

MARINWOOD COMMUNITY SERVICES DISTRICT

SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marinwood Community Services District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Marinwood Community Services District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Marinwood Community Services District's basic financial statements as listed in the table of contents.

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 control 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 opinions on these 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 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 from 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 our 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, we consider internal control relevant to Marinwood Community Services District'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 Marinwood Community Services District'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Marinwood Community Services District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and page 32, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 20, 2017

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

This section of Marinwood Community Services District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2016. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

The required financial statements include the Combined Government-wide and Fund Financial statements; Statement of Net Position and Governmental Funds Balance Sheet; Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The basic financial statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide Financial Statements and focus primarily on the short-term activities of the District's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities

The District's basic services are considered to be governmental activities. These services are supported by specific program revenues, state and federal grants, and general revenues from taxes and use of money.

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

In the District's case, there are two Major Governmental Funds – the General Fund and the Debt Service Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds:

General Fund revenue increased \$608,143 this fiscal year, due primarily to the increase in facility rentals and recreation class participation.

General fund expenditures were \$5,352,098, an increase of \$337,767 from the prior year.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 2,387,836	\$ 1,996,532
Capital assets	4,396,830	4,033,885
Total assets	6,784,666	6,030,417
Deferred outflows of resources	500,962	348,102
Current liabilities	878,133	918,169
Long-term liabilities	3,013,780	2,808,393
Total liabilities	3,891,913	3,726,562
Deferred inflows of resources	541,988	(195,964)
Net position:		
Invested in capital assets, net of related debt	3,748,549	3,239,925
Restricted	134,213	129,298
Unrestricted	(4,353,151)	(3,663,588)
Total net position	\$ (470,389)	\$ (294,365)

The District's governmental net position amounted to (\$470,389) as of June 30, 2016, a decrease of \$176,024 from 2015. This decrease is the Change in Net Position of \$176,024 reflected in the Governmental Activities column of the Statement of Activities shown in Table 2.

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

The District's net assets as of June 30, 2016 comprised the following:

- Cash and investments of \$2,387,836.
- Capital assets of \$4,396,830, net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Accounts payable and other current liabilities of \$322,793, as well as unearned revenue of \$555,340.
- Long-term debt of \$3,013,780 and net pension liability of \$3,322,116.
- Net position invested in capital assets, net of related debt of \$3,748,549, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District had (\$4,353,151) of unrestricted net position as of June 30, 2016. Net position restricted for debt service was \$134,213.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	Governmental Activities	
	2016	2015
<u>Expenses</u>		
Park	\$ 584,975	\$ 611,737
Recreation	1,998,008	1,888,134
Public safety	3,318,049	2,316,538
Street lighting	27,857	21,662
Measure A	53,568	53,817
Interest expense	30,574	27,121
Total expenses	6,013,031	4,919,009
<u>Revenues</u>		
Program revenues:		
Charges for services	2,441,634	2,077,535
Total program revenues	2,441,634	2,077,535
General revenues:		
Taxes and assessments	3,031,266	2,910,654
Other income	364,107	235,833
Total general revenues	3,395,373	3,146,487
Total revenue	5,837,007	5,224,022
Change in net position	\$ (176,024)	\$ 305,013

As Table 2 above shows, \$2,441,634, or 42% of the District's fiscal year 2016 governmental revenue, came from program revenues and \$3,395,373, or 58%, came from general revenues such as taxes and interest.

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

GASB Statement No. 34 requires the District to record all its capital assets, which were not recorded in prior years. At the end of fiscal year 2016, the cost of infrastructure and other capital assets recorded in the District's financial statements was as shown in Table 3 below:

Table 3
Capital Assets at Year-End

	Balance at June 30, 2016
<u>Governmental Activities</u>	
Land (not depreciated)	\$ 1,930,268
Buildings	3,654,063
Equipment	1,576,632
Other	316,305
Less: accumulated depreciation	(3,080,439)
Governmental activity capital assets, net	\$ 4,396,829

Detail on capital assets, current year additions and current year disposals can be found in Note 5.

Debt Administration

The District's long-term obligations consist of (1) a lease-finance agreement between the District and CSDA entered into on September 1, 1996 in the amount of \$1,580,000; (2) a lease-finance agreement with the Municipal Finance Corporation assigned to Westamerica Bank in the amount of \$300,000; (3) Revenue bonds dated year 1999. The CSDA lease-finance was for the remodel of the community center and firehouse, and the Westamerica bank loan was for the renovation of the changing rooms and staff area. The District made all scheduled repayments of existing debt. Each of the District's debt issues is discussed in detail in Note 4 to the financial statements. As of June 30, 2016, the District's debt comprised:

Table 4
Outstanding Debt

	June 30, 2016
Government Activity Debt:	
CSDA lease	\$ 220,000
MERA loan	95,401
Fire Truck Lease	332,880
Other Post Employment Benefits	2,365,499
Total Governmental Activity Debt	\$ 3,013,780

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability. The District will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Contacting the District's Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this Report should be directed to Marinwood Community Services District, 775 Miller Creek Road, San Rafael, CA 94903-1323.

Marinwood Community Services District

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 2,387,836
Non-depreciable capital assets	1,930,268
Depreciable capital assets, net	<u>2,466,562</u>
Total assets	<u>6,784,666</u>
<u>DEFERRED OUTFLOWS</u>	
Deferred outflows related to pensions	<u>500,962</u>
<u>LIABILITIES</u>	
Accounts payable	14,093
Accrued expenses	158,442
Compensated absences	138,707
Accrued interest	11,551
Unearned income	555,340
Non-current liabilities:	
Due within one year	156,506
Due in more than one year	2,857,274
Net pension liability	<u>3,322,116</u>
Total liabilities	<u>7,214,029</u>
<u>DEFERRED INFLOWS</u>	
Deferred Inflows related to pensions	<u>541,988</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	3,748,549
Restricted for:	
Debt service	<u>134,213</u>
Total restricted net position	<u>134,213</u>
Unrestricted net position	<u>(4,353,151)</u>
Total net position	<u>\$ (470,389)</u>

The accompanying notes are an integral part of these financial statements.

Marinwood Community Services District
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Park	\$ 584,975	\$ -	\$ -	\$ (584,975)
Recreation	1,998,008	1,842,952	-	(155,056)
Public safety	3,318,049	598,682	-	(2,719,367)
Street lighting	27,857	-	-	(27,857)
Measure A	53,568	-	-	(53,568)
Interest on long-term debt	30,574	-	-	(30,574)
	<u>30,574</u>	<u>-</u>	<u>-</u>	<u>(30,574)</u>
Total governmental activities:	<u>\$ 6,013,031</u>	<u>\$ 2,441,634</u>	<u>\$ -</u>	<u>(3,571,397)</u>
General revenues:				
Taxes				1,677,520
Other income				364,107
Special assessments				<u>1,353,746</u>
Total general revenues				<u>3,395,373</u>
Change in net position				(176,024)
Net position - beginning of period				<u>(294,365)</u>
Net position - end of period				<u>\$ (470,389)</u>

The accompanying notes are an integral part of these financial statements.

Marinwood Community Services District
BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2016

	General	Measure A Fund	Debt Service	Total Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash and investments	\$ 2,195,697	\$ 57,926	\$ 134,213	\$ 2,387,836
Total assets	\$ 2,195,697	\$ 57,926	\$ 134,213	\$ 2,387,836
 <u>LIABILITIES AND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 13,240	\$ 853	\$ -	\$ 14,093
Accrued expenses	158,442	-	-	158,442
Compensated absences	138,707	-	-	138,707
Unearned income	555,341	-	-	555,341
Total liabilities	865,730	853	-	866,583
 Fund equity:				
Fund balance				
Assigned for debt service	-	-	134,213	134,213
Assigned for measure A	-	57,073	-	57,073
Unassigned	1,329,967	-	-	1,329,967
Total fund balances	1,329,967	57,073	134,213	1,521,253
Total liabilities and equity	\$ 2,195,697	\$ 57,926	\$ 134,213	\$ 2,387,836

The accompanying notes are an integral part of these financial statements.

Marinwood Community Services District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

June 30, 2016

Total Governmental Funds fund balances	\$	1,521,253
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital Assets

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

4,396,831

Long-Term Liabilities

The liabilities below are not due and payable in the current period and therefore are not reported in the Fund Financial Statements.

Long-term debt		(648,282)
Other post employment benefits		(2,365,499)
Deferred outflows		500,962
Deferred inflows		(541,988)
Net pension liability		(3,322,116)
Accrued interest		(11,550)
		(11,550)

Net Position of Governmental Activities	\$	(470,389)
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The accompanying notes are an integral part of these financial statements.

Marinwood Community Services District
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
 Governmental Funds
 For the Fiscal Year Ended June 30, 2016

	General	Measure A Fund	Debt Service	Total Governmental Funds
Revenue:				
Taxes	\$ 1,599,328	\$ 78,192	\$ -	\$ 1,677,520
Special assessments	1,353,746	-	-	1,353,746
Other income	359,192	-	4,915	364,107
Charges for service	<u>2,441,634</u>	<u>-</u>	<u>-</u>	<u>2,441,634</u>
Total revenue	<u>5,753,900</u>	<u>78,192</u>	<u>4,915</u>	<u>5,837,007</u>
Expenditures:				
Park	584,975	-	-	584,975
Recreation	1,998,008	-	-	1,998,008
Public safety	2,565,777	-	-	2,565,777
Street lighting	27,857	-	-	27,857
Measure A	-	53,568	-	53,568
Debt service:				
Principal	144,907	-	-	144,907
Interest	<u>30,574</u>	<u>-</u>	<u>-</u>	<u>30,574</u>
Total expenditures	<u>5,352,098</u>	<u>53,568</u>	<u>-</u>	<u>5,405,666</u>
Excess (deficiency) of revenue over (under) expenditures	401,802	24,624	4,915	431,341
Fund balance, beginning of period	<u>928,165</u>	<u>32,449</u>	<u>129,298</u>	<u>1,089,912</u>
Fund balance, end of period	<u>\$ 1,329,967</u>	<u>\$ 57,073</u>	<u>\$ 134,213</u>	<u>\$ 1,521,253</u>

The accompanying notes are an integral part of these financial statements.

Marinwood Community Services District
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES
TOTAL GOVERNMENTAL FUNDS
WITH THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2016

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	431,341
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Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

The capital outlay expenditures are therefore added back to fund balance		485,829
Depreciation expense is deducted from the fund balance		(122,884)

LONG-TERM DEBT PROCEEDS AND PAYMENT

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities:

Debt proceeds		-
Repayment of debt principle is added back to fund balance		144,907

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):

Accrued interest		-
Pension expense		(764,151)
Other post employment benefits		<u>(351,066)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(176,024)</u>
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The accompanying notes are an integral part of these financial statements.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - GENERAL

Marinwood Community Services District (the District) was formed on February 23, 1960, and is regulated under sections 61000 through 61891 of the California Government Code. The District is governed by an elected board of directors. The District does not exercise oversight responsibility over any other government unit, thus, its financial statements do not include any financial activity of any other agency. It is not a component unit of any other reporting entity.

The District offers a wide variety of recreational activities for persons of all ages, from pre-schoolers through senior citizens. Some of the major activities include: parks, playgrounds, swimming pools, recreation buildings, development of open space, and a wide range of recreation programs and activities. The District also provides fire protection, emergency services, and street lighting services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies of the District conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The District's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no fiduciary or business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues or expenditures/ expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported the following major governmental funds in the accompanying financial statements:

General Fund: This is used for all the general revenues of the District not specifically levied or collected for other District funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit that are not accounted for in another fund.

Debt Service Fund: This fund is used to account for principal and interest costs on the general debt service of the District.

C. Basis of Accounting

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable" and "available". The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property taxes, certain other intergovernmental revenues, certain charges for services and interest revenue.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

Budgets are used to control spending. Unexpended allocations lapse at the end of each fiscal year and are not carried forward to the following period. Preliminary budgets are determined by the first day of July. A notice of this budget is published, and no less than one month thereafter, the District's Board of Directors approves the final budget. The final budget is reported by the tenth day of August.

The District's budget, as included in these financial statements, represents the budget approved by the Board of Directors. The adopted budget is made for the District as a whole. The District uses the same basis of accounting for budget and financial statement purposes. All appropriations lapse at year-end. The budget was amended during the fiscal year. Actual expenditures were over appropriations by \$56,578.

E. Property Taxes

Property Taxes are levied each November 1 on the assessed values as of the prior March 1. The County of Marin's property tax calendar is as follows:

	Secured	Unsecured
Valuation dates	March 1	March 1
Lien/levy dates	March 1	March 1
First installment due date	50% on November 1	July 1 (total due)
Delinquent as of	December 10	August 31
Second installment due date	50% on February 1	
Delinquent as of	April 10	

F. Compensated Absences

Accumulated vacation benefits are recognized as a liability of the District. The liability is included in the General Fund. At June 30, 2016, the total accrued vacation subject to redemption amounted to approximately \$138,707. Changes in compensated absences are as follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Compensated absences	\$ 150,763	\$ -	\$ 12,056	\$ 138,707

G. Unearned Revenue

Unearned revenues as of June 30, 2016 represent park and recreation fees received, but not yet earned. Unearned revenue at June 30, 2016 was \$555,341.

H. Contingent Liabilities

The District was served a legal complaint on January 6, 2017, regarding the District's calculation of overtime pay to firefighters under the Fair Labor Standards Act. The outcome of the claim is currently not determinable. The District is subject to other litigation arising in the normal course of business. In the opinion of the District's legal counsel there is no pending litigation that is likely to have a material adverse effect on the financial position of the District.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

J. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

K. 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 Marinwood Community Services District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of the following:

Pooled cash at County of Marin	\$	2,021,438
Demand deposit accounts		232,185
Cash and investments with fiscal agent		<u>134,213</u>
	\$	<u>2,387,836</u>

Authorized Investments:

Under provision of the District's Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

Securities of the U.S. Government or its agencies; time certificates of deposit; County of Marin Cash and Investment Pool; and California Local Agency Investment Fund deposits. The District's investment policy is consistent with the County of Marin's investment policy.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (continued)

Restricted and Designated Cash and Cash Equivalents:

The District segregates certain cash and cash equivalents that have legal or Board of Directors' designated restrictions as to their uses.

	2016
For debt and services	<u>\$ 134,213</u>

County of Marin Investment Pool:

The District maintains specific cash deposits with the County of Marin (the County) and involuntarily participates in the external investment pool of the County. The balance deposited and invested with the County at June 30, 2016 was \$1,963,512. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2016, the District's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The California Government Code establishes guidelines for qualification and participation by banks and savings and loan associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the law, the District deposits in qualified public depositories are to be totally insured. The market value of pledged securities used for collateral must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of at least 150% of the District's total deposits.

Credit Risk - Investments

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. The actual ratings as of June 30, 2016 are provided by Standard and Poor's except as noted. All District investment types are not rated.

Fair Value Hierarchy

Fair value is defined as 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. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs - other than quoted prices included within level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (concluded)

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2016:

<u>Investment Type</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
Marin County Treasurer's Pool	\$ 2,021,438	\$ -	\$ 2,021,438
Held by Trustees:			
Money Market Fund	<u>134,213</u>	<u>-</u>	<u>134,213</u>
Total investments	<u>\$ 2,155,651</u>	<u>\$ -</u>	<u>2,155,651</u>
Cash in banks and on hand			<u>232,185</u>
Total cash and investments			<u>\$ 2,387,836</u>

NOTE 4 - LONG-TERM DEBT

The District's changes in long-term debt are as follows:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>	<u>Current</u>
<u>Governmental Activity Debt:</u>					
CSDA lease	\$ 320,000	\$ -	\$ 100,000	\$ 220,000	\$ 110,000
MERA loan	109,268	-	13,867	95,401	13,739
Fire Truck Lease	364,692	-	31,812	332,880	32,767
Other Post-Employment Benefits	2,014,433	351,066	-	2,365,499	-
Compensated absences	<u>150,763</u>	<u>-</u>	<u>12,056</u>	<u>138,707</u>	<u>-</u>
Total	<u>\$ 2,959,156</u>	<u>\$ 351,066</u>	<u>\$ 157,735</u>	<u>\$ 3,152,487</u>	<u>\$ 156,506</u>

The District's long-term obligations consist of a lease-finance agreement entered into between the District and the California Special District's Association (CSDA) Finance Corporation on September 1, 1996. Pursuant to the terms of the lease-finance agreement, the CSDA Finance Corporation funded the amount of \$1,580,000 for the purpose of re-financing the expansion of the District's facilities. The obligation is secured by the facilities.

These funds were obtained by the issuance of certificates of participation by the CSDA Finance Corporation with interest rates presently ranging from 4.8% to 5.5%, maturing July 15, 2017. The certificates make funds available to the District as well as other special districts that belong to the CSDA Finance Corporation.

Annual debt service obligations to the CSDA Finance Corporation as of June 30, 2016 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7/15/16	\$ 110,000	\$ 6,050	\$ 116,050
1/15/17	-	3,025	3,025
7/15/17	<u>110,000</u>	<u>3,025</u>	<u>113,025</u>
Total	<u>\$ 220,000</u>	<u>\$ 12,100</u>	<u>\$ 232,100</u>

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4 - LONG-TERM DEBT (concluded)

The Marin Emergency Radio Authority, in order to construct the emergency communications facility, has issued Revenue Bonds dated year 1999, maturing August 15, 2021, in the aggregate amount of \$18,575,000. In addition to operating costs, pursuant to the terms of the joint powers agreement (see Note 9), the District is obligated for 0.856% of this total, or \$178,484 including interest.

As of June 30, 2016 the District is obligated for the following payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 13,739	\$ 4,111	\$ 17,850
2018	14,422	3,426	17,848
2019	15,107	2,725	17,832
2020	15,835	1,989	17,824
2021	16,561	1,221	17,782
2022	20,509	400	20,909
Total	<u>\$ 96,173</u>	<u>\$ 13,872</u>	<u>\$ 110,045</u>

In August 2014 the District entered into a lease purchase of a fire truck. The lease is for ten years and the interest rate is 3%. The total lease obligation is for \$364,692 with annual payments made in September. The amortization schedule is as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 32,767	\$ 9,986	\$ 42,753
2018	33,750	9,003	42,753
2019	34,762	7,991	42,753
2020	35,805	6,948	42,753
2021	36,879	5,874	42,753
2022	37,985	4,768	42,753
2023	39,125	3,628	42,753
2024	40,299	2,454	42,753
2025	41,508	1,245	42,753
Total	<u>\$ 332,880</u>	<u>\$ 51,897</u>	<u>\$ 384,777</u>

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. It is the policy of the District to capitalize all land, structures and improvements in excess of \$5,000 and equipment in excess of \$700.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro-rata share of the cost of capital assets. Depreciation expense for the current year was \$122,884.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Buildings	30-50 years
Improvements	10-20 years
Equipment	5-40 years
Infrastructure	10-50 years

An analysis of fixed assets at June 30, 2016, is as follows:

<u>Governmental Activities</u>	<u>Balance</u> 6/30/15	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> 6/30/16
Capital assets, not being depreciated:				
Land	\$ 1,930,268	\$ -	\$ -	\$ 1,930,268
Total capital assets, not being depreciated	<u>1,930,268</u>	<u>-</u>	<u>-</u>	<u>1,930,268</u>
Capital assets, being depreciated:				
Buildings	3,642,764	11,300	-	3,654,064
Equipment – Fire	764,251	504,962	-	1,269,213
Equipment – Park	134,760	15,999	-	150,759
Equipment – Recreation	203,092	11,370	57,802	156,660
Street lights	119,744	-	-	119,744
Hydrants	47,086	-	-	47,086
Office furniture and equipment	<u>149,475</u>	<u>-</u>	<u>-</u>	<u>149,475</u>
Total capital assets, being depreciated	<u>5,061,172</u>	<u>543,631</u>	<u>57,802</u>	<u>5,547,001</u>
Less accumulated depreciation for:				
Buildings	(1,987,707)	-	99,481	(2,087,188)
Equipment – Fire	(538,092)	-	49,295	(587,387)
Equipment – Park	(120,020)	-	3,481	(123,501)
Equipment – Recreation	(143,959)	55,411	16,978	(105,526)
Street lights	(34,783)	-	5,258	(40,041)
Hydrants	(35,113)	-	553	(35,666)
Office furniture and equipment	<u>(97,881)</u>	<u>-</u>	<u>3,249</u>	<u>(101,130)</u>
Total accumulated depreciation	<u>(2,957,555)</u>	<u>55,411</u>	<u>178,295</u>	<u>(3,080,439)</u>
Total capital assets being depreciated – net	<u>2,103,617</u>	<u>599,042</u>	<u>236,097</u>	<u>2,466,562</u>
Capital assets – net	<u>\$ 4,033,885</u>	<u>\$ 599,042</u>	<u>\$ 236,097</u>	<u>\$ 4,396,830</u>
<u>Depreciation allocation:</u>				
Public Safety				<u>\$ 148,292</u>

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's following cost-sharing multiple employer defined benefit pension plans (Plans):

- District Miscellaneous (Tier 1)
- District Safety (Tier 1)
- District Safety (Tier 2)

The Plans are administered by the California Public Employees' Retirement System (CalPERS).

Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The applicable PERS plan depends on the employee classification and hire date. In some situations hiring of an employee who was previously an active member in PERS results in the "Classic" Plan benefit regardless of the date of hiring.

The Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>District Miscellaneous</u>	
	<u>Prior to</u>	<u>On or after</u>
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	18.391%	6.5%
	<u>District Safety</u>	
	<u>Prior to</u>	<u>On or after</u>
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensations	3%	2.0% to 2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	34.595%	11.5%

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

The District's Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors five rate plans (two miscellaneous and three safety).

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$83,561
	<u>Safety</u>
Contributions - employer	\$321,909

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 621,969
Safety	<u>2,700,147</u>
Total Net Pension Liability	<u>\$ 3,322,116</u>

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

<u>District Miscellaneous Plan</u>	<u>Miscellaneous</u>
Proportion - June 30, 2014	.027%
Proportion - June 30, 2015	.023%
Change – Increase (Decrease)	(.004%)
 <u>District Safety Plan</u>	 <u>Safety</u>
Proportion - June 30, 2014	.060%
Proportion - June 30, 2015	.065%
Change – Increase (Decrease)	.005%

For the year ended June 30, 2016, the District recognized pension expense of \$216,991. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 500,962	\$ -
Differences between actual and expected experience	4,442	40,414
Changes in assumptions	-	227,904
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	91,050	158,397
Net differences between projected and actual earnings on plan investments	-	115,273
Total	\$ 596,454	\$ 541,988

\$500,962 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		
2017	\$	(153,405)
2018		(149,877)
2019		(114,398)
2020		(23,816)
2021		-
Thereafter		-

Actuarial Assumptions - For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

Change of Assumptions - GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

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. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19	0.99	2.43
Inflation Sensitive	6	0.45	3.36
Private Equity	10	6.83	6.95
Real Estate	10	4.50	5.13
Infrastructure and Forestland	2	4.50	5.09
Liquidity	<u>2</u>	(0.55)	(1.05)
Total	<u><u>100%</u></u>		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$1,045,384	\$4,193,414
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$621,969	\$2,700,147
1% Increase	8.65%	8.65%
Net Pension Liability	\$148,774	\$1,475,696

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS' financial reports.

As of June 30, 2016

Last 10 Years*

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY

2015

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Proportion of the net pension liability	0.065490%	0.22701%
Proportionate share of the net pension liability	\$2,700,147	\$621,969
Covered - employee payroll	\$1,024,742	\$741,967
Proportionate Share of the net pension liability as percentage of covered-employee payroll	263%	84%
Plan fiduciary net position as a percentage of the total pension liability	75%	83%

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

As of June 30, 2016

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

2015

	Safety Plan	Miscellaneous Plan
Contractually required contribution (actuarially determined)	\$ 290,470	\$ 63,628
Contributions in relation to the actuarially determined contributions	(290,470)	(63,628)
	-	-
Contribution deficiency (excess)	-	-
Covered-employee payroll	\$1,024,742	\$741,967
Contributions as a percentage of covered-employee payroll	28%	8.58%

Notes to Required Supplementary Information

Benefit changes – In 2015, benefit terms were modified to a base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees

* Fiscal year 2015 was the 1st year of implementation.

NOTE 7 - RISK MANAGEMENT

The District manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related joint powers agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member government entities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the District's responsibility.

The District maintains insurance coverage for liability up to \$5,000,000, property up to \$1,000,000,000 per occurrence, automobile physical damage up to \$5,000,000 per accident, Public Officials and Employees Errors and Omissions up to \$5,000,000 per occurrence and Workers' Compensation up to \$5,000,000 per occurrence through the Special District Risk Management Authority (a public entity risk pool) and underwritten by various insurance companies.

Financial statements for the risk pool may be obtained from SDRMA, 1112 I Street, Suite 300, Sacramento, CA 95814.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8 - NET POSITION AND FUND BALANCE

GASB Statement No. 34 added the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Position

The Statement of Net Position breaks out net position as follows:

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter.

Unrestricted describes the portion of Net Position that is not restricted from use.

Invested in Capital Assets, net of related debt, describes the portion of Net Position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

B. Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8 - NET POSITION AND FUND BALANCE (concluded)

B. Fund Equity (concluded)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District's policy specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

NOTE 9 - JOINT POWERS AGREEMENTS

The District, along with 15 other Districts, has a financial interest and a financial responsibility in the Hazardous Materials Response Unit pursuant to a joint powers agreement in order to coordinate management of hazardous material spills, establishing a formula for financing joint expenses for such management, and defining signatory agency responsibilities. Separate financial statements can be obtained by writing to the Marin County Administrator's Office, 3501 Civic Center Drive, Room 325, San Rafael, CA 94903, or by calling (415) 507-4104.

The District, along with 23 other Districts, also has a financial interest and a financial responsibility in the Marin Emergency Radio Authority pursuant to a joint powers agreement in order to issue bonds to be used to finance the acquisition, construction, and improvement of certain public capital improvements. Separate financial statements can be obtained by contacting the Marin Emergency Radio Authority, 27 Commercial Blvd., Suite C, Novato, CA 94949, or by calling (415) 883-9100.

NOTE 10 - USE OF SPECIAL TAX REVENUES

The District receives revenues from three voter-approved special taxes. These taxes were applied to the appropriate department expenditures as follows:

Departments	Special Tax Revenues	Gross Department Expenditures (Accrual Basis)
Street Lighting	\$ 24,143	\$ 27,857
Public Safety	991,936	2,565,777
Park and Recreation Department	337,664	2,582,983

The tax revenues and related expenditures amounts above were reported in the County of Marin (cash basis) general ledger at June 30, 2016, and were converted to the modified accrual basis in accordance with generally accepted accounting principles.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Plan Description

The District pays 90% of miscellaneous employees' cost and 80% of safety employees' cost for post-retirement health care benefits for its retirees and their dependents. Payments are made on a pay-as-you-go basis.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

B. Funding Policy

The required contribution rate is based on the annual required contribution (ARC), an amount that is 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 unfunded actuarial liabilities (or funding excess) of the District over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2016 and 2015, the District contributed only the current “pay-as-you-go” portion as indicated below.

	2016	2015
Annual required contribution	\$ 518,769	\$ 466,526
Interest on OPEB obligation	80,577	66,455
Adjustment to annual required contribution	(94,750)	(75,282)
Annual OPEB cost (expense)	504,596	457,699
Contributions made	(153,530)	(104,641)
Increase (decrease) in net OPEB obligation	351,066	353,058
 Net OPEB obligation - beginning of year	 2,014,433	 1,661,375
Net OPEB obligation - end of year	\$ 2,365,499	\$ 2,014,433

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$397,228	\$ 89,619	23%	\$ 1,328,508
2014	\$426,520	\$ 96,653	28%	\$ 1,661,375
2015	\$457,699	\$104,641	23%	\$ 2,014,433
2016	\$504,596	\$153,530	30%	\$ 2,365,499

D. Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (concluded)

D. Funding Status and Funding Progress (concluded)

Following is a schedule of funding progress as of the most recent valuation dates:

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a % of Payroll (c)/(e)
6/30/09	\$ -0-	\$4,422,797	\$4,422,797	0%	\$1,457,754	303.4%
7/1/12	\$ -0-	\$4,736,435	\$4,736,435	0%	\$1,513,925	312.9%
7/1/15	\$ -0-	\$6,477,757	\$6,477,757	0%	\$1,505,838	430.2%

E. Actuarial Methods and Assumptions

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return and a general inflation rate of 3.25%. Future medical premiums were assumed to be 7.3% during 2013, with future increases gradually trending down to an ultimate rate of 5.5% per year in 2019 and later.

Marinwood Community Services District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

General Fund

For the Fiscal Year Ended June 30, 2016

(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Taxes	\$ 1,537,057	\$ 1,580,357	\$ 1,599,328	\$ 18,971
Special assessments	1,350,250	1,350,250	1,353,746	3,496
Charges for service	2,253,187	2,319,187	2,441,634	122,447
Other income	<u>1,850</u>	<u>51,850</u>	<u>359,192</u>	<u>307,342</u>
Total revenue	<u>5,142,344</u>	<u>5,301,644</u>	<u>5,753,900</u>	<u>452,256</u>
Expenditures:				
Park	600,110	622,910	584,975	37,935
Recreation	1,888,116	1,959,116	1,998,008	(38,892)
Public safety	2,271,010	2,318,510	2,565,777	(247,267)
Street lighting	23,960	31,960	27,857	4,103
Debt service:				
Principal	116,008	116,008	144,907	(28,899)
Interest	<u>19,001</u>	<u>19,001</u>	<u>30,574</u>	<u>(11,573)</u>
Total expenditures	<u>4,918,205</u>	<u>5,067,505</u>	<u>5,352,098</u>	<u>(284,593)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 224,139</u>	<u>\$ 234,139</u>	401,802	<u>\$ 167,663</u>
Fund balance, beginning of period			<u>928,165</u>	
Fund balance, end of period			<u>\$ 1,329,967</u>	