

**SOUTHERN MARIN FIRE PROTECTION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southern Marin Fire Protection District  
Sausalito, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Southern Marin Fire Protection District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Southern Marin Fire Protection 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. To the Board of Directors

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 Southern Marin Fire Protection 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 the Southern Marin Fire Protection 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 the major fund of the Southern Marin Fire Protection District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and page 31, 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  
March 7, 2017

Southern Marin Fire Protection District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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

#### Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

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

These statements are supported by notes to the basic 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 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 statements and focus primarily on the short-term activities of the District's General Fund and other 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:

Southern Marin Fire Protection District  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Governmental Activities

The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as benefit assessments and service charges.

**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 GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-Major Funds. 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 District activities.

In the District's case, the General Fund is the only Major Governmental 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 revenues increased \$873,435 this fiscal year due primarily to an increase in property tax revenue. Property taxes increased \$801,331, as assessed valuations increased. Actual General Fund revenues received were \$455,001 more than estimated.

General Fund expenditures were \$13,990,578, an increase of \$140,617 from the prior year. The District continues its conservative approach towards its spending due to unknown changes in property taxes in years to come. Expenditures were \$16,194 less than budgeted.

Governmental Activities

Table 1  
Governmental Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 9,437,133	\$ 8,123,164
Intergovernmental receivable	1,508,000	1,566,000
Capital assets, net of accumulated depreciation	2,404,737	2,724,330
Total assets	<u>13,349,870</u>	<u>12,413,494</u>
Deferred outflows of resources	<u>3,762,824</u>	<u>759,752</u>
Other liabilities	796,859	403,946
Long-term debt outstanding	<u>6,985,946</u>	<u>4,671,315</u>
Total liabilities	<u>7,782,805</u>	<u>5,075,261</u>
Deferred inflows of resources	<u>1,433,522</u>	<u>2,249,604</u>
Net position:		
Invested in capital assets, net of related debt	2,404,737	2,612,495
Unrestricted	<u>5,491,630</u>	<u>3,235,886</u>
Total net position	<u>\$ 7,896,367</u>	<u>\$ 5,848,381</u>

Southern Marin Fire Protection District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2016

The District's governmental net position amounted to \$7,896,367 as of June 30, 2016, an increase of \$2,047,986 from 2015. The District's net position as of June 30, 2016 comprised the following:

- Cash and investments of \$9,102,154. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 2 of the basic financial statements.
- Intergovernmental receivable of \$1,508,000. This amount is a result of an annexation agreement with the City of Sausalito further explained in Note 12.
- Capital assets of \$2,404,737, net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$796,859.
- Long-term (noncurrent) accrued compensated absence, capital lease and OPEB liabilities payable and net pension liability to employees of \$6,985,946.
- Net position invested in capital assets, net of related debt, of \$2,404,737, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net position, 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 \$5,491,630 of unrestricted net position as of June 30, 2016.

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

Table 2  
Changes in Governmental Net Position

	Governmental Activities	
	2016	2015
<u>Revenues</u>		
Program revenues:		
Capital grants and contributions	\$ -	\$ -
General revenues:		
Taxes and assessments	13,157,115	12,355,785
Other revenue	1,738,678	1,670,326
Interest income	15,839	12,086
Total revenues	14,911,632	14,038,197
 <u>Program Expenses</u>		
Public safety - fire protection	12,863,646	14,067,722
Total expenses	12,863,646	14,067,722
 <u>Change in Net Position</u>	\$ 2,047,986	\$ (29,525)

Southern Marin Fire Protection District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

As Table 2 above shows, \$0, or 0%, of the District's fiscal year 2016 governmental revenue came from program revenues and \$14,911,632 or 100%, came from general revenues such as taxes and interest.

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

**Capital Assets**

Detail on capital assets, current year additions and construction in progress can be found in Note 3.

**Debt Administration**

The District currently does not utilize long-term debt to fund operations or growth.

**Economic Outlook and Major Initiatives**

The District's financial position continues to be adequate. Financial planning is based on specific assumptions from recent trends in real property values, new residential development, 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 and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

**Contacting the District's Financial Management**

This basic financial statement 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 308 Reed Blvd., Mill Valley, CA 94941.

Southern Marin Fire Protection District

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Cash and investments	\$ 9,102,154
Accounts receivable	178,190
Prepaid items	156,789
Intergovernmental Receivable	1,508,000
Capital assets:	
Non-depreciable	214,807
Depreciable, net of accumulated depreciation	2,189,930
Total assets	<u>13,349,870</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	<u>3,762,824</u>
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LIABILITIES

Accounts payable	488,889
Accrued expenditures	307,970
Long-term liabilities:	
Due within one year	-
Due in more than one year	952,803
Net pension liability	6,033,143
Total liabilities	<u>7,782,805</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	<u>1,433,522</u>
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NET POSITION

Invested in capital assets, net of related debt	2,404,737
Unrestricted	5,491,630
Total net position	<u>\$ 7,896,367</u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
Governmental activities:				
Public safety - fire prevention and protection	\$ 12,863,646	\$ -	\$ -	\$ (12,863,646)
Total governmental activities	<u>\$ 12,863,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(12,863,646)</u>
General revenues:				
Property taxes				12,287,700
Special assessment				869,415
Other revenue				1,738,678
Interest income				<u>15,839</u>
Total general revenues				<u>14,911,632</u>
Change in net position				2,047,986
Net position, beginning of period				<u>5,848,381</u>
Net position, end of period				<u>\$ 7,896,367</u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District  
GOVERNMENTAL FUND  
BALANCE SHEET  
June 30, 2016

ASSETS

Cash and investments	\$ 9,102,154
Accounts receivable	178,190
Prepaid items	<u>156,789</u>
Total assets	<u>\$ 9,437,133</u>

LIABILITIES

Accounts payable	\$ 488,891
Accrued expenditures	<u>307,970</u>
Total liabilities	<u>796,861</u>

FUND BALANCES

Nonspendable	156,789
Assigned	<u>8,483,483</u>
Total fund balances	<u>8,640,272</u>
Total liabilities and fund balances	<u>\$ 9,437,133</u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District  
 Reconciliation of the  
GOVERNMENTAL FUND - BALANCE SHEET  
 with the Governmental Activities  
STATEMENT OF NET POSITION  
 For the Year Ended June 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$	8,640,272
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Fund 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 Fund.		2,404,739
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LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Governmental Fund:

Equipment capital lease		-
Other post employment benefits		(163,707)
Intergovernmental Receivable		1,508,000
Non-current portion of compensated absences		(789,096)
Deferred inflows		(1,433,522)
Deferred outflows		3,762,824
Net pension liability		<u>(6,033,143)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>7,896,367</u>
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The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District  
 GOVERNMENTAL FUND  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
 For the Year Ended June 30, 2016

Revenues:	
Property taxes	\$ 12,287,700
Special assessment	869,415
Other revenue	1,738,678
Interest income	<u>15,839</u>
Total revenues	<u>14,911,632</u>
Expenditures:	
Public safety - fire prevention and protection	<u>13,990,578</u>
Total expenditures	<u>13,990,578</u>
Excess (deficit) of revenues over (under) expenditures	921,054
Fund balances, beginning of period	<u>7,719,218</u>
Fund balances, end of period	<u><u>\$ 8,640,272</u></u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District  
 Reconciliation of the  
GOVERNMENTAL FUND - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
 with the Governmental Activities  
STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ 921,054

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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 the fund balance -

Depreciation expense is deducted from the fund balance (319,593)

Government funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability. 1,631,254

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):

Equipment capital lease	111,862
Long-term intergovernmental receivable	(58,000)
Other post employment benefits	(163,707)
Long-term compensated absences	(74,884)
	(285,394)

Changes in net position of governmental activities \$ 2,047,986

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description

The Southern Marin Fire Protection District (the District) was organized on July 1, 1999 as a result of a merger between the Alto-Richardson Bay Fire Protection District and the Tamalpais Fire Protection District under the California Health and Safety Code.

The District furnishes fire protection, rescue services and other emergency services to the cities of Tiburon, Belvedere, and Mill Valley pursuant to joint powers agreements with those cities.

The District is governed by an elected Board of Fire Commissioners consisting of seven members elected by the voters in its service area. The Board appoints a Fire Chief to oversee the day-to-day operations of the District. Effective June 24, 2012, the District annexed the City of Sausalito's Fire Department and acquired 12 new employees. With the new hires, the District now employs a full time staff of 1 Fire Chief, 2 Battalion Chiefs, 9 Captains, 36 firefighters/engineers, 1 Deputy Fire Marshal, and 1 administrative support staff, for a total of 50.

The District maintains its headquarters at 308 Reed Boulevard, Mill Valley, California 94941.

B. Reporting Entity

The District does not exercise oversight responsibility over any other governmental 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.

C. 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 is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Those Statements 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 government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues of 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.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (concluded)

*Fund Financial Statements* - The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

D. Major Funds

Major funds are defined as funds that have either 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 its only fund as a major governmental fund in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this Fund are property taxes, ambulance service revenues and interest income. Expenditures are made for public safety and other operating expenditures.

E. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

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 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.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

The Board of Directors adopts a final budget by the August board meeting. The budget includes appropriations (budgeted expenditures) on a line item basis and the means of financing them (budgeted revenues).

Formal budgetary integration is employed as a management control device during the year for all funds. Budgeted and actual revenues and expenditures are reviewed monthly by the Board and budget amendments and transfers are made as needed. The Finance Manager monitors appropriations on a Department/Division basis and conveys this information to the Fire Chief/District Board who can approve appropriation transfers so long as appropriations in total by fund do not change. This approach allows the Fire Chief to hold Department/Division heads accountable. The District reports expenditures and appropriations on a line item basis to its Board. Only the Board may approve amendments to appropriations in total by fund. This approach allows the Board to hold the Fire Chief accountable for the overall District operations.

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all funds. Budgeted amounts presented in the financial statements are as originally adopted and as amended by the Board. Supplemental amendments to the budget were adopted by the Board and have been included in the budget versus actual statement. Appropriations lapse at year end. Expenditures were less than appropriations by \$16,194 for the year ended June 30, 2016.

G. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Marin (the County) levies, bills and collects property taxes for the District; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County distributes property tax (termed "settlements") under the Teeter Plan, which allows the District to receive all property taxes in the year in which they are levied. The County retains any collections of interest, penalties and delinquencies under this plan. A settlement apportionment for 95% of unsecured property taxes is received in October, with the remainder distributed in June. Secured property taxes are received in three settlements and apportioned as follows: 55% in December, 40% in April and 5% in June.

H. Accumulated Compensated Absences

Compensated absences comprise unpaid vacation leave and sick leave. The District's liability for compensated absences is recorded in the General Fund. The liability for compensated absences is determined annually.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Capital Assets and Depreciation

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. Capital assets with a value of \$5,000 or more are recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. 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 \$368,238.

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	50 years
Equipment & Vehicles	5-50 years

J. General Revenue

General revenues consist primarily of: fees paid by the Golden Gate National Recreation Area for emergency services provided by the District; payments from the Southern Marin Emergency Medical Paramedic System for ambulance services rendered; and the State of California for firefighting expenses incurred by the District.

K. 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.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Marin County Employees Retirement Association (MCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MCERA. 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.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 2 - CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal depository insurance.

B. Investments

The District adopted GASB Statement No. 31, which requires that the District's investments be carried at fair value instead of cost. Under GASB No. 31, the District adjusts the carrying value of its investments to reflect their fair value monthly, and it includes the effects of these adjustments in income for that fiscal year.

Investments are carried at fair value, which is the same as fair market value. Cash and investments were as follows at June 30, 2016:

County of Marin - Operating Fund	\$ 6,557,757
County of Marin - Reserve Account	1,934,916
Cash Deposits with Bank of America - Payroll	<u>609,481</u>
	<u>\$ 9,102,154</u>

The District has authorized staff to deposit cash with the Marin County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The pooled cash is invested principally in banker's acceptances, negotiable certificates of deposit and various U.S. Government Agency and commercial notes. Interest is earned on the daily earnings of the fund prorated to the District based on the ratio of the District's pooled investment fund.

The County of Marin's investment policies are governed by State statutes. In addition, the County of Marin has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts that may be invested in long-term instruments.

During the year ended June 30, 2016, the investment committee's permissible investments included obligations of the U.S. Government Agencies bills, notes or bonds and certain time deposits, certificates of deposit, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, money market funds, medium term corporate notes or deposit notes and municipal obligations.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 3 - CAPITAL ASSETS

Capital assets activity comprised the following:

	Balance at 6/30/15	Contributions/ Acquisitions	Deletions/ Adjustments	Balance at 6/30/16
Land (not depreciated)	\$ 214,807	\$ -	\$ -	\$ 214,807
Buildings and improvements	3,566,726	-	-	3,566,726
Equipment	<u>3,820,283</u>	-	<u>447,168</u>	<u>3,373,115</u>
Subtotal	7,601,816	<u>\$ -</u>	<u>\$ 447,168</u>	7,154,648
Accumulated depreciation	<u>(4,877,486)</u>			<u>(4,749,911)</u>
Net capital assets	<u>\$ 2,724,330</u>			<u>\$ 2,404,737</u>

NOTE 4 - NET POSITION AND FUND BALANCE

Net Position is on the full accrual basis while Fund Balance is measured on the modified accrual basis.

A. Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

*Invested in Capital Assets* describes the portion of Net Position 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.

*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 which the District cannot unilaterally alter. These principally include debt service, acquisition and construction of facilities, and equipment.

*Unrestricted* describes the portion of Net Position that is not restricted as to use.

B. Fund Balance

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.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 - NET POSITION AND FUND BALANCE (concluded)

B. Fund Balance (concluded)

*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.

NOTE 5 - PENSION PLAN

A. Plan Description

The District's retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California Government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

MCERA operates as a cost-sharing multiple employer defined benefit plan for the County and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCO), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District, and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the Plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at [www.mcera.org](http://www.mcera.org).

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 - PENSION PLAN (continued)

A. Plan Description (concluded)

Administration

Retirement system administration is managed by the Retirement Board. All Retirement Board members, except the County Director of Finance, serve for a term of three years. By statute, retirement Board members include the following:

- The Director of Finance of the County (ex-officio).
- Four members who are qualified electors of the County and not connected with County government in any capacity, except one may be a County Supervisor. The Board of Supervisor appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternative elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

Membership

MCERA provides service retirement, disability, and death and survivor benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership

Vesting

Members become vested in retirement benefits upon completion of five years of credited service.

B. Benefit Provisions

Service Retirement

MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 (except tiers 3a and 4, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service credit. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 5 - PENSION PLAN (continued)

B. Benefit Provisions (continued)

Death Benefits

MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired.

The basic active member death benefit consists of a members' retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment

Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA's) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

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

Employer Contributions:	\$ 2,072,079
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As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the District's Plan as follows:

	Proportionate Share of Net Pension Liability
Southern Marin Fire Protection District	\$ 6,033,143
Total Net Pension Liability	<u>\$ 6,033,143</u>

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

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 5 - PENSION PLAN (continued)

B. Benefit Provisions (concluded)

The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

<u>District's Plan</u>	
Proportion - June 30, 2014	.015559%
Proportion - June 30, 2015	.015574%
Change – Increase (Decrease)	.000015%

For the year ended June 30, 2015, the District recognized pension expense of \$721,383. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,072,079	\$ -
Differences between actual and expected experience	-	362,730
Changes in assumptions	1,690,745	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	-	1,070,792
Total	<u>\$ 3,762,824</u>	<u>\$ 1,433, 522</u>

\$2,072,079 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

<u>Year Ended June 30</u>	<u>Inflows</u>
2017	\$ 480,896
2018	480,896
2019	227,645
2020	154,509
Thereafter	-

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 - PENSION PLAN (continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2014 (to determine FY 2015-16 contribution)
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	5-year smoothed market, 80% / 120% corridor around market
Amortization Method:	Level percentage of payroll (17 years remaining as of 6/30/12) with separate periods for Extraordinary Actuarial Gains or Losses (27 years as of 6/30/12)
Discount Rate	7.25%
Amortization Growth Rate:	3.50%
Price Inflation:	3.25%
Salary Increases:	3.25% plus merit component based on employee classification and years of service
Healthy Mortality:	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set back one year for male members and two years for female members
Disabled Mortality:	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set forward three years for all members

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2015 can be found in the June 30, 2013 actuarial report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2015 actuarial experience study for the period July 1, 2008 - June 30, 2011. Further details of the Experience Study can found on MCERA's website.

Discount Rate - The discount rate used to measure the total pension liability was 7.25% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 5 - PENSION PLAN (continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	5.35%
Fixed Income	23.0%	0.75%
International Equity	22.0%	5.55%
Private Equity	8.0%	6.25%
Real Estate	15.0%	7.55%
Total	<u>100.0%</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 the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>District's Plan</u>
1% Decrease	6.25%
Net Pension Liability	\$11,180,122
Current Discount Rate	7.25%
Net Pension Liability	\$6,033,143
1% Increase	8.25%
Net Pension Liability	\$1,806,460

Pension Plan Fiduciary Net Position

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

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 5 - PENSION PLAN (concluded)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (concluded)

As of June 30, 2016  
 Last 10 Years\*

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

<u>District's Plan</u>	<u>6/30/16</u>
Proportion of the net pension liability	1.5574%
Proportionate share of the net pension liability	\$6,033,143
Covered - employee payroll	\$5,007,820
Proportionate share of the net pension liability as percentage of covered-employee payroll	120.5%
Plan fiduciary net position as a percentage of the total pension liability	84.3%
 <u>District's Plan</u>	 <u>6/30/15</u>
Proportion of the net pension liability	1.5559%
Proportionate share of the net pension liability	\$3,845,243
Covered - employee payroll	\$4,640,149
Proportionate share of the net pension liability as percentage of covered-employee payroll	83%
Plan fiduciary net position as a percentage of the total pension liability	89.04%

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

As of June 30, 2016  
 Last 10 Years\*

SCHEDULE OF CONTRIBUTIONS

	<u>6/30/15</u>
Contractually required contribution (actuarially determined)	\$ 1,889,301
Contributions in relation to the actuarially determined contributions	<u>(1,889,301)</u>
	<u>\$ -</u>
Contribution deficiency (excess)	-
Covered-employee payroll	\$ 4,640,149
Contributions as a percentage of covered-employee payroll	40.71%
	 <u>6/30/16</u>
Contractually required contribution (actuarially determined)	\$ 1,902,520
Contributions in relation to the actuarially determined contributions	<u>(1,902,520)</u>
	<u>\$ -</u>
Contribution deficiency (excess)	-
Covered-employee payroll	\$ 5,007,820
Contributions as a percentage of covered-employee payroll	37.99%

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

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under two District sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plans.

The laws governing deferred compensation plan assets require plan assets to be held in a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

NOTE 7 - RISK MANAGEMENT

The District is self insured through the Volunteers Firemen's Insurance Services, Inc. The following types of loss risks are covered by the policy above:

<u>Type</u>	<u>Coverage Limit</u>	<u>Deductible</u>
General Liability	\$1,000,000 per occurrence	None
Property	Guaranteed Replacement Cost	\$500 per occurrence
Portable Equipment	Guaranteed Replacement Cost	\$250 per claim
Workers' Compensation	\$300,000,000 per occurrence	No deductible
Auto	\$1,000,000 Combined Single Limit	\$250 Comp/\$500 Collision
Management Liability	\$1,000,000 per occurrence and \$3,000,000 aggregate	No deductible
Umbrella/Excess Liability	\$10,000,000 per occurrence and \$20,000,000 aggregate	No deductible

Any liability the District may have for uninsured claims is limited to general liability claims. However, the District has experienced no losses from such claims during the preceding three years and it therefore believes there is no liability for claims incurred but not reported.

NOTE 8 - CONTINGENT LIABILITIES AND COMMITMENTS

The District is involved in various claims and litigation arising in the ordinary course of business. District management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the District's financial position or results of operations.

NOTE 9 - JOINT GOVERNED ORGANIZATIONS

The District participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these 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 joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 9 - JOINT GOVERNED ORGANIZATIONS (concluded)

Obligations and liabilities of these joint ventures are not the District's responsibility and the District does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

Southern Marin Emergency Medical Paramedic System

The Southern Marin Emergency Medical Paramedic System operates and maintains an emergency medical care-paramedic system. Financial statements may be obtained by mailing a request to Southern Marin Emergency Medical Paramedic System, 26 Corte Madera Ave., Mill Valley, CA 94941.

Hazardous Materials Response Unit

The Hazardous Materials Response Unit is responsible for managing hazardous material spills, establishing a formula for management of financing joint expenses and defining signatory agency responsibilities. Financial statements may be obtained by mailing a request to Marin County Administrator's Office, 3501 Civic Center Drive, Room 325, San Rafael, CA 94903.

Fire Association Self Insurance System (FDAC-FASIS)

The Fire Association Self Insurance System has a self-insurance pooling program to purchase excess insurance. Financial Statements may be obtained by mailing a request to Fire Association Self Insurance System (FDAC-FASIS) 154 Sunnyside Drive, San Leandro, CA 94577.

Marin Emergency Radio Authority

The District has financial interest and responsibility, along with 23 other Districts, in the Marin Emergency Radio Authority pursuant to the joint powers agreement in order to issue bonds to be used to finance acquisition, construction, and improvement of certain public capital improvements.

In order to construct the emergency communications facility, Marin Emergency Radio Authority issued Revenue Bonds in the amount of \$26,940,000. Pursuant to the joint powers agreement, the District is obligated for 1.657% of this amount.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The District provides health care for employees and dependents (and also for retirees and their dependents) through the Marin County Employees' Retirement Association (MCERA). Employees may choose one of three medical options: Kaiser HMO High Option, Blue Cross Prudent Buyer Plus, and Blue Cross Prudent Buyer Classic. The District also offers dental and vision insurance through BRMS.

Upon retirement with 20 or more years of service under MCERA, at least 10 of which must be with the District, retirees are eligible to receive the following employer-paid health benefits for life, depending on job classification and tier:

Firefighters with a minimum 10 years' of service credit

Hired prior to 7/1/10: The District shall provide 5% of the cost of the lowest cost "employee-only" Kaiser premium, as provided by MCERA, for every year served, up to a total of 100% after 20 years served. If the retiree elects spousal coverage, it must be self-paid unless the retiree has at least 30 years of service.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

A. Plan Description (concluded)

Hired 7/1/10 and after: The District shall provide 5% of the cost of the lowest cost “employee-only” Kaiser premium, as provided by MCERA, for every year served, up to a total of 100% after 20 years served. Any spousal coverage must be self-paid.

Administrative Employees with a minimum 10 years’ service credit

The District shall provide 5% of the cost of the lowest cost “employee-only” Kaiser premium, as provided by MCERA, for every year served, up to a total of 100% after 20 years served. Any spousal coverage must be self-paid.

Fire Chief Officers’ Association (SMFCOA)

Hired before 7/1/2001: For retired Deputy Chief and Battalion Chiefs covered by IAFF Local 1775, the District will provide 100% of the Kaiser premium for retirees with a minimum 5 years’ service credit. Retirees with a minimum 15 years’ service credit are also eligible for spousal medical coverage.

Hired between 7/1/01 – 6/30/10: For retirees with a minimum 10 years’ service credit, the District shall provide 5% of the cost of Kaiser “employee-only” premium for every year served, up to a total of 100% after 20 years served. Retirees with 30 years’ service credit are eligible for spousal Kaiser coverage.

Hired on or after 7/1/10: For retirees with a minimum 10 years’ service credit, the District shall provide 5% of the cost of Kaiser “employee-only” premium for every year served, up to a total of 100% after 20 years served.

All Chiefs who were employed or promoted on or before July 1, 2001 and have a minimum 15 years’ service credit are eligible for dental coverage for themselves and their spouse.

The Fire Chief receives the same benefits as the Chiefs in IAFF Local 1775.

B. Funding Policy

There is no statutory requirement for the District to prefund its OPEB obligation. The District currently pays for retiree healthcare benefits on a pay-as-you-go basis. There are no employee contributions. For the fiscal year ending June 30, 2016, the District paid approximately \$327,858 for retiree healthcare plan benefits and contributed \$365,000 to an OPEB trust account in fiscal year 15/16. As of June 30, 2016, the plan membership consisted of 39 active participants and 30 retirees and beneficiaries currently receiving benefits.

The District is required to contribute or accrue the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2016 and 2015, the amount actually contributed to the plan (including implicit subsidy, if any), and changes in the District's Net OPEB Obligation/(Asset):

	2016	2015
Annual Required Contribution	\$ 916,153	\$ 626,917
Interest on Net OPEB Obligation on Annual Required Contribution	(3,919)	11,693
Amortization Adjustment	4,617	(13,775)
Annual OPEB cost (expense)	916,851	624,835
Employer Contributions	(692,858)	(865,008)
Increase in Net OPEB Obligation / (Asset)	223,993	(240,173)
Net OPEB Obligation/ (Asset) - Beginning of year	(60,286)	179,887
Net OPEB Obligation/ (Asset) - End of year	\$ 163,707	\$ (60,286)

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2016, 2015, and 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/13	\$ 624,039	\$ 640,701	103%	\$ 850,177
6/30/14	\$ 624,232	\$ 676,324	108%	\$ 1,030,064
6/30/15	\$ 624,835	\$ 865,008	139%	\$ (60,286)
6/30/16	\$ 916,851	\$ 692,858	755%	\$ 163,707

D. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ 200,000	\$ 5,485,282	\$ 5,285,282	3.6%	\$ 2,941,373	179.6%
July 1, 2012	\$ 508,795	\$ 5,670,516	\$ 5,161,721	9.8%	\$ 4,096,147	126.0%
July 1, 2015	\$ 1,928,681	\$ 9,018,681	\$ 7,089,540	21.3%	\$ 4,570,681	155.0%

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 cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District 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 presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Southern Marin Fire Protection District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (concluded)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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.

The plan's most recent actuarial valuation was performed as of July 1, 2015. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 6.5% investment rate of return (net of administrative expenses) and an annual medical trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5% after 3 years. The dental trend rate is 4% for all future years. These assumptions reflect an implicit 3% general inflation assumption. The District's Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount on an open basis over 30 years.

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations and debt for the fiscal year ended June 30, 2016 are as follows:

	Original Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Post-employment Benefits	\$ -	\$ -	\$ 163,707	\$ -	\$ 163,707	\$ -
Capital leases	265,742	111,831	-	11,831	-	-
Compensated absences	<u>611,278</u>	<u>714,240</u>	<u>74,856</u>	<u>-</u>	<u>789,096</u>	<u>-</u>
Total debt	<u>\$ 877,020</u>	<u>\$ 826,071</u>	<u>\$ 238,563</u>	<u>\$ 11,831</u>	<u>\$ 952,803</u>	<u>\$ -</u>

NOTE 12 - CITY OF SAUSALITO ANNEXATION AGREEMENT

In June 2012, the District entered into annexation agreement with the City of Sausalito (the City). The City agreed to pay the District \$58,000 annually for 30 years, a total of \$1,740,000; representing the retiree medical costs of nine firefighters who worked for City. The City made the first payment during fiscal year 2013. The last payment is due in fiscal year 2042. The outstanding balance at June 30, 2016 was \$1,508,000.

Southern Marin Fire Protection District  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Budget and Actual  
For the Year Ended June 30, 2016  
(Unaudited)

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 12,011,000	\$ 12,011,000	\$ 12,287,700	\$ 276,700
Special assessment	850,000	850,000	869,415	19,415
Other revenue	1,588,631	1,588,631	1,738,678	150,047
Interest income	<u>7,000</u>	<u>7,000</u>	<u>15,839</u>	<u>8,839</u>
Total revenues	<u>14,456,631</u>	<u>14,456,631</u>	<u>14,911,632</u>	<u>455,001</u>
Expenditures:				
Public safety - fire prevention and protection	<u>14,006,772</u>	<u>14,006,772</u>	<u>13,990,578</u>	<u>16,194</u>
Total expenditures	<u>14,006,772</u>	<u>14,006,772</u>	<u>13,990,578</u>	<u>16,194</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ 449,859</u>	<u>\$ 449,859</u>	921,054	<u>\$ 471,195</u>
Fund balances, beginning of period			<u>7,719,218</u>	
Fund balances, end of period			<u>\$ 8,640,272</u>	