

MARINWOOD COMMUNITY SERVICES DISTRICT

SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet with the Governmental Activities Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	12
Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Change in Net Position of Governmental Activities	13
Notes to Financial Statements	14-26
Required Supplemental Information	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	27

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, 2014, 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, 2014, 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 27, 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
November 13, 2014

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014. 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, 2014

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 \$655,079 this fiscal year, due primarily to the increase in the special tax for fire protection. The increase was approved by the voters in November 2011, and went into effect July 1, 2012.

Expenditures were \$4,626,375, an increase of \$441,409 from the prior year.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 1,524,746	\$ 1,244,595
Capital assets	4,154,942	4,292,135
Total assets	5,679,688	5,536,730
Current liabilities	598,093	644,883
Long-term liabilities	2,199,978	1,973,966
Total liabilities	2,798,071	2,618,849
Net position:		
Invested in capital assets, net of related debt	3,616,339	3,777,135
Restricted	133,462	125,341
Unrestricted	(868,184)	(984,595)
Total net position	\$ 2,881,617	\$ 2,917,881

The District's governmental net position amounted to \$2,881,617 as of June 30, 2014, a decrease of \$36,264 from 2013. This decrease is the Change in Net Position 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, 2014

The District's net assets as of June 30, 2014 comprised the following:

- Cash and investments of \$1,457,679. Accounts receivable of \$67,067.
- Capital assets of \$4,154,942, net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Accounts payable and other current liabilities of \$267,610, as well as unearned revenue of \$330,483.
- Long-term debt of \$1,973,966.
- Net position invested in capital assets, net of related debt of \$3,616,339, 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 (\$868,184) of unrestricted net position as of June 30, 2014. Net position restricted for debt service was \$133,462.

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	
	2014	2013
<u>Expenses</u>		
Park	\$ 673,629	\$ 615,398
Recreation	1,793,123	1,701,133
Public safety	2,603,296	2,616,618
Street lighting	31,046	79,576
Interest expense	32,016	40,893
Total expenses	5,133,110	5,053,618
<u>Revenues</u>		
Program revenues:		
Charges for services	2,233,046	2,015,541
Total program revenues	2,233,046	2,015,541
General revenues:		
Property taxes	2,853,889	2,755,327
Interest and other income	9,911	-
Total general revenues	2,863,800	2,755,327
Total revenue	5,096,846	4,770,868
Change in net position	\$ (36,264)	\$ (282,750)

As Table 2 above shows, \$2,233,046, or 44% of the District's fiscal year 2014 governmental revenue, came from program revenues and \$2,863,800, or 56%, came from general revenues such as taxes and interest.

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

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 2014, 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, 2014
<u>Governmental Activities</u>	
Land (not depreciated)	\$ 1,930,268
Buildings	3,650,094
Equipment	1,088,160
Other	295,683
Less: accumulated depreciation	(2,809,263)
Governmental activity capital assets, net	\$ 4,154,942

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, 2014, the District's debt comprised:

Table 4
Outstanding Debt

	June 30, 2014
Government Activity Debt:	
CSDA lease	\$ 420,000
MERA loan	118,603
Other Post Employment Benefits	1,661,375
Total Governmental Activity Debt	\$ 2,199,978

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, 2014

Further Comments and Concerns

The District ended the 2012-13 Fiscal Year with an increase in fund balance of \$144,453. It has now ended the 2013-14 Fiscal Year with an increase in fund balance of \$321,097. This continued improvement is due to increasing revenues and decreasing costs from recreation programs, from recovering property tax revenues, from the first half year's distribution of Marin County Measure A sales tax funds – expected to bring over \$80,000 per year for nine years to the District for recreation facility investment, and from concessions made by full-time staff assuming more of the cost of employee benefits.

Aware that even more funds must be accumulated to meet long-term liabilities, the Board of Directors has adopted a policy that the District should budget for a year-end surplus as follows: 1% of total revenue to restore its fund balance in the County General Fund, 2.25% of total revenue to accumulate funds for needed capital improvements and replacements, and 3.25% to begin pre-funding some of the long-term liability for Other Post-Employment Benefits. In the current fiscal year, that would equal more than \$300,000. While the District has not yet met that goal, the continued improvement in Fund Balance is encouraging. To further increase the amount of budget surplus, the Board of Directors is reducing the number of full-time employees by outsourcing community landscape maintenance functions, and consolidating positions. Both of these actions will reduce long-term liabilities as well as current costs.

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, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,457,679
Account receivable	67,067
Non-depreciable capital assets	1,930,268
Depreciable capital assets, net	<u>2,224,674</u>
Total assets	<u>5,679,688</u>
 <u>LIABILITIES</u>	
Accounts payable	10,342
Accrued expenses	115,439
Compensated absences	130,279
Accrued interest	11,550
Unearned income	330,483
Non-current liabilities:	
Due within one year	112,454
Due in more than one year	<u>2,087,524</u>
Total liabilities	<u>2,798,071</u>
 <u>NET POSITION</u>	
Invested in capital assets, net of related debt	3,616,339
Restricted for:	
Debt service	<u>133,462</u>
Total restricted net position	<u>133,462</u>
Unrestricted net position	<u>(868,184)</u>
Total net position	<u>\$ 2,881,617</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, 2014

<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	\$ 673,629	\$ -	\$ -	\$ (673,629)
Recreation	1,793,123	1,634,364	-	(158,759)
Public safety	2,603,296	598,682	-	(2,004,614)
Street lighting	31,046	-	-	(31,046)
Interest on long-term debt	<u>32,016</u>	<u>-</u>	<u>-</u>	<u>(32,016)</u>
Total governmental activities:	<u>\$ 5,133,110</u>	<u>\$ 2,233,046</u>	<u>\$ -</u>	<u>(2,900,064)</u>
General revenues:				
Taxes:				
Property taxes				1,570,029
Other income				9,911
Special assessments				<u>1,283,860</u>
Total general revenues				<u>2,863,800</u>
Change in net position				(36,264)
Net position - beginning of period				<u>2,917,881</u>
Net position - end of period				<u>\$ 2,881,617</u>

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

Marinwood Community Services District
BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	General	Debt Service	Total Governmental Funds
<u>ASSETS</u>			
Assets:			
Cash and investments	\$ 1,324,217	\$ 133,462	\$ 1,457,679
Account receivable	67,067	-	67,067
Total assets	\$ 1,391,284	\$ 133,462	\$ 1,524,746
 <u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 10,342	\$ -	\$ 10,342
Accrued expenses	115,439	-	115,439
Compensated absences	130,279	-	130,279
Unearned income	330,484	-	330,484
Total liabilities	586,544	-	586,544
 Fund equity:			
Fund balance			
Assigned for debt service	-	133,462	133,462
Assigned for capital replacement	804,740	-	804,740
Total fund balances	804,740	133,462	938,202
Total liabilities and equity	\$ 1,391,284	\$ 133,462	\$ 1,524,746

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, 2014

Total Governmental Funds fund balances	\$	938,202
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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.		4,154,943
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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		(538,603)
Other post employment benefits		(1,661,375)
Accrued interest		<u>(11,550)</u>

Net Position of Governmental Activities	\$	<u>2,881,617</u>
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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, 2014

	General	Debt Service	Total Governmental Funds
	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenue:			
Property taxes	\$ 1,570,029	\$ -	\$ 1,570,029
Special assessments	1,283,860	-	1,283,860
Other income	1,790	8,121	9,911
Charges for service	<u>2,233,046</u>	<u>-</u>	<u>2,233,046</u>
Total revenue	<u>5,088,725</u>	<u>8,121</u>	<u>5,096,846</u>
Expenditures:			
Park	673,629	-	673,629
Recreation	1,793,123	-	1,793,123
Public safety	2,139,080	-	2,139,080
Street lighting	31,046	-	31,046
Debt service:			
Principal	106,855	-	106,855
Interest	<u>32,016</u>	<u>-</u>	<u>32,016</u>
Total expenditures	<u>4,775,749</u>	<u>-</u>	<u>4,775,749</u>
Excess (deficiency) of revenue over (under) expenditures	312,976	8,121	321,097
Fund balance, beginning of period	<u>491,764</u>	<u>125,341</u>	<u>617,105</u>
Fund balance, end of period	<u>\$ 804,740</u>	<u>\$ 133,462</u>	<u>\$ 938,202</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, 2014

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	\$	321,097
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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		1,731
Depreciation expense is deducted from the fund balance		(138,924)

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:

Repayment of debt principle is added back to fund balance		106,855
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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		5,844
Other post employment benefits		<u>(332,867)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(36,264)</u></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, 2014

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, 2014

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, 2014

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, 2014, the total accrued vacation subject to redemption amounted to approximately \$130,279. Changes in compensated absences are as follows:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Compensated absences	\$ 130,279	-	-	\$ 130,279

G. Unearned Revenue

Unearned revenues as of June 30, 2014 represent park and recreation fees received, but not yet earned. Unearned revenue at June 30, 2014 was \$330,484.

H. Contingent Liabilities

The District is subject to 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, 2014

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

Pooled cash at County of Marin	\$ 1,092,032
Demand deposit accounts	232,185
Cash and investments with fiscal agent	<u>133,462</u>
	<u>\$ 1,457,679</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.

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.

	2014
For debt and services	<u>\$ 133,462</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, 2014 was \$1,092,032. 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, 2014, 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.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (concluded)

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.

NOTE 4 - LONG-TERM DEBT

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

	<u>Balance at</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2014</u>	<u>Current</u>
<u>Governmental Activity</u>					
<u>Debt:</u>					
CSDA lease	\$ 515,000	\$ -	\$ 95,000	\$ 420,000	\$ 100,000
MERA loan	130,458	-	11,855	118,603	12,454
Other Post-					
Employment Benefits	1,328,508	332,867	-	1,661,375	-
Compensated absences	<u>130,279</u>	<u>-</u>	<u>-</u>	<u>130,279</u>	<u>-</u>
Total	<u>\$ 2,104,245</u>	<u>\$ 332,867</u>	<u>\$ 106,855</u>	<u>\$ 2,330,257</u>	<u>\$ 112,454</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, 2014 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7/15/14	\$ 100,000	\$ 11,550	\$ 111,550
1/15/15	-	8,800	8,800
7/15/15	100,000	8,800	108,800
1/15/16	-	6,050	6,050
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>\$ 420,000</u>	<u>\$ 47,300</u>	<u>\$ 467,300</u>

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014 the District is obligated for the following payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 12,454	\$ 5,422	\$ 17,876
2016	13,095	4,783	17,878
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	<u>17,390</u>	<u>400</u>	<u>17,790</u>
Total	<u>\$ 118,603</u>	<u>\$ 24,077</u>	<u>\$ 142,680</u>

The District entered into a new loan for street light replacement of \$74,082. Funds were not received until September 2013. The District will make payments of \$617 for 120 months starting in October 2013.

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 ended was \$-0-.

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

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 5 - CAPITAL ASSETS (concluded)

An analysis of fixed assets at June 30, 2014, is as follows:

<u>Governmental Activities</u>	<u>Balance</u> 6/30/13	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> 6/30/14
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	3,650,094	-	-	3,650,094
Equipment – Fire	796,587	-	32,336	764,251
Equipment – Park	134,760	-	-	134,760
Equipment – Recreation	177,282	11,867	-	189,149
Street lights	119,744	-	-	119,744
Hydrants	47,086	-	-	47,086
Office furniture and equipment	<u>106,653</u>	<u>22,200</u>	<u>-</u>	<u>128,853</u>
Total capital assets, being depreciated	<u>5,032,206</u>	<u>34,067</u>	<u>32,336</u>	<u>5,033,937</u>
Less accumulated depreciation for:				
Buildings	(1,785,715)	-	111,908	(1,897,623)
Equipment – Fire	(487,735)	-	13,093	(500,828)
Equipment – Park	(116,027)	-	2,112	(118,139)
Equipment – Recreation	(122,840)	-	10,275	(133,115)
Street lights	(24,267)	-	5,258	(29,525)
Hydrants	(34,007)	-	553	(34,560)
Office furniture and equipment	<u>(99,748)</u>	<u>4,275</u>	<u>-</u>	<u>(95,473)</u>
Total accumulated depreciation	<u>(2,670,339)</u>	<u>4,275</u>	<u>143,199</u>	<u>(2,809,263)</u>
Total capital assets being depreciated – net	<u>2,361,867</u>	<u>38,342</u>	<u>175,535</u>	<u>2,224,674</u>
Capital assets – net	<u>\$ 4,292,135</u>	<u>\$ 38,342</u>	<u>\$ 175,535</u>	<u>\$ 4,154,942</u>
<u>Depreciation allocation:</u>				
Public Safety				<u>\$ 138,924</u>

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description:

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy:

The District makes the contributions required of the District employees on their behalf and for their account. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits of its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year ended June 30, 2014 was 24.774% for safety employees first tier, 15.592% safety employees second tier, and 10.846% for miscellaneous employees.

Annual Pension Cost:

For 2014, the District's annual pension cost of \$408,037 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method.

A summary of principle assumptions and methods used to determine the Annual Required Contribution (ARC) is shown below.

Amortization Method	Level Percent of Payroll
Average Remaining Period	7-19 Years as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Three-Year Trend Information for PERS:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 438,549	100%	\$ -0 -
6/30/13	\$ 414,833	100%	\$ -0 -
6/30/14	\$ 408,037	100%	\$ -0 -

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Safety Tier 1:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/10	\$10,165,475,166	\$8,470,235,152	\$1,695,240,014	83.3%	\$955,980,815	177.3%
6/30/11	\$10,951,745,049	\$9,135,654,246	\$1,816,090,803	83.4%	\$949,833,090	191.2%
6/30/12	\$11,724,021,480	\$9,854,787,710	\$1,869,233,770	84.1%	\$947,734,809	197.2%

Safety Tier 2:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/10	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,008	127.4%
6/30/11	\$2,061,923,933	\$1,759,286,797	\$302,637,136	85.3%	\$225,026,216	134.5%
6/30/12	\$2,183,549,942	\$1,896,139,291	\$287,410,651	86.8%	\$232,078,083	123.8%

Miscellaneous Plan:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/10	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
6/30/11	\$682,375,804	\$639,237,247	\$43,138,557	93.7%	\$193,877,169	22.3%
6/30/12	\$736,231,913	\$701,224,211	\$35,007,702	95.3%	\$208,517,122	16.8%

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.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 - RISK MANAGEMENT (concluded)

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.

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.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - NET POSITION AND FUND BALANCE (concluded)

B. Fund Equity (concluded)

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.

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	\$ 24,210	\$ 31,046
Public Safety	941,927	2,139,080
Park and Recreation Department	279,505	2,466,752

Street Lighting showed a surplus, given the financing and rebates for the LED conversion. Most years, Street Lighting has shown a small surplus, and the District has kept a running total of that surplus amount as a fund from which to make capital repairs, etc. Most of the surplus was depleted a few years ago when the District replaced the underground feed to a street light.

The tax revenues and related expenditures amounts above were reported in the County of Marin (cash basis) general ledger at June 30, 2014, and were converted to the accrual basis in accordance with generally accepted accounting principles.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Plan Description

The District pays the full cost for post-retirement health care benefits for its retirees and their dependents. Payments are made on a pay-as-you-go basis.

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, 2014 and 2013, the District contributed only the current “pay-as-you-go” portion as indicated below.

	2014	2013
Annual required contribution	\$ 431,467	\$ 399,527
Interest on OPEB obligation	53,140	40,836
Adjustment to annual required contribution	(58,087)	(43,135)
Annual OPEB cost (expense)	426,520	397,228
Contributions made	(93,653)	(89,619)
Increase (decrease) in net OPEB obligation	332,867	307,609
 Net OPEB obligation - beginning of year	 1,328,508	 1,020,899
Net OPEB obligation - end of year	\$ 1,661,375	\$ 1,328,508

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$459,409	\$ 108,300	24%	\$ 1,020,899
2013	\$397,228	\$ 89,619	23%	\$ 1,328,508
2014	\$426,520	\$ 96,653	28%	\$ 1,661,375

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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.

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%

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, 2012 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, 2014

(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Property taxes	\$ 1,398,268	\$ 1,398,268	\$ 1,570,029	\$ 171,761
Special assessments	1,288,106	1,288,106	1,283,860	(4,246)
Charges for service	2,147,901	2,147,901	2,233,046	85,145
Interest and other	<u>1,600</u>	<u>1,600</u>	<u>1,790</u>	<u>190</u>
Total revenue	<u>4,835,875</u>	<u>4,835,875</u>	<u>5,088,725</u>	<u>252,850</u>
Expenditures:				
Park	679,075	679,075	673,629	5,446
Recreation	1,820,939	1,820,939	1,793,123	27,816
Public safety	2,077,857	2,077,857	2,139,080	(61,223)
Street lighting	98,185	98,185	31,046	67,139
Debt service:				
Principal	107,038	107,038	106,855	183
Interest	<u>31,833</u>	<u>31,833</u>	<u>32,016</u>	<u>(183)</u>
Total expenditures	<u>4,814,927</u>	<u>4,814,927</u>	<u>4,775,749</u>	<u>39,178</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 20,948</u>	<u>\$ 20,948</u>	312,976	<u>\$ 292,028</u>
Fund balance, beginning of period			<u>491,764</u>	
Fund balance, end of period			<u>\$ 804,740</u>	