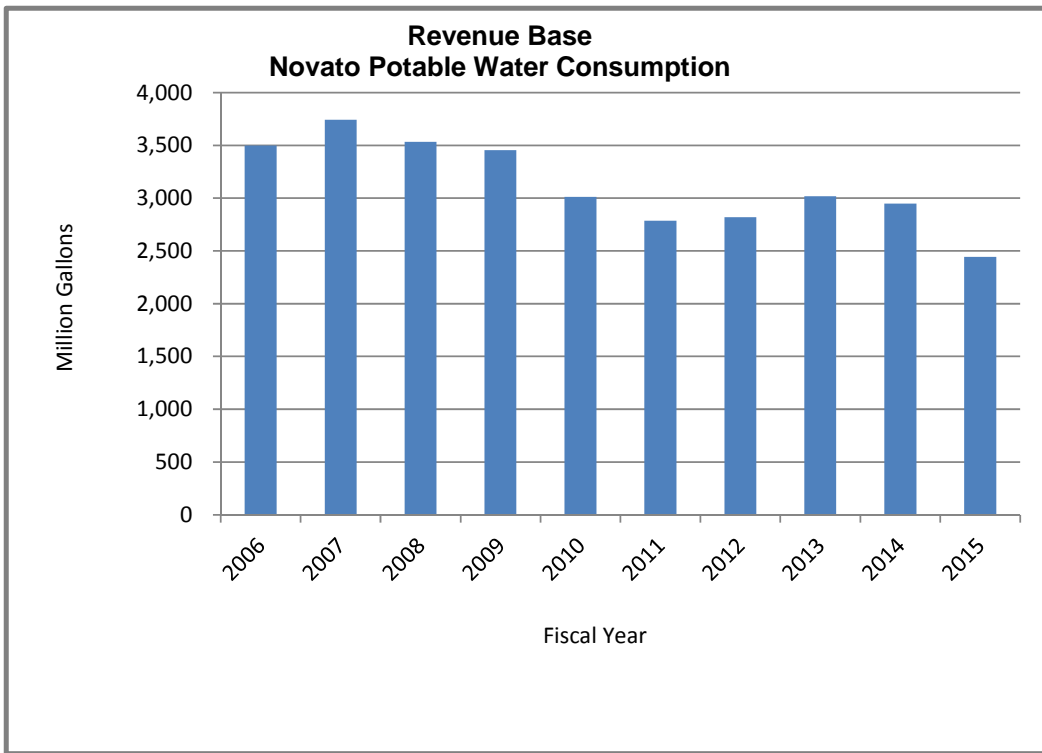
(1) Includes interest income and realized and unrealized gains and losses on investments.

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) |
|--------------------|---|
| 2006 | 3,498 |
| 2007 | 3,743 |
| 2008 | 3,533 |
| 2009 | 3,454 |
| 2010 | 3,011 |
| 2011 | 2,786 |
| 2012 | 2,820 |
| 2013 | 3,018 |
| 2014 | 2,948 |
| 2015 | 2,444 |



Note: See Schedule 2 "Revenue by Source" for information regarding water sales.

Source: Novato Water District Billing System

**North Marin Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

| Fiscal Year | Customer Type | | | | | West Marin Water | Oceana Marin Sewer | Total |
|-------------|---------------------------|--------------------------|----------------------|------------|----------|------------------|--------------------|--------|
| | Novato Potable & Recycled | | | | | | | |
| | Single-Family Residential | Multi-Family Residential | Commerical/ Business | Government | Recycled | | | |
| 2006 | 18,054 | 702 | 1,232 | 205 | - | 753 | 218 | 21,164 |
| 2007 | 18,146 | 712 | 1,253 | 214 | - | 765 | 220 | 21,310 |
| 2008 | 18,157 | 717 | 1,278 | 214 | - | 758 | 223 | 21,347 |
| 2009 | 18,197 | 720 | 1,280 | 219 | - | 760 | 225 | 21,401 |
| 2010 | 18,208 | 730 | 1,280 | 220 | 3 | 769 | 225 | 21,435 |
| 2011 | 18,239 | 715 | 1,280 | 230 | 3 | 770 | 227 | 21,464 |
| 2012 | 18,298 | 720 | 1,246 | 226 | 2 | 777 | 227 | 21,496 |
| 2013 | 18,350 | 687 | 1,222 | 233 | 17 | 776 | 227 | 21,512 |
| 2014 | 18,491 | 699 | 1,222 | 231 | 44 | 776 | 229 | 21,692 |
| 2015 | 18,541 | 698 | 1,226 | 230 | 44 | 778 | 229 | 21,746 |

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 | 6/30/06 | 6/30/07 | 6/30/08 | 6/30/09 | 6/30/10 | 6/30/11 | 6/30/12 | 6/30/13 | 6/30/14 | 6/30/15 |
| 5/8" & 3/4" | \$10.00 | \$10.00 | \$10.00 | \$13.20 | \$14.40 | \$20.00 | \$25.00 | \$30.00 | \$30.00 | \$30.00 |
| 1" | \$20.00 | \$20.00 | \$20.00 | \$26.40 | \$28.80 | \$40.00 | \$50.00 | \$60.00 | \$60.00 | \$60.00 |
| 1 1/2" | \$24.00 | \$24.00 | \$24.00 | \$32.40 | \$35.30 | \$49.00 | \$61.00 | \$73.00 | \$73.00 | \$73.00 |
| 2" | \$38.00 | \$38.00 | \$38.00 | \$50.40 | \$54.95 | \$76.00 | \$95.00 | \$114.00 | \$114.00 | \$114.00 |
| 3" | \$75.00 | \$75.00 | \$75.00 | \$99.60 | \$108.55 | \$151.00 | \$189.00 | \$227.00 | \$227.00 | \$227.00 |
| 4" | \$120.00 | \$120.00 | \$120.00 | \$159.60 | \$173.95 | \$242.00 | \$303.00 | \$364.00 | \$364.00 | \$364.00 |
| 6" | \$251.00 | \$251.00 | \$251.00 | \$334.80 | \$364.95 | \$507.00 | \$634.00 | \$761.00 | \$761.00 | \$761.00 |
| 8" | \$375.00 | \$375.00 | \$375.00 | \$499.20 | \$544.15 | \$756.00 | \$945.00 | \$1,134.00 | \$1,134.00 | \$1,134.00 |

| Water Use Rate (per 1,000 Gallons) | | | | | | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| User Type | 6/30/06 | 6/30/07 | 6/30/08 | 6/30/09 | 6/30/10 | 6/30/11 | 6/30/12 | 6/30/13 | 6/30/14 | 6/30/15 |
| <u>Residential Zone A</u> | | | | | | | | | | |
| Base Rate ⁽¹⁾ | \$2.21 | \$2.27 | \$2.27 | \$3.02 | \$3.29 | \$3.49 | \$3.73 | \$4.03 | \$4.29 | \$4.46 |
| Tier 1: 616-1845 gpd | - | \$3.61 | \$3.61 | \$4.81 | \$5.24 | \$5.55 | \$5.94 | \$6.42 | \$6.84 | \$7.11 |
| Tier 2: >1845 gpd | \$6.22 | \$6.28 | \$6.28 | \$8.36 | \$9.11 | \$9.66 | \$10.34 | \$11.17 | \$11.90 | \$12.38 |
| <u>Non-Residential Zone A</u> | | | | | | | | | | |
| Base Rate ⁽¹⁾ | \$2.21 | \$2.41 | \$2.61 | \$3.48 | \$3.62 | \$3.84 | \$4.11 | \$4.44 | \$4.73 | \$4.92 |
| Seasonal Rate | - | - | - | - | \$3.90 | \$4.13 | \$4.42 | \$4.77 | \$5.08 | \$5.28 |

Notes:

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

N/A - Rate class was not established during the period

Source: North Marin Water approved rates

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

Schedule 8

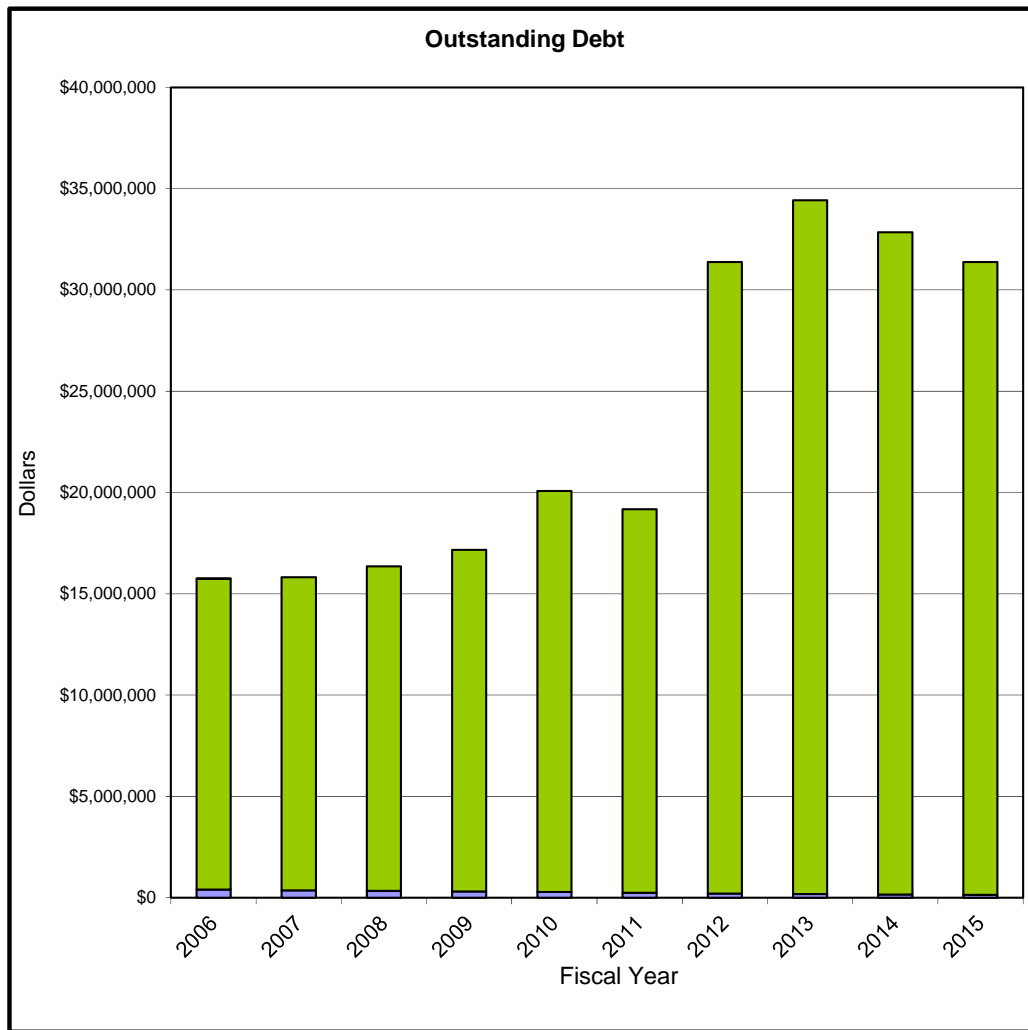
| | FY 2014/15 | % of Total | FY 2004/05 | % of Total |
|----|--------------------------------|-------------------|----------------------------------|-------------------|
| 1 | City of Novato | 2.3% | Coast Guard Spanish Housing | 2.1% |
| 2 | StoneTree Golf Course | 1.9% | Novato Unified School District | 1.6% |
| 3 | Novato Unified School District | 1.6% | City of Novato | 1.5% |
| 4 | Fireman's Fund | 0.9% | StoneTree Golf Course | 1.4% |
| 5 | Biomarin Pharmaceutical | 0.7% | Fireman's Fund | 0.8% |
| 6 | Indian Valley Golf Course | 0.7% | Indian Valley Golf Course | 0.6% |
| 7 | Meadow Park HOA | 0.6% | Lanham Village HOA | 0.5% |
| 8 | Bay Vista Apartments | 0.6% | Marin Valley Mobile Country Club | 0.5% |
| 9 | Marion Park Apartments | 0.5% | Marion Park Apartments | 0.4% |
| 10 | Western Oaks Village | 0.4% | Western Oaks Village | 0.4% |
| | | 10.2% | | 9.8% |
| | Total Water Service Revenue | \$18,070,000 | | \$8,990,000 |

Source: NMWD CORE billing system (t:\ac\excel\wtr use\[top revenue 2005_2015.xlsx]top 10

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

Schedule 9

| Fiscal Year | Bonds Payable | Loans Payable | Total | | |
|-------------|---------------|---------------|------------|------------|--|
| | | | Debt | Per Capita | As a Share of Personal Income ⁽¹⁾ |
| 2006 | 396,243 | 15,338,404 | 15,734,647 | 262.24 | 0.31% |
| 2007 | 363,593 | 15,458,618 | 15,822,211 | 259.38 | 0.29% |
| 2008 | 335,801 | 16,020,049 | 16,355,850 | 268.13 | 0.30% |
| 2009 | 312,878 | 16,856,896 | 17,169,774 | 281.47 | 0.33% |
| 2010 | 282,809 | 19,790,955 | 20,073,764 | 329.08 | 0.36% |
| 2011 | 250,587 | 18,924,944 | 19,175,531 | 314.35 | 0.33% |
| 2012 | 209,203 | 31,173,317 | 31,382,520 | 514.47 | 0.55% |
| 2013 | 181,652 | 34,241,715 | 34,423,367 | 564.32 | 0.59% |
| 2014 | 159,916 | 32,687,391 | 32,847,307 | 538.48 | 0.54% |
| 2015 | 136,000 | 31,237,391 | 31,373,391 | 514.32 | 0.48% |



Source: North Marin Water District Audited Financial Statements

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

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

Schedule 10

| Fiscal Year | Revenue ⁽¹⁾ | Expense ⁽²⁾ | Net Available Revenue | Debt Service | | Total | Coverage Ratio |
|-------------|------------------------|------------------------|--------------------------|--------------|----------|-----------|-------------------|
| | | | | Principal | Interest | | |
| 2006 | 11,999,690 | (11,769,614) | 230,076 | 210,070 | 465,060 | 675,130 | 0.34 |
| 2007 | 14,460,109 | (13,149,592) | 1,310,517 | 226,423 | 413,111 | 639,534 | 2.05 |
| 2008 | 14,214,682 | (12,627,537) | 1,587,145 | 171,909 | 519,485 | 691,394 | 2.30 |
| 2009 | 14,131,892 | (13,257,125) | 874,767 | 319,248 | 513,314 | 832,562 | 1.05 |
| 2010 | 14,635,090 | (13,102,113) | 1,532,977 | 690,462 | 694,044 | 1,384,506 | 1.11 |
| 2011 | 14,506,888 | (11,905,026) | 2,601,862 | 644,740 | 740,416 | 1,385,156 | 1.88 |
| 2012 | 16,789,744 | (12,610,862) | 4,178,882 | 1,116,410 | 654,484 | 1,770,894 | 2.35 |
| 2013 | 19,761,431 | (13,284,705) | 6,476,726 | 1,337,041 | 778,762 | 2,115,803 | 3.06 |
| 2014 | 21,364,965 | (13,437,213) | 7,927,752 | 1,618,138 | 830,830 | 2,448,968 | 3.24 |
| 2015 | 19,308,316 | (13,424,517) | 5,883,799 | 1,686,523 | 847,951 | 2,534,474 | 2.32 |

Notes:

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

(2) Operating expense excludes depreciation expense.

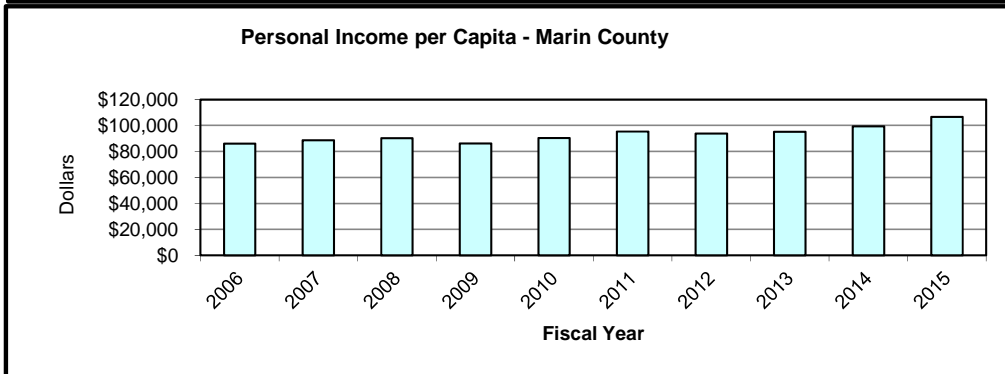
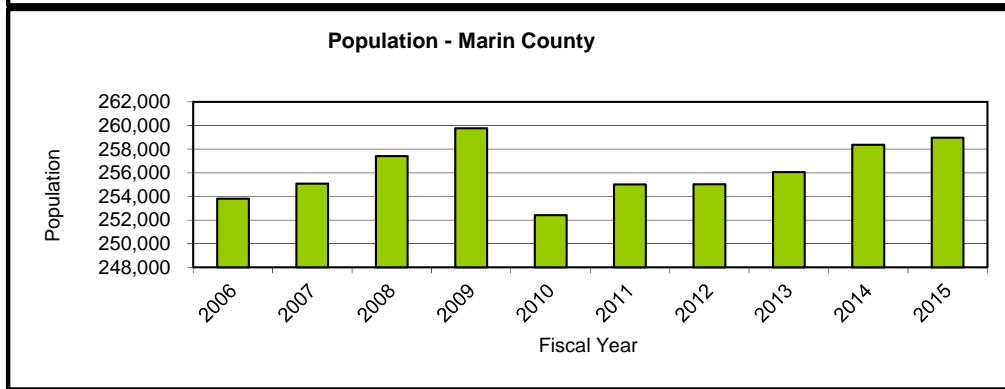
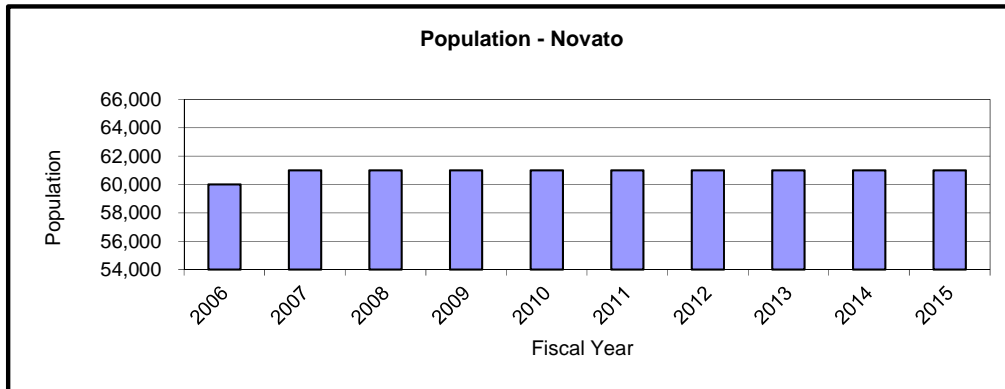
Source: North Marin Water District Audited Financial Statements

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

Schedule 11

| Year | Novato Service Area ⁽¹⁾ | | County of Marin | | |
|------|------------------------------------|-------------------|-----------------|--|----------------------------|
| | Estimated Population | Unemployment Rate | Population | Personal Income (thousands of dollars) | Personal Income per Capita |
| 2006 | 60,000 | 4.5% | 253,818 | \$ 21,800,000 | \$ 85,888 |
| 2007 | 61,000 | 4.4% | 255,080 | \$ 22,600,000 | \$ 88,600 |
| 2008 | 61,000 | 5.6% | 257,406 | \$ 23,200,000 | \$ 90,130 |
| 2009 | 61,000 | 9.6% | 259,772 | \$ 22,400,000 | \$ 86,229 |
| 2010 | 61,000 | 9.4% | 252,409 | \$ 22,800,000 | \$ 90,330 |
| 2011 | 61,000 | 9.1% | 255,015 | \$ 24,300,000 | \$ 95,289 |
| 2012 | 61,000 | 7.9% | 255,031 | \$ 23,920,000 | \$ 93,793 |
| 2013 | 61,000 | 6.0% | 256,069 | \$ 24,342,800 | \$ 95,063 |
| 2014 | 61,000 | 4.8% | 258,365 | \$ 25,645,400 | \$ 99,260 |
| 2015 | 61,000 | 3.3% | 258,972 | \$ 27,587,500 | \$ 106,527 |



Sources: California Department of Finance, County of Marin, City of Novato, quickfacts.census.gov, Real Estate Center demographics, NMWD Annual Report population estimate, Google Public Data

Notes:

(1) District estimates (t:\ac\excel\annual report\population est.xls)

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

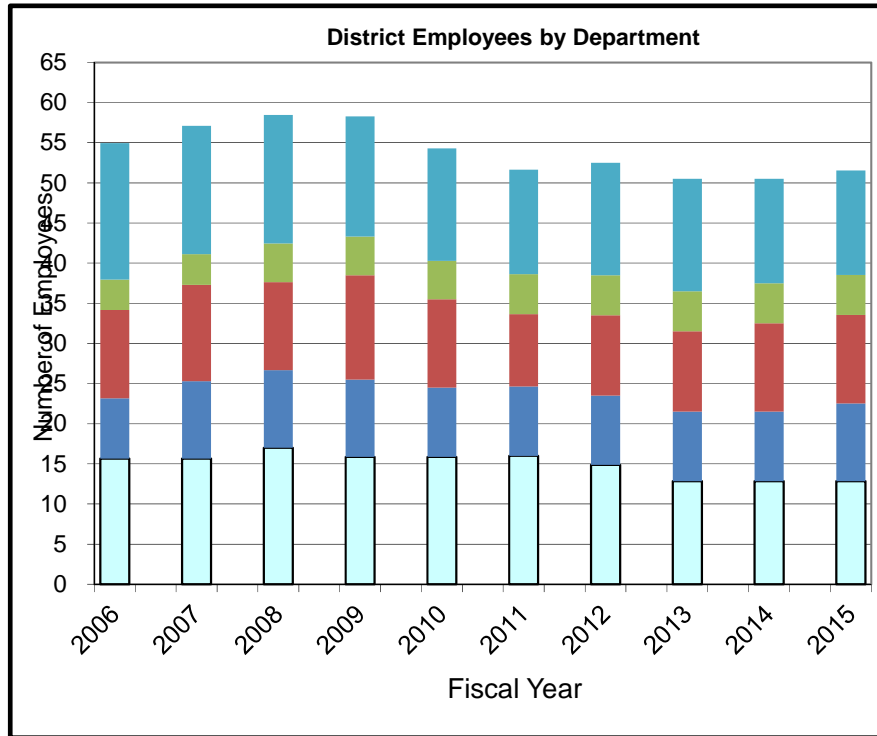
| FY 2014/2015 | | | FY 2004/2005 | | |
|------------------------------------|---------------------|-----------------------------|--------------------------------|---------------------|-----------------------------|
| Employer | Number of Employees | Percent of Total Employment | Employer | Number of Employees | Percent of Total Employment |
| 1 Novato Unified School District | 1,317 | 4.67% | Fireman's Fund | 1,274 | 5.29% |
| 2 BioMarin Pharamaceutical | 923 | 3.27% | Novato Unified School District | 825 | 3.42% |
| 3 2K/Visual Concepts Entertainment | 501 | 1.78% | Greenpoint Mortgage | 564 | 2.34% |
| 4 Fireman's Fund | 450 | 1.60% | Cagwin & Dorward | 330 | 1.37% |
| 5 Novato Community Hospital | 310 | 1.10% | Novato Community Hospital | 307 | 1.27% |
| 6 Safeway Stores | 297 | 1.05% | Marin Independent Journal | 285 | 1.18% |
| 7 Costco Wholesale | 291 | 1.03% | BioMarin Pharamaceutical | 267 | 1.11% |
| 8 Bradley Electric | 290 | 1.03% | Costco Wholesale | 250 | 1.04% |
| 9 City of Novato | 280 | 0.99% | Brayton Purcell | 244 | 1.01% |
| 10 Brayton Purcell | 215 | 0.76% | Birkenstock | 230 | 0.95% |
| | 4,874 | 18.32% | | 4,576 | 18.99% |

Source: City of Novato

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

Schedule 13

| Department | Fiscal Year End | | | | | | | | | |
|---------------------------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Administrative Services | 16 | 16 | 17 | 16 | 16 | 16 | 15 | 13 | 13 | 13 |
| Engineering Services | 8 | 10 | 10 | 10 | 9 | 9 | 9 | 9 | 9 | 10 |
| Construction /Maintenance | 11 | 12 | 11 | 13 | 11 | 9 | 10 | 10 | 11 | 11 |
| Water Quality | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Operations / Maintenance | 17 | 16 | 16 | 15 | 14 | 13 | 14 | 14 | 13 | 13 |
| | <u>55</u> | <u>57</u> | <u>58</u> | <u>58</u> | <u>54</u> | <u>52</u> | <u>53</u> | <u>51</u> | <u>51</u> | <u>52</u> |



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

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

Schedule 14

| Other Operating and Capacity Indicators | | | | |
|--|---|------------------------------|------------------------------------|---|
| Fiscal Year | District Area (Square Miles) | Miles of Pipeline | Number of Fire Hydrants | System Storage Capacity (MG) |
| 2006 | 100 | 324 | 2,670 | 34 |
| 2007 | 100 | 337 | 2,713 | 35 |
| 2008 | 100 | 341 | 2,749 | 35 |
| 2009 | 100 | 343 | 2,762 | 38 |
| 2010 | 100 | 345 | 2,773 | 38 |
| 2011 | 100 | 346 | 2,785 | 38 |
| 2012 | 100 | 348 | 2,785 | 38 |
| 2013 | 100 | 356 | 2,797 | 39 |
| 2014 | 100 | 356 | 2,805 | 39 |
| 2015 | 100 | 357 | 2,808 | 39 |

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance



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

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Marin Water District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 20, 2015