

MARINWOOD COMMUNITY SERVICES DISTRICT

SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2018, 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, 2018, 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, which follows this report letter, and the Budgetary Comparison Schedule for the General Fund, Proportionate Share of Net Pension Liability, and Schedule of Contributions (pages 32-37), 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
February 5, 2019

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018. 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, 2018

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 \$172,612 this fiscal year, due primarily to the increase in recreation service participation.

General fund expenditures were \$5,360,104; this is an increase of \$86,291 from the prior year.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities	
	2018	2017
Current and other assets	\$ 3,935,021	\$ 3,146,781
Capital assets	4,258,789	4,385,120
Total assets	8,193,810	7,531,901
Deferred outflows of resources	1,658,516	1,147,034
Current liabilities	1,185,658	1,017,086
Long-term liabilities	11,522,665	7,377,249
Total liabilities	12,708,323	8,394,335
Deferred inflows of resources	2,382,305	362,466
Net position:		
Invested in capital assets, net of related debt	3,926,463	3,894,022
Restricted	-	131,170
Unrestricted	(9,164,763)	(4,103,058)
Total net position	\$ (5,238,300)	\$ (77,866)

The District's governmental net position amounted to (\$5,238,300) as of June 30, 2018, a decrease of \$5,160,434 from 2017. This decrease is the Change in Net Position of \$529,973 reflected in the Governmental Activities column of the Statement of Activities shown in Table 2 and the prior period adjustment of (\$5,690,407).

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

The District's net assets as of June 30, 2018 comprised the following:

- Cash and investments of \$3,935,021.
- Capital assets of \$4,258,789, net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Accounts payable and other current liabilities of \$346,642, as well as unearned revenue of \$839,016.
- Long-term debt of \$332,326 and net pension liability and OPEB liability of \$11,190,339.
- Net position invested in capital assets, net of related debt of \$3,926,463, 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 (\$9,164,763) of unrestricted net position as of June 30, 2018.

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	
	2018	2017
<u>Expenses</u>		
Park	\$ 684,391	\$ 606,535
Recreation	2,115,106	2,174,878
Public safety	2,722,626	2,677,314
Street lighting	21,968	27,236
Measure A	21,352	37,423
Interest expense	15,703	18,392
Total expenses	5,581,146	5,541,778
<u>Revenues</u>		
Program revenues:		
Charges for services	2,878,720	2,710,300
Total program revenues	2,878,720	2,710,300
General revenues:		
Taxes and assessments	3,232,399	3,180,620
Other income	-	43,352
Total general revenues	3,232,399	3,223,972
Total revenue	6,111,119	5,934,272
Change in net position	\$ 529,973	\$ 392,494

As Table 2 above shows, \$2,878,720, or 47% of the District's fiscal year 2018 governmental revenue, came from program revenues and \$3,232,399, or 53%, came from general revenues such as taxes and interest.

Marinwood Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

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 2018, 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, 2018
<u>Governmental Activities</u>	
Land (not depreciated)	\$ 1,930,268
Buildings	3,659,814
Equipment	1,654,631
Other	166,830
Less: accumulated depreciation	(3,026,423)
Governmental activity capital assets, net	\$ 4,385,120

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

Debt Administration

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, 2018, the District's debt comprised:

Table 4
Outstanding Debt

	June 30, 2018
Government Activity Debt:	
MERA loan	\$ 65,955
Fire truck lease	266,371
Other Post Employment Benefits	6,461,068
Compensated absences	117,858
Total Governmental Activity Debt	\$ 6,911,252

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, 2018

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, 2018

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 3,935,021
Non-depreciable capital assets	1,930,268
Depreciable capital assets, net	<u>2,328,521</u>
Total assets	<u>8,193,810</u>
<u>DEFERRED OUTFLOWS</u>	
Deferred outflows related to pensions	1,522,517
Deferred outflows related to OPEB	<u>135,999</u>
Total deferred outflows	<u>1,658,516</u>
<u>LIABILITIES</u>	
Accounts payable	10,885
Accrued expenses	206,348
Compensated absences	117,858
Accrued interest	11,551
Unearned income	839,016
Non-current liabilities:	
Due within one year	49,869
Due in more than one year	282,457
Other post employment benefit obligation	6,461,068
Net pension liability	<u>4,729,271</u>
Total liabilities	<u>12,708,323</u>
<u>DEFERRED INFLOWS</u>	
Deferred inflows related to pensions	207,120
Deferred inflows related to OPEB	<u>2,175,185</u>
Total deferred inflows	<u>2,382,305</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	3,926,463
Unrestricted net position	<u>(9,164,763)</u>
Total net position	<u>\$ (5,238,300)</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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants &</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Park	\$ 684,391	\$ -	\$ -	\$ (684,391)
Recreation	2,115,106	2,160,922	-	45,816
Public safety	2,722,626	717,798	-	(2,004,828)
Street lighting	21,968	-	-	(21,968)
Measure A	21,352	-	-	(21,352)
Interest on long-term debt	15,703	-	-	(15,703)
Total governmental activities:	<u>\$ 5,581,146</u>	<u>\$ 2,878,720</u>	<u>\$ -</u>	<u>(2,702,426)</u>
General revenues:				
Taxes				1,785,068
Special assessments				<u>1,447,331</u>
Total general revenues				<u>3,232,399</u>
Change in net position				<u>529,973</u>
Net position - beginning of period				(77,866)
Prior year adjustment				<u>(5,690,407)</u>
Net position - beginning of period restated				<u>(5,768,273)</u>
Net position - end of period				<u>\$ (5,238,300)</u>

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

Marinwood Community Services District
BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2018

	General Fund	Measure A Fund	Total Governmental Funds
<u>ASSETS</u>			
Assets:			
Cash and investments	\$ 3,763,251	\$ 171,770	\$ 3,935,021
Total assets	\$ 3,763,251	\$ 171,770	\$ 3,935,021
 <u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 10,890	\$ -	\$ 10,890
Accrued expenses	206,348	-	206,348
Compensated absences	117,858	-	117,858
Unearned income	839,016	-	839,016
Total liabilities	1,174,112	-	1,174,112
 Fund equity:			
Fund balance			
Assigned for Measure A	-	171,770	171,770
Assigned for capital replacement	100,000	-	100,000
Unassigned	2,489,139	-	2,489,139
Total fund balances	2,589,139	171,770	2,760,909
Total liabilities and equity	\$ 3,763,251	\$ 171,770	\$ 3,935,021

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, 2018

Total Governmental Funds fund balances	\$	2,760,909
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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.		4,258,791
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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		(332,321)
Other post-employment benefits		(6,461,068)
Deferred outflows Pension		1,522,517
Deferred inflows Pension		(207,120)
Deferred outflows OPEB		135,999
Deferred inflows OPEB		(2,175,185)
Net pension liability		(4,729,271)
Accrued interest		<u>(11,551)</u>

Net Position of Governmental Activities	\$	<u>(5,238,300)</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, 2018

	General Fund	Measure A Fund	Debt Service	Total Governmental Funds
Revenue:				
Taxes	\$ 1,785,068	\$ -	\$ -	\$ 1,785,068
Special assessments	1,447,331	-	-	1,447,331
Charges for service	2,074,994	85,928	-	2,160,922
Other income	717,798	-	-	717,798
Total revenue	<u>6,025,191</u>	<u>85,928</u>	<u>-</u>	<u>6,111,119</u>
Expenditures:				
Park	684,391	-	-	684,391
Recreation	2,115,111	-	-	2,115,111
Public safety	2,474,158	-	-	2,474,158
Street lighting	21,968	-	-	21,968
Measure A	-	21,352	-	21,352
Debt service:				
Principal	48,773	-	110,000	158,773
Interest	15,703	-	-	15,703
Total expenditures	<u>5,360,104</u>	<u>21,352</u>	<u>110,000</u>	<u>5,491,456</u>
Excess (deficiency) of revenue over (under) expenditures	<u>665,087</u>	<u>64,576</u>	<u>(110,000)</u>	<u>619,663</u>
Other financing sources (uses):				
Transfer in	21,170	5,751	-	26,921
Transfer out	(5,751)	-	(21,170)	(26,921)
Total other financing sources (uses)	<u>15,419</u>	<u>5,751</u>	<u>(21,170)</u>	<u>-</u>
Net change in fund balances	680,506	70,327	(131,170)	619,663
Fund balance, beginning of period	<u>1,908,633</u>	<u>101,443</u>	<u>131,170</u>	<u>2,141,246</u>
Fund balance, end of period	<u>\$ 2,589,139</u>	<u>\$ 171,770</u>	<u>\$ -</u>	<u>\$ 2,760,909</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, 2018

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 \$ 619,663

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	6,329
Depreciation expense is deducted from the fund balance	(132,658)

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	158,778

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):

Pension expense	(40,898)
Other post-employment benefits	<u>(81,241)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 529,973

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

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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, 2018

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 under appropriations by \$697,269.

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, 2018, the total accrued vacation subject to redemption amounted to approximately \$117,858. Changes in compensated absences are as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Compensated absences	\$ 138,707	\$ -	\$ 20,849	\$ 117,858

G. Unearned Revenue

Unearned revenues as of June 30, 2018 represent park and recreation fees received, but not yet earned. Unearned revenue at June 30, 2018 was \$839,016.

H. Contingent Liabilities

The District is involved in litigating a claim regarding a landslide that damaged a resident's property. The potential loss to the District cannot be determined at the date of this report. The District is subject to litigation arising in the normal course of business. In the opinion of the District's management there is no pending litigation that can currently be determined to have a material adverse effect on the financial position of the District.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 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, 2018 consisted of the following:

Pooled cash at County of Marin	\$ 3,471,066
Demand deposit accounts	292,185
Measure A	<u>171,770</u>
Total	<u><u>\$ 3,935,021</u></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, 2018

NOTE 3 - CASH AND INVESTMENTS (continued)

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, 2018 was \$3,642,836. 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, 2018, 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, 2018 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.

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.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (concluded)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2018:

<u>Investment Type</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
Marin County Treasurer's Pool	\$ 3,642,836	\$ -	\$ 3,642,836
Held by Trustees:			
Money Market Fund	-	-	-
Total investments	<u>\$ 3,642,836</u>	<u>\$ -</u>	3,642,836
Cash in banks and on hand			<u>292,185</u>
Total cash and investments			<u>\$ 3,935,021</u>

NOTE 4 - LONG-TERM DEBT

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

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>	<u>Current</u>
<u>Governmental Activity Debt:</u>					
MERA loan	\$ 80,978	\$ -	\$ 15,023	\$ 65,955	\$ 15,107
Fire truck lease	300,121	-	33,750	266,371	34,762
Other Post-Employment Benefits	2,728,606	3,732,462	-	6,461,068	-
Compensated absences	<u>130,871</u>	<u>-</u>	<u>13,013</u>	<u>117,858</u>	<u>-</u>
Total	<u>\$ 3,240,576</u>	<u>\$3,732,462</u>	<u>\$ 61,786</u>	<u>\$ 6,911,252</u>	<u>\$ 49,869</u>

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, 2018 the District is obligated for the following payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,107	\$ 2,725	\$ 17,832
2020	15,835	1,989	17,824
2021	16,561	1,221	17,782
2022	<u>19,053</u>	<u>400</u>	<u>19,453</u>
Total	<u>\$ 66,556</u>	<u>\$ 6,335</u>	<u>\$ 72,891</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 was for \$364,692 with annual payments made in September. The amortization schedule is as follows:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 4 - LONG-TERM DEBT (concluded)

Due Date	Principal	Interest	Total
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	41,516	1,237	42,753
Total	\$ 266,371	\$ 32,900	\$ 299,271

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. Effective July 1, 2016 the District's policy was updated to capitalize all land, structures and improvements in excess of \$5,000 and that have greater than one year useful life.

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 \$208,603.

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	15-30 years
Improvements	5-30 years
Equipment	5-20 years
Infrastructure	25-50 years

An analysis of fixed assets at June 30, 2018, is as follows:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 5 - CAPITAL ASSETS (concluded)

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/17</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/18</u>
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	3,659,814	-	-	3,659,814
Equipment – Fire	1,169,802	6,326	-	1,176,128
Equipment – Park	178,694	-	-	178,694
Equipment – Recreation	156,660	-	-	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>5,481,275</u>	<u>6,326</u>	<u>-</u>	<u>5,487,601</u>
Less accumulated depreciation for:				
Buildings	2,187,757	79,384	-	2,267,141
Equipment – Fire	400,489	26,824	-	427,313
Equipment – Park	129,775	6,275	-	136,050
Equipment – Recreation	122,505	11,115	-	133,620
Street lights	45,299	5,258	-	50,557
Hydrants	36,219	553	-	36,772
Office furniture and equipment	<u>104,378</u>	<u>3,249</u>	<u>-</u>	<u>107,627</u>
Total accumulated depreciation	<u>3,026,422</u>	<u>132,658</u>	<u>-</u>	<u>3,159,080</u>
Total capital assets being depreciated – net	<u>2,454,853</u>	<u>(126,332)</u>	<u>-</u>	<u>2,328,521</u>
Capital assets – net	<u>\$ 4,385,121</u>	<u>\$ (126,332)</u>	<u>\$ -</u>	<u>\$ 4,258,789</u>
<u>Depreciation allocation:</u>				
Public Safety				<u>\$ 132,658</u>

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)
- District Miscellaneous PEPRA
- District Safety PEPRA

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

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, 2018, 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	7.612%	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	18.428%	11.5%

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).

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$91,609
	<u>Safety</u>
Contributions - employer	\$336,990

As of June 30, 2018, 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	\$ 1,027,981
Safety	<u>3,701,290</u>
Total Net Pension Liability	<u>\$ 4,729,271</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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

<u>District Miscellaneous Plan</u>	<u>Miscellaneous</u>
Proportion - June 30, 2017	.0256%
Proportion - June 30, 2018	.0261%
Change – Increase (Decrease)	.0005%
 <u>District Safety Plan</u>	<u>Safety</u>
Proportion - June 30, 2017	.063%
Proportion - June 30, 2018	.062%
Change – Increase (Decrease)	(.001%)

For the year ended June 30, 2018, the District recognized pension expense/ (credit) of (\$79,645). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 472,676	\$ -
Differences between actual and expected experience	38,132	30,535
Changes in assumptions	713,430	54,650
Net differences between projected and actual earnings on plan investments	157,031	-
Change in proportions and differences between actual contributions and proportionate share of contributions	141,248	121,935
Total	\$ 1,522,517	\$ 207,120

\$348,539 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, 2018.

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>		
2019		\$ 204,898
2020		451,926
2021		278,132
2022		(92,236)
Total		\$ 842,720

Actuarial Assumptions - For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS Membership Data for all Funds (2)
Investment Rate of Return	7.15% (1)
Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on power applies, 2.75% thereafter.

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

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

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Change in Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

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	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	(0.40)%	(0.90)%
Total	<u>100%</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:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

	Miscellaneous & Safety
1% Decrease	6.15%
Net Pension Liability	\$7,084,821
Current Discount Rate	7.15%
Net Pension Liability	\$4,729,271
1% Increase	8.15%
Net Pension Liability	\$2,797,277

Pension Plan Fiduciary Net Position

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

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.

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:

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - NET POSITION AND FUND BALANCE (concluded)

A. Net Position (concluded)

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.

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.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	\$ 24,164	\$ 21,968
Public Safety	1,064,402	2,474,158
Park Department	355,187	684,391

The tax revenue amounts above were reported in the County of Marin (cash basis) general ledger at June 30, 2018, and were converted to the modified accrual basis in accordance with generally accepted accounting principles.

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Other Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Marinwood Community Services District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

Employees Covered by Benefit Terms

At June 30, 2017 (the measurement date), the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefit payments:	14
Inactive employees entitled to but not yet receiving benefit payment:	0
Active plan members:	19

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Contributions

The District establishes rates based on an actuarially determined rate.

For the year ended June 30, 2018 the District's expected contribution rate is 0.0% of covered-employee payroll. Employees pay the difference between the benefit they receive and the monthly premium.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.26%

Salary increases: Aggregate salary increases 3.25%. Individual salary increases based on CalPERS.

Investment rate of return: 3.58%

Healthcare cost trend rates: 7.75% pre-65, 5.20% post-65, and ultimate rate 4.25%.

Mortality rates were based on CalPERS tables.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	43.0%	5.43%
Fixed Income	49.0%	1.63%
REITs	8.0%	5.06%
Total	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT (continued)

Changes in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c)
Balances as of June 30, 2017	\$ 8,419,013	\$ -	\$ 8,419,013
Changes for the year:			
Service cost	309,038	-	309,038
Interest	246,845	-	246,845
Differences between actual and expected experience	86,138	-	86,138
Contributions			
Employer - explicit subsidy	-	-	-
Employer - implicit subsidy	-	-	-
Employee	-	-	-
Net investment income	-	-	-
Benefits payments, including refunds of employee contributions	(134,602)	-	(134,602)
Change in assumptions	(2,465,364)	-	(2,465,364)
Administrative expenses	-	-	-
Net changes	<u>(1,957,945)</u>	<u>-</u>	<u>(1,957,945)</u>
Balances as of June 30, 2018	<u>\$ 6,461,068</u>	<u>\$ -</u>	<u>\$ 6,461,068</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) follows:

Plan's Net OPEB Liability/(Asset)		
1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
\$ 7,568,330	\$ 6,461,068	\$ 5,574,089

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75%) or one percentage point higher (8.75%) than current healthcare cost trend rates follows:

Plan's Net OPEB Liability/(Asset)		
1% Decrease 6.75% decreasing to 3.25%	Trend Rate 7.75% decreasing to 4.25%	1% Increase 8.75% decreasing to 5.25%
\$ 5,669,744	\$ 6,461,068	\$ 7,482,857

Marinwood Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (concluded)

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

For the year ended June 30, 2018, the District recognized an OPEB expense of \$81,241. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 60,000	\$ -
Differences between actual and expected experience	75,999	
Changes in assumptions	-	2,175,185
Net differences between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 135,999	\$ 2,175,185

\$60,000 reported as deferred outflows of resources related to contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended</u>	
6/30/19	(280,040)
6/30/20	(280,040)
6/30/21	(280,040)
6/30/22	(280,040)
6/30/23	(280,040)
Thereafter	(698,986)

NOTE 12 - PRIOR PERIOD ADJUSTMENT & NEW ACCOUNTING PRONOUNCEMENT

For the year ended June 30, 2018, the beginning net position has been adjusted by \$5,690,407 to decrease the net position balance as of the beginning of the period. The net OPEB liability was adjusted in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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, 2018

(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenue:				
Taxes	\$ 1,649,276	\$ 1,704,276	\$ 1,785,068	\$ 80,792
Special assessments	1,435,581	1,435,581	1,447,331	11,750
Charges for service	2,022,431	2,029,575	2,074,994	45,419
Other income	1,130,263	1,113,576	717,798	(395,778)
Total revenue	<u>6,237,551</u>	<u>6,283,008</u>	<u>6,025,191</u>	<u>(257,817)</u>
Expenditures:				
Park	1,063,581	1,069,664	684,391	385,273
Recreation	2,134,735	2,134,635	2,115,111	19,524
Public safety	2,786,027	2,808,944	2,474,158	334,786
Street lighting	23,960	23,960	21,968	1,992
Debt service:				
Principal	17,241	17,241	48,773	(31,532)
Interest	2,929	2,929	15,703	(12,774)
Total expenditures	<u>6,028,473</u>	<u>6,057,373</u>	<u>5,360,104</u>	<u>697,269</u>
Excess (deficiency) of revenue over (under) expenditures	<u>209,078</u>	<u>225,635</u>	<u>665,087</u>	<u>439,452</u>
Other financing sources (uses):				
Transfer in	-	-	21,170	21,170
Transfer out	-	-	(5,751)	(5,751)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,419</u>	<u>15,419</u>
Net change in fund balances	<u>\$ 209,078</u>	<u>\$ 225,635</u>	680,506	<u>\$ 454,871</u>
Fund balance, beginning of period			<u>1,908,633</u>	
Fund balance, end of period			<u>\$ 2,589,139</u>	

Marinwood Community Services District
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS

June 30, 2018

	2017	2016	2015	2014
Proportion of the net pension liability	0.02608%	0.02556%	0.02267%	0.02933%
Proportion share of the net pension liability	\$ 1,027,981	\$ 888,035	\$ 621,970	\$ 724,973
Covered - employee payroll	\$ 594,871	\$ 571,029	\$ 566,603	\$ 663,452
Proportionate share of the net pension liability as percentage of covered-employee payroll	172.81%	155.51%	109.77%	109.27%
Plan's fiduciary net position	76.39%	77.71%	82.75%	79.19%
Plan fiduciary net position as a percentage of the total pension liability	\$ 125,818	\$ 115,282	\$ 103,230	\$ 74,586

Notes to Schedule:

Fiscal year 2014 was the first year of implementation.

Marinwood Community Services District
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - SAFETY

June 30, 2018

	2017	2016	2015	2014
Proportion of the net pension liability	0.06194%	0.06313%	0.06553%	0.06461%
Proportion share of the net pension liability	\$ 3,701,290	\$ 3,269,510	\$ 2,700,148	\$ 2,423,618
Covered - employee payroll	\$ 878,757	\$ 984,998	\$ 930,397	\$ 1,034,313
Proportionate share of the net pension liability as percentage of covered-employee payroll	421.20%	331.93%	290.21%	234.32%
Plan's fiduciary net position	70.52%	70.67%	75.21%	76.40%
Plan fiduciary net position as a percentage of the total pension liability	\$ 305,569	\$ 272,201	\$ 278,667	\$ 222,178

Notes to Schedule:

Fiscal year 2014 was the first year of implementation.

Marinwood Community Services District
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS

June 30, 2018

District Miscellaneous Plan				
Fiscal Year Ending June 30	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 91,609	\$ 94,070	\$ 87,053	\$ 78,116
Contributions in relation to the actuarially determined contributions	<u>(91,609)</u>	<u>(83,561)</u>	<u>(78,274)</u>	<u>(78,116)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 10,509</u>	<u>\$ 8,779</u>	<u>\$ -</u>
Covered - employee payroll	\$ 594,871	\$ 571,029	\$ 566,603	\$ 663,452
Contributions as a percentage of covered-employee payroll	15.40%	14.63%	13.81%	11.77%
percentage of covered-employee payroll				

Notes to Schedule:

Changes of Benefit Terms:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions:

There were no changes of assumptions.

Fiscal year 2014 was the first year of implementation.

Marinwood Community Services District
SCHEDULE OF CONTRIBUTIONS - SAFETY

June 30, 2018

District Safety Plan				
<u>Fiscal Year Ending June 30</u>	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 336,990	\$ 351,591	\$ 355,337	\$ 310,139
Contributions in relation to the actuarially determined contributions	<u>(336,990)</u>	<u>(321,909)</u>	<u>(269,828)</u>	<u>(310,139)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 29,682</u>	<u>\$ 85,509</u>	<u>\$ -</u>
Covered - employee payroll	\$ 878,757	\$ 984,998	\$ 930,397	\$ 1,034,313
Contributions as a percentage of covered-employee payroll	38.35%	32.68%	29.00%	29.99%
percentage of covered-employee payroll				

Notes to Schedule:

Changes of Benefit Terms: the Public

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions:

There were no changes of assumptions.

Fiscal year 2014 was the first year of implementation.

Marinwood Community Services District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE
NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	<u>2018</u>
Service cost	\$ 309,038
Interest	246,845
Difference between expected and actual experience	86,138
Benefit payments, included refunds of employee contributions	(134,602)
Change in assumptions	<u>(2,465,364)</u>
Net change in total OPEB liability	(1,957,945)
Total OPEB liability - beginning of year	<u>8,419,013</u>
Total OPEB liability - end of year	<u><u>\$ 6,461,068</u></u>
Plan Fiduciary Net Position	
Net investment income	\$ 134,602
Contributions	
Employer - explicit subsidy	-
Employer - implicit subsidy	-
Benefit payments, included refunds of employee contributions	(134,602)
Implicit rate subsidy fulfilled	-
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning of year	<u>-</u>
Plan fiduciary net position - end of year	<u>-</u>
District's net OPEB liability - end of year	<u><u>\$ 6,461,068</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	N/A
Net OPEB liability as a percentage of covered-employee payroll	N/A

The schedules present information to illustrate changes in the District's changes in the net OPEB liability over a ten year period when the information is available.