

**BEL MARIN KEYS
COMMUNITY SERVICES DISTRICT
NOVATO, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bel Marin Keys Community
Services District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bel Marin Keys Community Services District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bel Marin Keys 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 basic 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Bel Marin Keys 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 Bel Marin Keys 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 Bel Marin Keys Community Services District, as of June 30, 2020, 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 3-8 and page 25-26, listed as required supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021, on our consideration of Bel Marin Keys Community Services District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bel Marin Keys Community Services District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bel Marin Keys Community Services District’s internal control over financial reporting and compliance.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 22, 2021

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

This section of Bel Marin Keys Community Services District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

Financial Highlights

The District's assets exceeded its liabilities by \$4,651,547 at June 30, 2020; this amount is identified as the District's net position.

The District's net position increased by \$662,390 from 2019 and this increase is the Change in Net Position of \$662,390 reflected in the Governmental Activities column of the Statement of Activities shown in Table 2.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to give users a broad overview of the District's finances, in a manner similar to that of a private-sector business and are prepared on the full accrual basis, which means they measure the flow of all economic resources of the District as a whole. They provide a longer-term view of the District's activities and comprise of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents information on all of the District's assets and liabilities, with the net difference between the two reported as net position. 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.

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

Governmental Activities - The District's basic services are considered to be governmental activities. Its primary purpose, as a Community Services District established pursuant to the Government Code 61600, includes, but is not limited to: providing improvements and maintenance to the lagoons and perimeter levees, landscaping in the parks, vista areas and ends of cul-de-sacs, the water quality within the lagoons, the navigational locks, the fish screens and other waterway related assets located within the District service area. The District is primarily funded by taxes imposed on District residents and through Bond issues that have been approved by the residents.

Fund Financial Statements

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. The Fund Financial Statements measure only current revenues and expenditures and fund balances. The Fund Financial Statements provide detailed information about the District's General Fund and each major 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.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 15 of this report.

Required Supplementary Information

On page 24 and 25, the budget to actual comparison for the general fund and special fund is presented as required supplementary information.

Financial Analysis of the District as a Whole

The District's net position at June 30, 2020 is \$4,651,547. The following table provides a summary of the District's net position:

Table 1 - Summary of Net Position
 June 30, 2020
Governmental Activities

	2020		2019	
	Amount	Percentage of Total	Amount	Percentage of Total
<u>Assets</u>				
Current assets	\$ 2,684,403	42%	\$ 2,517,047	40%
Capital assets, net	<u>3,690,248</u>	<u>58%</u>	<u>3,712,259</u>	<u>60%</u>
Total assets	<u>6,374,651</u>	<u>100%</u>	<u>6,229,306</u>	<u>100%</u>
<u>Liabilities</u>				
Current liabilities	786,614	46%	700,796	31%
Long-term debt obligations, net	<u>936,490</u>	<u>54%</u>	<u>1,539,353</u>	<u>69%</u>
Total liabilities	<u>1,723,104</u>	<u>100%</u>	<u>2,240,149</u>	<u>100%</u>
<u>Net Position</u>				
Net investment in capital assets	2,150,954	46%	1,585,952	40%
Restricted	1,723,853	37%	1,807,626	45%
Unrestricted	<u>776,740</u>	<u>17%</u>	<u>595,579</u>	<u>15%</u>
Total net position	<u>\$ 4,651,547</u>	<u>100%</u>	<u>\$ 3,989,157</u>	<u>100%</u>

The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The District maintains a current ratio of 3 to 1 at June 30, 2020 and 4 to 1 at June 30, 2019. These ratios illustrate the District's positive ability to pay its current obligations with current resources.

The District also reported positive balances in net position for the current year. Total net position increased by \$662,390 or 17% during the year.

In 2020, approximately 46% of the District's assets are invested in capital. The District uses these capital assets to provide services to its citizens in providing maintenance of waterway, levee, locks, parks and other facilities within Bel Marin Keys. The portion of total assets that is capital has decreased slightly, from 60% to 58% from 2019 to 2020 as capital assets will continue to be depreciated over their expected lives.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2020

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

Table 2 – Summary of Change in Net Position
 For the Year Ended June 30, 2020
Governmental Activities

	2020		2019	
	Amount	Percentage of Total	Amount	Percentage of Total
<u>Program Expenses</u>				
Operating	\$ 588,267	48.9%	\$ 597,420	49%
Measure A	10,503	0.9%	(14,707)	(1)%
Measure D	492,211	40.9%	511,379	42%
Measure E and F	<u>113,249</u>	<u>9.4%</u>	<u>126,884</u>	<u>10%</u>
Total program expenses	<u>1,204,230</u>	<u>100%</u>	<u>1,220,976</u>	<u>100%</u>
<u>Program Revenues</u>				
Operating	<u>14,990</u>	<u>100%</u>	<u>9,480</u>	<u>100%</u>
Total program revenues	<u>14,990</u>	<u>100%</u>	<u>9,480</u>	<u>100%</u>
<u>General Revenues</u>				
Operating	595,288	32%	564,021	31%
Measure A	58,674	3%	60,389	3%
Measure D	501,595	27%	508,040	28%
Measure E and F	<u>696,073</u>	<u>38%</u>	<u>689,286</u>	<u>38%</u>
Total general revenues	<u>1,851,630</u>	<u>100%</u>	<u>1,821,736</u>	<u>100%</u>
Change in Net Position	<u>\$ 662,390</u>		<u>\$ 610,240</u>	

As Table 2 above shows, total Operating expense was \$588,267 in fiscal year 2020, which decreased by \$9,153 compared to \$597,420 in fiscal year 2019. The decrease in the Operating expense was due mainly to the decrease in maintenance, fees and other expenses.

Total Measure A expense was \$10,503 in fiscal year 2020, which increased by \$25,210 compared to \$(14,707) in fiscal year 2019. Measure A expense increased because of depreciation expense and an accounts payable adjustment made in 2020.

Total Measure D expense was \$492,211 in fiscal year 2020, which decreased by \$19,168 compared to \$511,379 in fiscal year 2019. The decrease in the Measure D expense was due mainly to the decrease in waterway management and locks.

Total Measure E and F project expense was \$113,249 in fiscal year 2020, which decreased by \$13,635 compared to \$126,884 in fiscal year 2019. The decrease in the Measure E and F project expense was due mainly to the decrease in other project expenses.

Also as Table 2 above shows, program revenue was \$14,990 in fiscal year 2020 compared to \$9,480 in fiscal year 2019.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

In fiscal year 2020, \$595,288 of the District's Operating general revenues came from property tax revenue, interest income and other income which increased by \$31,267 compared to \$564,021 in fiscal year 2019.

Measure A's general revenues come from sales tax revenue of \$58,674 in fiscal year 2020, which decreased by \$1,715 compared to \$60,389 in fiscal year 2019. Measure A's general revenues are restricted for Measure A's parks and open space expenditures.

Measure D's general revenues consist of parcel taxes, interest income, investment income and other income of \$501,595 in fiscal year 2020, which decreased by \$6,445 compared to \$508,040 in fiscal year 2019. Measure D's general revenues are restricted for Measure D expenditures

Measure E and F's general revenues consist of special tax revenue and interest income of \$696,073 in fiscal year 2020, which increased by \$6,787 compared to \$689,286 in fiscal year 2019 and are restricted for debt service and project expenditures.

Analysis of the Governmental Funds

Table 3
Statement of Revenues, Expenditures, and Changes in Fund Balance

	2020	2019
<u>Revenues</u>		
Operating	\$ 610,278	\$ 573,501
Measure A	58,674	60,389
Measure D	501,595	508,040
Measure E and F	696,073	689,286
Total revenues	1,866,620	1,831,216
<u>Expenditures</u>		
Operating	425,482	411,500
Measure A	165,278	(20,828)
Measure D	504,252	422,011
Total expenditures	1,095,012	812,683
<u>Debt service and project costs</u>	(674,220)	(672,698)
<u>Other financing sources</u>	-	-
Excess of revenues over expenditures	\$ 97,388	\$ 345,835

Operating revenues totaled \$610,278 in 2020, an increased by \$36,777 in comparison with \$573,501 in fiscal year 2019 due primarily to the increase in taxes and charges for services.

Measure A revenues were \$58,674 in 2020, a decrease of \$1,715 in comparison with \$60,389 in fiscal year 2019 due mainly to the decrease in Measure A revenue from sales tax.

Measure D revenues were \$501,595 in 2020, a decrease of \$6,445 in comparison with \$508,040 in fiscal year 2019 due mainly to the decrease in parcel tax income.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Measure E and F revenues were \$696,073 in 2020, an increase of \$6,787 in comparison of \$689,286 received in fiscal year 2019. Measure E and F revenues were special tax income received to pay for measure E and F bonds and projects costs.

On September 1, 2014, the District refinanced Measure E and Measure F existing Special tax bonds related to CFD No 2001-1 (Marine Facilities Improvements) and CFD No. 2001-2 (Dredging and Marine Improvements) with two commercial term loans from Bank of Marin; loan 2014-1 in the amount of \$1,449,490 and loan 2014-2 in the amount of \$3,100,510. The loan terms are 8-year fixed and maturity is on September 1, 2022. The interest rate on these loans is at the tax-exempt rate of 2.64% (tax equivalent of 4%) and interest is accrued daily on the simple interest basis of a 365/360 day year.

Principal and interest payments will be payable in semi-annual installments in the approximate amount of \$101,325 on loan 2014-1 and \$216,738 on loan 2014-2 based on an 8-year amortization at 2.64% with all accrued interest and unpaid principal payable at maturity.

These loans are collateral with first pledge of revenue related to CFD No. 2001-1 (Marine Facilities Improvements) and CFD No. 2001-2 (Dredging and Marine Improvements) and first pledge of Reserve Fund related to CFD No. 2001-1 (Marine Facilities Improvements) and CFD No. 2001-2 (Dredging and Marine Improvements). Loan activities will continue to be reported to the State annually via NBS Government Finance Group, Inc.

General Fund expenditures were \$425,482 in 2020, an increase of \$13,982 in comparison with \$411,500 in fiscal year 2019 due mainly to the increase maintenance and capital outlay.

Measure A expenditures were \$165,278 in 2020, an increase of \$186,106 in comparison with \$(20,828) in fiscal year 2019 due mainly to a significant capital outlay expense for the District's landscape improvements and playground in 2020.

Measure D expenditures were \$504,252 in 2020, an increase of \$82,241 in comparison with \$422,011 in fiscal year 2019 due mainly to the increase of capital outlay.

Debt service and project E and F expenditures were \$674,220 in 2020, an increase of \$1,522 in comparison of \$672,698 paid in fiscal year 2019. The increase in debt service expenditures was due to the District's payment of Measure E and F commercial term loans with Bank of Marin plus the allocation of payroll expenses to these projects.

Other financing source was \$0 in 2020 and 2019. The only amount of other financing source in 2020 and 2019 was the PG&E loan payment and transfer of \$3,635 from the General Fund to the PG&E debt service fund.

Budgetary Highlights

Comparisons of Budget and Actual financial information are presented for the General Fund (including Measure A) and the Special Fund (Measure D) in these financial statements. In the General Fund (including Measure A), actual revenue was \$162,632 higher than the budgeted amount. Total expenditures were \$90,644 higher than budgeted amounts. This was primarily due to more capital outlay expenditures than budgeted.

In the Special Fund (Measure D), actual revenue was \$10,130 higher than the budgeted amount due to more parcel taxes and investment income received in fiscal year 2020. Total Special Fund (Measure D) expenditures were \$171,652 higher than budgeted amounts. This was primarily due to an increase of expenditures for capital outlay and due to higher professional fees that were not budgeted.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation decreased this year by \$22,011 to \$3,690,248 compared to \$3,712,259 in 2020. Most of the District's capital assets are projects completed and transferred from Measure D, E and F. The decrease is the net effect of capital asset additions of \$295,929 net with depreciation expense of \$317,940. While capital assets additions are the capital outlay expenditures in the Fund financial statements, they are recorded as an increase in the District's capital assets in the Government-wide financial statements. On the contrary, depreciation expenses are non-cash expenditures in the Government-wide financial statements that reduce the District's capital assets; they are not recorded as expenditures in the Fund financial statements. The composition of the District's capital assets is described in detail in Note 4 to the financial statements.

Debt Administration

The District's long-term obligations consist of a lease-finance agreement between the District and PG&E and two commercial term loans with Bank of Marin in the District's name to finance Measure E and Measure F Special tax bonds for the District's marine facilities No. 2014-1 and 2014-2. The PG&E loan balance was \$11,814 in 2020 and \$15,449 in 2019. The commercial term loans with Bank of Marin balance was \$1,527,480 in 2020 and \$2,110,858 in 2019.

The District's long-term debts decreased this year by \$587,013 due to a \$3,635 payment on the PG&E loan and a \$583,378 payment on the commercial term loans with Bank of Marin.

The District made all scheduled repayments of existing debt. The District's debt issues are discussed in detail in Note 6 to the financial statements

Adopting the California Uniform Public Construction Cost Accounting Act

The Bel Marin Keys Community Services District subscribes to the California Uniform Public Construction Cost Accounting Act whereas, The Uniform Public Construction Cost Accounting Act (Act), enacted in 1983 under Public Contract Code section 22000 et seq., allows local agencies to perform public project work of up to \$60,000 with their own workforces if the agencies elect to follow the cost accounting procedures set forth in the Cost Accounting Policies and Procedures Manual by the California Uniform Construction Cost Accounting Commission. Public projects of sixty thousand dollars (\$60,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order and public projects of two hundred thousand dollars (\$200,000) or less may be let to contract by informal procedures as set forth in this article.

Economic Outlook

The economic condition of the District as it appears on the balance sheet reflects financial stability. District management remains committed to sound fiscal management practices in its delivery of excellent service to the residents of the District.

Contacting the District's Financial Management

This Annual Financial Report is intended to provide District residents, granting agencies and the general public with a general overview of the District's finances. Questions about this report should be directed to Bel Marin Keys Community Services District, at 4 Montego Key, Novato, CA 94949.

Bel Marin Keys Community Services District

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 755,785
Restricted cash and cash equivalents	1,212,019
Short-term investments	666,149
Accounts receivable, net	9,175
Prepaid expenses	41,275
Total current assets	<u>2,684,403</u>
Non-current assets:	
Capital assets, net	<u>3,690,248</u>
Total non-current assets	<u>3,690,248</u>
Total assets	<u>6,374,651</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	165,023
Compensated absences	9,912
Other liabilities	8,875
Long-term debt obligations, current portion	<u>602,804</u>
Total current liabilities	<u>786,614</u>
Non-current liabilities:	
Long-term debt obligations, net of current portion	<u>936,490</u>
Total non-current liabilities	<u>936,490</u>
Total liabilities	<u>1,723,104</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,150,954
Restricted for:	
Debt service	910,806
Measures and project costs	813,047
Unrestricted	<u>776,740</u>
Total net position	<u>\$ 4,651,547</u>

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

Bel Marin Keys Community Services District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Changes in Net Position</u> Total Governmental Activities
Governmental activities:			
Service and supplies - Operating	\$ 541,765	\$ 14,990	\$ (526,775)
Service and supplies - Measure A	10,503	-	(10,503)
Service and supplies - Measure D	492,211	-	(492,211)
Service and supplies - Project Fund I	46,372	-	(46,372)
Service and supplies - Project Fund II	66,877	-	(66,877)
Committee expenses	2,003	-	(2,003)
Community service center	44,499	-	(44,499)
	\$ 1,204,230	\$ 14,990	(1,189,240)
General revenues:			
Taxes:			
Measure income			1,779,029
ERAF income			56,783
HOPTR tax income			1,926
Investment earnings (losses)			10,473
Other revenue			3,419
			1,851,630
Change in net position			662,390
Net position, beginning of period			3,989,157
Net position, end of period			\$ 4,651,547

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

Bel Marin Keys Community Services District
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2020

	General Fund		Special Fund	Debt Service			Total
	Operating	Measure A	Measure D	PG&E Loan	Project Fund I (Loan 2014-1)	Project Fund II (Loan 2014-2)	
<u>ASSETS</u>							
Cash and cash equivalents	\$ 755,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 755,785
Restricted cash and cash equivalents	-	132,768	410,864	-	238,832	429,555	1,212,019
Short-term investments	-	-	419,636	-	-	246,513	666,149
Accounts receivable, net	3,222	-	2,523	-	1,138	2,292	9,175
Due (to) from other funds	20,057	39,869	(52,402)	-	(10,365)	2,841	-
Prepaid expenses	41,275	-	-	-	-	-	41,275
Total assets	<u>\$ 820,339</u>	<u>\$ 172,637</u>	<u>\$ 780,621</u>	<u>\$ -</u>	<u>\$ 229,605</u>	<u>\$ 681,201</u>	<u>\$ 2,684,403</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 24,812	\$ 85,417	\$ 54,794	\$ -	\$ -	\$ -	\$ 165,023
Compensated absences	9,912	-	-	-	-	-	9,912
Other liabilities	8,875	-	-	-	-	-	8,875
Total liabilities	<u>43,599</u>	<u>85,417</u>	<u>54,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,810</u>
Fund balances:							
Assigned for debt service	-	-	-	-	229,605	681,201	910,806
Assigned for measures and project costs	-	87,220	725,827	-	-	-	813,047
Unassigned	776,740	-	-	-	-	-	776,740
Total fund balances	<u>776,740</u>	<u>87,220</u>	<u>725,827</u>	<u>-</u>	<u>229,605</u>	<u>681,201</u>	<u>2,500,593</u>
Total liabilities and fund balances	<u>\$ 820,339</u>	<u>\$ 172,637</u>	<u>\$ 780,621</u>	<u>\$ -</u>	<u>\$ 229,605</u>	<u>\$ 681,201</u>	<u>\$ 2,684,403</u>

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

Bel Marin Keys Community Services District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
June 30, 2020

Total Governmental Funds Fund Balances \$ 2,500,593

Amounts reported in the Statement of Net Position are different because:

Long-term assets are not available to pay for current period expenditures,
and long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the governmental fund:

Capital assets, net	3,690,248
Long-term debt obligations	<u>(1,539,294)</u>

Net Position of Governmental Activities \$ 4,651,547

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

Bel Marin Keys Community Services District
GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2020

	General Fund		Special Fund	Debt Service			Total
	Operating	Measure A	Measure D	PG&E Loan	Project Fund I (Loan 2014-1)	Project Fund II (Loan 2014-2)	
Revenues:							
Taxes	\$ 591,633	\$ 58,674	\$ 501,312	\$ -	\$ 227,644	\$ 458,475	\$ 1,837,738
Investment earnings (losses)	270	-	249	-	100	9,854	10,473
Charges for services	14,990	-	-	-	-	-	14,990
Other revenue	3,385	-	34	-	-	-	3,419
Total revenues	<u>610,278</u>	<u>58,674</u>	<u>501,595</u>	<u>-</u>	<u>227,744</u>	<u>468,329</u>	<u>1,866,620</u>
Expenditures:							
Personnel costs	121,389	-	32,215	-	5,369	5,369	164,342
Professional fees	54,734	-	67,745	-	-	-	122,479
Community service center	44,499	-	-	-	-	-	44,499
Occupancy	-	-	9,906	-	-	-	9,906
Professional dues	3,809	-	6,807	-	-	-	10,616
Fees	12,031	-	1,404	-	1,306	1,328	16,069
Administrative expenses	5,753	-	22,096	-	-	-	27,849
Office expenses	15,312	-	-	-	-	-	15,312
Committee expenses	2,003	-	-	-	-	-	2,003
Information technology	5,342	-	-	-	-	-	5,342
Insurance	24,006	-	-	-	-	-	24,006
Licenses, permits and surveys	1,324	-	10,076	-	-	-	11,400
Maintenance	109,063	(3,582)	410	-	-	-	105,891
Marketing and outreach	660	-	-	-	-	-	660
Bond expenses	-	-	1,726	-	9,708	11,379	22,813
Capital outlay	25,557	168,860	101,512	-	-	-	295,929
Measure D:							
Water circulation	-	-	72,348	-	-	-	72,348
Waterway management	-	-	94,150	-	-	-	94,150
Locks	-	-	83,857	-	-	-	83,857
Project I and II:							
Other project costs	-	-	-	-	-	-	-
Debt service:							
Loan principal repayment	-	-	-	3,635	185,846	397,532	587,013
Loan interest expense	-	-	-	-	16,804	35,944	52,748
Total expenditures	<u>425,482</u>	<u>165,278</u>	<u>504,252</u>	<u>3,635</u>	<u>219,033</u>	<u>451,552</u>	<u>1,769,232</u>
Other financing sources (uses):							
Transfers in	-	-	-	3,635	-	-	3,635
Transfers out	(3,635)	-	-	-	-	-	(3,635)
Total other financing sources (uses)	<u>(3,635)</u>	<u>-</u>	<u>-</u>	<u>3,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures							
	181,161	(106,604)	(2,657)	-	8,711	16,777	97,388
Fund balances, beginning of period	<u>595,579</u>	<u>193,824</u>	<u>728,484</u>	<u>-</u>	<u>220,894</u>	<u>664,424</u>	<u>2,403,205</u>
Fund balances, end of period	<u>\$ 776,740</u>	<u>\$ 87,220</u>	<u>\$ 725,827</u>	<u>\$ -</u>	<u>\$ 229,605</u>	<u>\$ 681,201</u>	<u>\$ 2,500,593</u>

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

Bel Marin Keys Community Services District
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES
WITH THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2020

Net Change in Fund Balances	\$	97,388
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Amounts reported in the Statement of Activities are different because:

Change in long-term portion of assets and liabilities do not provide or require the use of current financial resources and therefore are not reported in the governmental fund:

Depreciation expense		(317,940)
Capital outlay expenditures		295,929
Loan principal repayment		<u>587,013</u>

Change in Net Position of Governmental Activities	\$	<u>662,390</u>
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The accompanying notes are an integral part of these financial statements.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - DESCRIPTION OF BEL MARIN KEYS COMMUNITY SERVICES DISTRICT

Bel Marin Keys Community Services District (the District) is a separate governmental unit established in 1961 under California Government Code 61600 and covers 3,200 acres of Bel Marin Keys, an unincorporated residential community in northern Marin County, adjacent to the City of Novato. The District maintains the parks and public areas, contracts for street lighting and controls and maintains the lagoons, levee and navigational locks. The District maintains a full-time manager and is governed by a five-person Board of Directors, elected by the citizens of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is governed by an elected Board of Directors that exercises the powers allowed by state statutes. For financial reporting purposes, the District has included only the District's funds in its basic financial statements. The District has no component units for which the District is financially accountable. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, the District.

B. Basis Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level.

Government-wide Financial Statements

The District's financial statements reflect only its own activities; it has no component units (other government units overseen by the District). The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The governmental activities of the District are primarily financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment 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 grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues, including all tax revenue, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. The District has the General Fund, which accounts for the District activities; Measure D Special Revenue Fund which accounts for the waterway's activities; and Debt Service Funds for Measure E and F which account for the marine facilities of the Community Facilities District No. 2014-1 and 2014-2.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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. 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 tax, certain charges for services and interest revenue. 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.

D. Budgets

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 organization as a whole. The District uses the same basis of accounting for budget and financial statement purposes. All appropriations lapse at year-end. Measure A’s actual revenue and expenditures were included in the General Fund. The District did not adopt a separate budget for Measure A.

Special Fund (Measure D) expenditures exceeded appropriations for the Special Fund (Measure D) by \$171,652, which were mainly due to under budget of waterway management, locks, and licenses, permits and survey expenditures.

E. Restricted Assets

Cash and investments that may only be used for construction of capital assets, special projects or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and investments on the government-wide Statement of Net Position.

F. Capital Assets

Expenditures from governmental funds for the acquisition or replacement of equipment are charged to current operations in the period acquired. On an entity-wide basis, capital assets are capitalized and depreciated over their useful lives. The useful life of District capital assets ranges from 3 to 40 years. Depreciation is calculated on a straight-line basis. District policy has set the capitalization threshold for reporting capital assets at \$5,000.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences

Beginning October 2004, with the revision of the Employee Handbook, the District provided its employees with 10 days of vacation per year for the first 2 years of employment and 15 days per year after 2 years of employment. The employee is allowed to accrue a maximum of 160 hours of vacation time. In addition, the employees accrue 6 days of sick leave per year with no maximum on the amount that may be accrued.

H. Net Position

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

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

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

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

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. 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.

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.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balance (concluded)

Committed fund balance includes amounts where 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 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.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

J. Property Taxes

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Secured property taxes are due the following November 1 and March 1 and become delinquent April 10 and December 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

K. Sales Taxes

The District received an allocation of sales tax from the County of Marin to be used for pet stations, parks and open space improvements, playgrounds and picnic areas improvements. The District maintains Measure A funds in a separate bank account and restricted Measure A funds are to be used for the above specific projects only.

L. Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters for which the District carries commercial insurance.

NOTE 3 - CASH AND INVESTMENTS

The District has a written investment policy, approved by the Board of Directors. The District also has an investment committee, which performs regulatory oversight for its investments as required by California Government Code Section 27134.

The District's investment policy authorizes the District Manager to invest in:

- Obligations of the U.S. Treasury, its agencies and instrumentalities;
- Certificates of deposit;
- Commercial paper rated in the highest short-term rating category by any Rating Agency, bankers' acceptances, obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000 and rated A or better by any Rating Agency;
- Money market funds;
- Investment Agreements.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

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

Governmental Funds:

	2020	2019
Cash and cash equivalents:		
Cash - Operating	\$ 755,785	\$ 658,141
Total governmental funds cash and cash equivalents	755,785	658,141
Restricted cash and cash equivalents:		
Cash restricted for Measure A	132,768	112,607
Cash restricted for Measure D	410,864	365,440
Cash restricted for Measure E and F	668,387	611,004
Total governmental funds restricted cash	1,212,019	1,089,051
Short-term investments:		
Investments restricted for Measure D	419,636	421,679
Investments restricted for Measure E and F projects	246,513	250,000
Total governmental funds short-term investments	666,149	671,679
Total governmental funds cash and investments	\$ 2,633,953	\$ 2,418,871

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan associations 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 deposit as collateral for these deposits. Under California Law, this collateral is held in the District's name and places the District ahead of general creditors of the institution.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2020 and 2019:

<u>Investment Type</u>	<u>Carrying Amount</u>	2020			
		<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Held by a bank:					
Money market accounts	\$ 402,424	\$ 402,424	\$ -	\$ -	\$ -
State & municipal bonds	128,639	71,469	-	57,170	-
Non-government obligations	135,086	113,648	-	21,438	-
Total	<u>\$ 666,149</u>	<u>\$ 587,541</u>	<u>\$ -</u>	<u>\$ 78,608</u>	<u>\$ -</u>

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (concluded)

Investment Type	Carrying Amount	2019 Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Held by a bank:					
Money market accounts	\$ 317,695	\$ 317,695	\$ -	\$ -	\$ -
State & municipal bonds	218,524	86,963	73,551	58,010	-
Non-government obligations	<u>135,460</u>	<u>-</u>	<u>51,207</u>	<u>62,937</u>	<u>21,316</u>
Total	<u>\$ 671,679</u>	<u>\$ 404,658</u>	<u>\$ 124,758</u>	<u>\$ 120,947</u>	<u>\$ 21,316</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. That is measured by the assignment of rating by a nationally recognized rating organization. Presented below is the minimum rating required by the California Government Code, and the actual rating as of fiscal year-end for each investment type at June 30, 2020 and 2019:

<u>Fiscal year 2019-2020</u>		Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
Investment Type	Carrying Amount			AAA	Other	Not Rated
Held by a bank:						
Money market	\$ 402,424	N/A	\$ -	\$ -	\$ -	\$ 402,424
State & municipal bonds	128,639	N/A	-	-	128,639	-
Non-government obligations	<u>135,086</u>	N/A	<u>-</u>	<u>-</u>	<u>135,086</u>	<u>-</u>
Total	<u>\$ 666,149</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,725</u>	<u>\$ 402,424</u>

<u>Fiscal year 2018-2019</u>		Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
Investment Type	Carrying Amount			AAA	Other	Not Rated
Held by a bank:						
Money market	\$ 317,695	N/A	\$ -	\$ -	\$ -	\$ 317,695
State & municipal bonds	218,524	N/A	-	-	218,524	-
Non-government obligations	<u>135,460</u>	N/A	<u>-</u>	<u>-</u>	<u>135,460</u>	<u>-</u>
Total	<u>\$ 671,679</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,984</u>	<u>\$ 317,695</u>

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the period ended June 30, 2020 is as follows:

	Balance 6/30/19	Additions	Transfers	Balance 6/30/20
Capital assets not being depreciated:				
Land	\$ 880,256	\$ -	\$ -	\$ 880,256
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable assets	<u>880,256</u>	<u>-</u>	<u>-</u>	<u>880,256</u>
Capital assets being depreciated:				
Buildings and improvements	6,716,624	162,110	-	6,878,734
Equipment	2,103,610	133,819	-	2,237,429
Furniture	<u>23,067</u>	<u>-</u>	<u>-</u>	<u>23,067</u>
Total depreciable assets	<u>8,843,301</u>	<u>295,929</u>	<u>-</u>	<u>9,139,230</u>
Capital asset totals	<u>9,723,557</u>	<u>\$ 295,929</u>	<u>\$ -</u>	<u>10,019,486</u>
Accumulated depreciation	<u>(6,011,298)</u>			<u>(6,329,238)</u>
Capital assets, net of accumulated depreciation	<u>\$ 3,712,259</u>			<u>\$ 3,690,248</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$317,940 and \$328,410, respectively.

NOTE 5 - COMPENSATED ABSENCES

Employee vacation benefits earned, but not used, are recognized as liabilities of the District. Total compensated absences payable currently reported as accounts payable was \$9,912 and \$10,393 as of June 30, 2020 and 2019, respectively.

NOTE 6 - LONG-TERM DEBT OBLIGATIONS

In 2013 the District financed a LED Streetlight retrofit in the amount of \$36,351 with PG&E. The District is committed to make monthly principal and interest payments of \$303 through January 2023, pursuant to an agreement with PG&E.

As of June 30, 2020, the District is obligated for the following payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021 (current portion)	\$ 3,635	\$ -	\$ 3,635
2022	3,635	-	3,635
2023	3,635	-	3,635
2024	<u>909</u>	<u>-</u>	<u>909</u>
Total	<u>\$ 11,814</u>	<u>\$ -</u>	<u>\$ 11,814</u>

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - LONG-TERM DEBT (concluded)

On September 1, 2014, the District refinanced Measure E and Measure F existing Special tax bonds related to CFD No 2001-1 (Marine Facilities Improvements) and CFD No. 2001-2 (Dredging and Marine Improvements) with two commercial term loans from Bank of Marin; loan 2014-1 in the amount of \$1,449,490 and loan 2014-2 in the amount of \$3,100,510. The loan terms are 8-year fixed and maturity is on September 1, 2022. The interest rate on these loans is at the tax-exempt rate of 2.64% (tax equivalent of 4%) and interest is accrued daily on the simple interest basis of a 365/360 day year.

Principal and interest payments will be payable in semi-annual installments in the approximate amount of \$101,325 on loan 2014-1 and \$216,738 on loan 2014-2 based on an 8-year amortization at 2.64% with all accrued interest and unpaid principal payable at maturity.

These loans are collateral with first pledge of revenue related to CFD No. 2001-1 (Marine Facilities Improvements) and CFD No. 2001-2 (Dredging and Marine Improvements) and first pledge of Reserve Fund related to CFD No. 2001-1 (Marine Facilities Improvements) and CFD No. 2001-2 (Dredging and Marine Improvements). Loan activities will continue to be reported to the State annually via NBS Government Finance Group, Inc.

As of June 30, 2020, the District is obligated for the following payments:

	Loan 2014-1	
<u>Year Ending June 30</u>	Principal	Interest
2021 (current portion)	\$ 190,877	\$ 11,773
2022	196,020	6,630
2023	99,730	1,594
Total	\$ 486,627	\$ 19,997

	Loan 2014-2	
<u>Year Ending June 30</u>	Principal	Interest
2021 (current portion)	\$ 408,292	\$ 25,184
2022	419,293	14,183
2023	213,327	3,411
Total	\$ 1,040,912	\$ 42,778

Interest expense paid for loan 2014-1 and 2014-2 for the years ended June 30, 2020 and 2019 was \$52,748 and \$67,906, respectively.

NOTE 7 - PENSION PLAN

The District has a pension plan in the form of a SIMPLE IRA. The District makes a contribution for qualified employees to the plan. Employees who are over 21 years of age are eligible. The total contributions paid by the District for the years ended June 30, 2020 and 2019 were \$2,899 and \$2,541, respectively.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the District's operations includes restrictions on employees' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

Bel Marin Keys Community Services District
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
 Required Supplementary Information
 Budget and Actual - General Fund (Unaudited)
 For the Year Ended June 30, 2020

	Original and Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:			
Taxes	\$ 501,320	\$ 650,307	\$ 148,987
Investment earnings (losses)	-	270	270
Charges for services	4,500	14,990	10,490
Other revenue	500	3,385	2,885
Total revenues	506,320	668,952	162,632
Expenditures:			
Personnel costs	181,316	121,389	59,927
Professional fees	41,700	54,734	(13,034)
Community service center	59,500	44,499	15,001
Occupancy	4,000	-	4,000
Professional dues	4,800	3,809	991
Fees	7,800	12,031	(4,231)
Administrative expenses	13,000	5,753	7,247
Office expenses	13,200	15,312	(2,112)
Committee expenses	6,500	2,003	4,497
Information technology	9,000	5,342	3,658
Insurance	13,500	24,006	(10,506)
Licenses, permits and surveys	6,400	1,324	5,076
Maintenance	109,000	105,481	3,519
Marketing and outreach	5,400	660	4,740
Bond expenses	-	-	-
Capital outlay	25,000	194,417	(169,417)
Measure D:			
Water circulation	-	-	-
Waterway management	-	-	-
Locks	-	-	-
Total expenditures	500,116	590,760	(90,644)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(3,635)	(3,635)
Total other financing sources (uses)	-	(3,635)	(3,635)
Excess of revenues over (under) expenditures	\$ 6,204	74,557	\$ 68,353
Fund balances, beginning of period		789,403	
Fund balances, end of period		\$ 863,960	

Bel Marin Keys Community Services District
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
 Required Supplementary Information
 Budget and Actual - Special Fund (Unaudited)
 For the Year Ended June 30, 2020

	Original and Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:			
Taxes	\$ 475,300	\$ 501,312	\$ 26,012
Investment earnings (losses)	16,165	249	(15,916)
Charges for services	-	-	-
Other revenue	-	34	34
Total revenues	491,465	501,595	10,130
Expenditures:			
Personnel costs	-	32,215	(32,215)
Professional fees	75,000	67,745	7,255
Community service center	-	-	-
Occupancy	23,000	9,906	13,094
Professional dues	3,600	6,807	(3,207)
Fees	4,500	1,404	3,096
Administrative expenses	13,500	22,096	(8,596)
Office expenses	-	-	-
Committee expenses	-	-	-
Information technology	-	-	-
Insurance	-	-	-
Licenses, permits and surveys	4,800	10,076	(5,276)
Maintenance	-	410	(410)
Marketing and outreach	-	-	-
Bond expenses	-	1,726	(1,726)
Capital outlay	5,000	101,512	(96,512)
Measure D:			
Water circulation	73,500	72,348	1,152
Waterway management	96,200	94,150	2,050
Locks	33,500	83,857	(50,357)
Total expenditures	332,600	504,252	(171,652)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess of revenues over (under)			
expenditures	\$ 158,865	(2,657)	\$ (161,522)
Fund balances, beginning of period		728,484	
Fund balances, end of period		\$ 725,827	

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Bel Marin Keys Community Services District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Bel Marin Keys Community Services District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Bel Marin Keys Community Services District's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 22, 2021