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

BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

TABLE OF CONTENTS

PAGE	Independent Auditors' Report	1-2
3-8	Management's Discussion and Analysis	3-8
	Basic Financial Statements:	
	Government-wide Financial Statements	
9	Statement of Net Position	9
10	Statement of Activities	10
	Fund Financial Statements	
11	Balance Sheet – Governmental Funds	11
12	Reconciliation of the Governmental Fund Balance Sheet with the Governmental Activities Statement of Net Position	12
13	Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
14	Reconciliation of the Net Change in Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds with the Statement of Activities	14
15-23	Notes to Basic Financial Statements	15-23
	Required Supplemental Information:	
24	Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	24
25	Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Measure D	25

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, 2017, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to 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, 2017, 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 24-25, 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 5, 2018

This section of Bel Martin 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, 2017. 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 \$2,775,855 at June 30, 2017; this amount is identified as the District's net position.

The District's net position increased by \$467,841 from 2016 and this increase is the Change in Net Position of \$467,841 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, 2017

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 Measure D fund is presented as required supplementary information.

Financial Analysis of the District as a Whole

The District's net position at June 30, 2017 is \$2,775,855. The following table provides a summary of the District's net position:

Table 1 - Summary of Net Position
June 30, 2017
Governmental Activities

2017		2016	
Percentage of Total	Amount	Percentage of Total	Amount
Assets			
Current assets	\$ 2,563,472	41%	\$ 2,381,068
Capital assets, net of depreciation	3,650,086	59%	3,814,492
Total assets	6,213,558	100%	6,195,560
Liabilities			
Current liabilities	739,372	22%	631,913
Long-term liabilities	2,698,331	78%	3,255,633
Total liabilities	3,437,703	100%	3,887,546
Net Position			
Net investment in capital assets	394,882	13%	16,547
Restricted	1,866,535	68%	1,869,995
Unrestricted (deficit)	514,438	19%	421,512
Total Net Position	\$ 2,775,855	100%	\$ 2,308,014

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, 2017 compared to 4 to 1 at June 30, 2016. 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 \$467,841 or 20% during the year.

In 2017, approximately 59% 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 62% to 59% from 2016 to 2017 as assets continue to be depreciated over their expected lives.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017
Governmental Activities

2017		2016	
Amount	Percentage of Total	Amount	Percentage of Total
Expenses			
General Fund	\$ 678,742	\$ 591,944	51%
Measure A	11,980	36,835	3%
Measure D	486,163	389,204	34%
Measure E and F expenditures	120,922	140,387	12%
Total expenses	1,297,807	1,158,370	100%
Program Revenues			
General Fund	6,450	9,050	100%
Total program revenues	6,450	9,050	100%
General revenues			
General Fund	514,869	496,989	29%
Measure A	81,480	53,351	3%
Measure D	476,631	469,739	28%
Measure E and F	686,218	686,274	40%
Total general revenues	1,759,198	1,706,353	100%
Change in Net Position			
	\$ 467,841	\$ 557,033	

As Table 2 above shows, total General Fund expense was \$678,742 in fiscal year 2017, which increased by \$86,798 compared to \$591,944 in fiscal year 2016. The increase in the General Fund expense was due mainly to the increase in maintenance and other expenses.

Total Measure A expense was \$11,980 in fiscal year 2017, which decreased by \$24,855 compared to \$36,835 in fiscal year 2016. The decrease in the Measure A expense was due mainly to the decrease in expenditures for parks and open space.

Total Measure D expense was \$486,163 in fiscal year 2017, which increased by \$96,959 compared to \$389,204 in fiscal year 2016. The increase in the Measure D expense was due mainly to the increase in maintenance, dredging locks, water management and capital outlay expenses.

Total Measure E and F project expense was \$120,922 in fiscal year 2017, which decreased by \$19,465 compared to \$140,387 in fiscal year 2016. The decrease in the Measure E and F project expense was due mainly to the decrease in levee repair and maintenance and other project expenses.

Also as Table 2 above shows, program revenue was \$6,450 (0.37%) in fiscal year 2017 compared to \$9,050 (0.53%) in fiscal year 2016.

In fiscal year 2017, \$514,869 of the District's General Fund revenue came from property tax revenue, interest income and other income which increased by \$17,880 compared to \$496,989 in fiscal year 2016.

Measure A's general revenues come from sales tax revenue of \$81,480 in fiscal year 2017, which increased by \$28,129 compared to \$53,351 in fiscal year 2016. 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 \$476,631 in fiscal year 2017, which increased by \$6,892 compared to \$469,739 in fiscal year 2016. 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 \$686,218 in fiscal year 2017, which decreased by \$56 compared to \$686,274 in fiscal year 2016 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

	2017	2016
Revenues		
General Fund	\$ 521,319	\$ 506,039
Measure A	81,480	53,351
Measure D	476,631	469,739
Measure E and F	686,218	686,274
Total revenues	1,765,648	1,715,403
Expenditures		
General Fund	420,930	408,838
Measure A	11,980	36,835
Measure D	511,309	347,513
Total expenditures	944,219	793,186
Debt service and project costs	(731,923)	(822,325)
Other financing sources	-	-
Excess of revenues over expenditures	\$ 89,506	\$ 99,892

General Fund revenues totaled \$521,319 in 2017, increased by \$15,280 in comparison with \$506,039 in the prior year due primarily to the increase in property tax income and parcel tax income.

Measure A revenues were \$81,480 in 2017, an increase of \$28,129 in comparison with \$53,351 in the prior year due mainly to the increase in Measure A revenue from sales tax.

Measure D revenues were \$476,631 in 2017, an increase of \$6,892 in comparison with \$469,739 in the prior year due mainly to the increase in parcel tax income and investment income.

Measure E and F revenues were \$686,218 in 2017, a decrease of \$56 in comparison of \$686,274 received in 2016. Measure E and F revenues were special tax income received to pay for measure E and F bonds and projects costs. General Fund expenditures were \$420,930 in 2017, an increase of \$12,092 in comparison with \$408,838 in the prior year due mainly to the increase in community center, maintenance and capital outlay. Measure A expenditures were \$1,980 in 2017, a decrease of \$24,855 in comparison with \$36,835 in the prior year due mainly to the increase in Measure A park expenses. Measure D expenditures were \$511,309 in 2017, an increase of \$163,796 in comparison with \$347,513 in the prior year due mainly to the increase in waterway maintenance costs, dredging and capital outlay. Debt service and project E and F expenditures were \$944,219 in 2017, an increase of \$151,033 in comparison of \$793,186 paid in 2016. The decrease in debt service expenditures in 2017 was due to the District's payment of Measure E and F commercial term loans with Bank of Martin.

Other financing source was \$0 in 2017 and 2016. The only amount of other financing source in 2017 and 2016 was the PG&E loan payment and transfer of \$3,635 from general fund to the PG&E debt service fund. **Budgetary Highlights**

Comparisons of Budget and Actual financial information are presented for the General Fund and Measure D in these financial statements. In the General Fund, actual revenue was \$202,679 higher than the budgeted amount. Total expenditures were \$35,880 higher than budgeted amounts. This was primarily due to higher maintenance expenditures and other expenses and due to more expenses incurred for tree and park maintenance during fiscal year 2016-2017.

In Measure D, actual revenue was \$26,396 higher than the budgeted amount due to more parcel taxes and investment income received in fiscal year 2016-2017. Total Measure D expenditures were \$246,909 higher than budgeted amounts. This was primarily due to an increase of expenditures for dredging, professional fees, and due to higher maintenance expenditures and capital outlay expenditures that were not budgeted.

Capital Assets and Debt Administration

Capital Assets
The District's capital assets, net of accumulated depreciation decreased this year by \$164,406 to \$3,650,086 compared to \$3,814,492 in 2017. 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 \$119,085 net with depreciation expense of \$283,491. 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 Martin 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 \$22,719 in 2017 and \$26,354 in 2016. The commercial term loans with Bank of Martin balance was \$3,232,485 in 2017 and \$3,771,591 in 2016.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The District's long-term debts decreased this year by \$542,741 due to a \$3,635 payment on the PG&E loan and a \$539,106 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

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, 2017

<u>Governmental</u>	
Activities	
	\$ 632,872
	1,179,117
	698,430
	37,661
	15,392
	<u>2,563,472</u>
	964,687
	2,685,399
	<u>3,650,086</u>
	6,213,558
	<u>6,213,558</u>
	ASSETS
	Cash and cash equivalents
	Restricted cash
	Investments
	Accounts receivable
	Prepaid expense
	Total current assets
	Capital assets:
	Non-depreciable
	Depreciable, net of accumulated depreciation
	Total non-current assets
	Total assets
	LIABILITIES
	Accounts payable
	Compensated absences
	Deposits and other liabilities
	Non-current liabilities:
	Due within one year
	PG&E loan
	Measure E and F loans
	Due in more than one year
	PG&E loan
	Measure E and F loans
	Total liabilities
	<u>3,437,703</u>
	<u>2,775,855</u>
	394,882
	967,198
	899,337
	514,438
	<u>2,775,855</u>
	NET POSITION
	Net Investment in capital assets
	Restricted for:
	Debt service
	Measures and project costs
	Unrestricted
	Total net position

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, 2017

Net (Expense) Revenues and Changes in Net Position	Program Revenues				Governmental Activities: General Fund	Service and supplies Committee expenses Community center Depreciation expense Measure A expenditures Measure D expenditures Measure E and F project expenditures	Total governmental activities
	Charges for Services	Operating Grants & Contributions	Capital & Contributions	Expenses			
	\$ -	\$ -	\$ -	\$ 370,744	\$ -	\$ -	\$ 370,744
	(7,142)	-	-	7,142	-	-	(7,142)
	(10,915)	-	6,450	17,365	-	-	(10,915)
	(283,491)	-	-	283,491	-	-	(283,491)
	(11,980)	-	-	11,980	-	-	(11,980)
	(486,163)	-	-	486,163	-	-	(486,163)
	(120,922)	-	-	120,922	-	-	(120,922)
	\$ -	\$ -	\$ -	\$ 1,297,807	\$ -	\$ -	\$ 1,297,807
	\$ -	\$ -	\$ 6,450	\$ -	\$ -	\$ -	\$ 6,450

General revenues:		Change in net position	Net position, beginning of period	Net position, end of period
Taxes	Other general revenues			
Property taxes	1,149,331	467,841	2,308,014	\$ 2,775,855
Parcel taxes	472,390			
Measure A revenue (Sales taxes)	81,480			
ERAF income	48,118			
HOPTR tax income	2,332			
Investment income	4,568			
Other revenue	979			
Total general revenues	1,759,198			

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

Bel Marin Keys Community Services District
BALANCE SHEET
 Governmental Funds
 June 30, 2017

	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)	Governmental Funds	
ASSETS								
Cash and cash equivalents	\$ 632,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 632,872	
Restricted cash	-	121,338	379,686	-	203,561	474,532	1,179,117	
Investments	-	-	448,430	-	-	250,000	698,430	
Accounts receivable	3,151	27,327	2,929	-	1,411	2,843	37,661	
Due from (to) other funds	(50,743)	-	20,691	-	9,971	20,081	-	
Prepaid expense	15,392	-	-	-	-	-	15,392	
Total assets	\$ 600,672	\$ 148,665	\$ 851,736	\$ -	\$ 214,943	\$ 747,456	\$ 2,563,472	
LIABILITIES								
Accounts payable	\$ 24,493	\$ -	\$ 101,064	\$ -	\$ 17,920	\$ -	\$ 143,477	
Compensated absences	3,060	-	-	-	-	-	3,060	
Deposits and other liabilities	35,962	-	-	-	-	-	35,962	
Total liabilities	63,515	-	101,064	-	17,920	-	182,499	
FUND BALANCES								
Assigned for debt service	22,719	-	-	-	197,023	747,456	967,198	
Assigned for measures and projects	-	148,665	750,672	-	-	-	899,337	
Unassigned	514,438	-	-	-	-	-	514,438	
Total fund balances	537,157	148,665	750,672	-	197,023	747,456	2,380,973	
Total liabilities and fund balances	\$ 600,672	\$ 148,665	\$ 851,736	\$ -	\$ 214,943	\$ 747,456	\$ 2,563,472	

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

Bel Marin Keys Community Services District
 Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
 with the Governmental Activities
STATEMENT OF NET POSITION
 For the Fiscal Year Ended June 30, 2017

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUND \$ 2,380,973

Amounts reported for Governmental Activities in the Statement of Net Assets 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.

3,650,086

LONG-TERM LIABILITIES

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

Long-term debt

(3,255,204)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,775,855

Bel Marin Keys Community Services District
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Governmental Funds
For the Year Ended June 30, 2017

	General Fund			Special Fund			Debt Service		
	Operating	Measure A	Measure D	PG&B Loan	Project Fund I (Loan 2014-1)	Project Fund II (Loan 2014-2)	Governmental Funds	Total	
Revenues:									
Taxes	\$ 513,663	\$ 81,480	\$ 472,390	\$ -	\$ 227,643	\$ 458,475	\$ 1,753,651		
Investment income	227	-	4,241	-	29	71	4,568		
Other revenue	7,429	-	-	-	-	-	7,429		
Total revenues	521,319	81,480	476,631	-	227,672	458,546	1,765,648		
Expenditures:									
Community center	17,365	-	-	-	-	-	17,365		
Committee expenses	7,142	-	-	-	-	-	7,142		
Parks and open space	19,091	11,980	-	-	-	-	31,071		
Insurance	11,519	-	-	-	-	-	11,519		
Maintenance	121,681	-	283,350	-	-	-	405,031		
Payroll	102,484	-	-	-	-	-	102,484		
Professional fees	29,105	-	19,292	-	-	-	48,397		
Utilities	24,859	-	4,461	-	-	-	29,320		
Professional dues	3,169	-	-	-	-	-	3,169		
Office expense	7,672	-	-	-	-	-	7,672		
Other expense	51,164	-	25,061	-	-	-	76,225		
Capital outlay	25,679	-	25,146	-	-	-	50,825		
Measure D	-	-	-	-	-	-	-		
Dredging	-	-	46,967	-	-	-	46,967		
Water circulation	-	-	65,534	-	-	-	65,534		
Locks	-	-	18,137	-	-	-	18,137		
Waterway management	-	-	23,361	-	-	-	23,361		
Project I and II	-	-	-	-	-	-	-		
Capital outlay	-	-	-	-	44,799	23,461	68,260		
Other project costs	-	-	-	-	8,391	15,508	23,899		
Debt service:									
Loan principal repayment	-	-	-	3,635	171,695	367,411	542,741		
Loan interest expense	-	-	-	-	30,957	66,066	97,023		
Total expenditures	420,930	11,980	511,309	3,635	255,842	472,446	1,676,142		
Excess (deficiency) of revenues over (under) expenditures	100,389	69,500	(34,678)	(3,635)	(28,170)	(13,900)	89,506		
Other financing sources (uses):									
Transferred in	-	-	-	3,635	-	-	3,635		
Transferred out	(3,635)	-	-	-	-	-	(3,635)		
Total other financing sources (uses)	(3,635)	-	-	3,635	-	-	-		
Net change in fund balances	96,754	69,500	(34,678)	-	(28,170)	(13,900)	89,506		
Fund balances at beginning of period	440,403	79,165	785,350	-	225,193	761,356	2,291,467		
Fund balances at end of period	\$ 537,157	\$ 148,665	\$ 750,672	\$ -	\$ 197,023	\$ 747,456	\$ 2,380,973		

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

Bel Marin Keys Community Services District

Reconciliation of the

NET CHANGE IN STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

with the

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND \$ 89,506

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 fund balance.

Depreciation expense is deducted from the investment in capital assets

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):

PG&E loan principal repayment

Measure E & F loan principal repayment

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 467,841

3,635
539,106

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

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.

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. General Fund expenditures exceeded appropriations by \$35,880. Measure D expenditures exceeded appropriations for the Measure D fund by \$246,909, both of which were mainly due to under budget of capital outlay expenditures and unexpected maintenance and park projects. Measure A's budgeted revenue and expenditures were included in the General Fund. The District did not adopt a separate budget for Measure A.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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 County of Marin to be used for pet stations, Montego Park Irrigation, and for park, playground and picnic area improvements. The District maintains Measure A funds in a separate bank account and restricted Measure 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, 2017

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:

	2017	2016
Cash on deposit:		
Cash – General Fund	\$ 632,872	\$ 523,271
Total governmental fund cash and cash equivalent	<u>632,872</u>	<u>523,271</u>
Restricted cash:		
Cash restricted for measure A and capital improvement projects	121,338	79,703
Cash restricted for Measure D	379,686	316,496
Cash restricted for Measure E and F	678,093	707,389
Total governmental fund restricted cash	<u>1,179,117</u>	<u>1,103,588</u>
Investments:		
Investments restricted for Measure D	448,430	480,567
Investments restricted for Measure E and F projects	250,000	250,000
Total governmental fund restricted investments	<u>698,430</u>	<u>730,567</u>
Total governmental fund cash and investments	<u>\$ 2,510,419</u>	<u>\$ 2,357,426</u>

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.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (continued)

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, 2017 and 2016:

		2017				2016					
Investment Type	Amount	Remaining Maturity (in Months)				Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months	13-24 Months	25-60 Months	More than 60 Months			12 Months	13-24 Months	25-60 Months	More than 60 Months
Held by a bank:											
Money market accounts	\$ 85,958	\$ 85,958	\$ -	\$ -	\$ -	\$ 21,062	\$ -	\$ -	\$ -	\$ -	\$ -
State & municipal bonds	474,327	98,009	150,165	226,153	-	-	-	-	-	-	-
Non-government obligations	138,145	78,737	59,408	-	-	-	-	-	-	-	-
Total	\$ 698,430	\$ 262,704	\$ 209,573	\$ 226,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Held by a bank:											
Money market accounts	\$ 21,062	\$ 21,062	\$ -	\$ -	\$ -	\$ 21,062	\$ -	\$ -	\$ -	\$ -	\$ -
State & municipal bonds	542,673	73,732	75,930	393,011	-	-	-	-	-	-	-
Non-government obligations	166,832	76,027	52,920	37,885	-	-	-	-	-	-	-
Total	\$ 730,567	\$ 170,821	\$ 128,850	\$ 430,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (concluded)

Disclosures Relating to Credit Risks
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, 2017 and 2016:

Fiscal year 2016-2017		Fiscal year 2015-2016	
Investment Type	Carrying Amount	Legal Rating	Minimum Exempt From Disclosure
Held by a bank:			
Money market	\$ 85,958	N/A	\$ -
State & municipal bonds	474,327	N/A	-
Non-government obligations	138,145	N/A	-
Total	\$ 698,430		\$ -
Rating as of Fiscal Year End			
AAA			\$ -
Other			\$ 612,472
Not Rated			\$ 85,958
Held by a bank:			
Money market	\$ 21,062	N/A	\$ -
State & municipal bonds	542,673	N/A	-
Non-government obligations	166,832	N/A	-
Total	\$ 730,567		\$ -
Rating as of Fiscal Year End			
AAA			\$ -
Other			\$ 709,505
Not Rated			\$ 21,062

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the period ended June 30, 2017 is as follows:

Capital assets not being depreciated:	Balance 6/30/16	Additions	Transfers	Balance 6/30/17
Land	\$ 880,256	\$ -	\$ -	\$ 880,256
Construction in progress	36,231	48,200	-	84,431
Total non-depreciable assets	880,257	48,200	-	964,687
Capital assets being depreciated:				
Buildings and improvements	5,895,610	48,606	-	5,944,216
Equipment	2,081,331	22,279	-	2,103,610
Furniture	23,067	-	-	23,067
Total depreciable assets	8,000,008	70,885	-	8,070,893
Capital asset totals	8,916,495	119,085	-	9,035,580
Accumulated depreciation	(5,102,003)	(283,491)	-	(5,385,494)
Capital assets, net of accumulated depreciation	\$ 3,814,492			\$ 3,650,086

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 -

CAPITAL ASSETS

Depreciation expense for the year was \$283,491.

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 \$3,060 and \$4,142 as of June 30, 2017 and 2016, respectively.

NOTE 6 -

LONG-TERM DEBT

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, 2017, the District is obligated for the following payments:

Year Ending June 30	Principal	Interest	Total
2018	\$ 3,635	\$ -	\$ 3,635
2019	3,635	-	3,635
2020	3,635	-	3,635
2021	3,635	-	3,635
2022	3,635	-	3,635
Thereafter	4,544	-	4,544
Total	\$ 22,719	\$ -	\$ 22,719

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.

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6 - LONG-TERM DEBT (concluded)

As of June 30, 2017, the District is obligated for the following payments:

<u>Loan 2014-1</u>		<u>Loan 2014-2</u>	
Year Ending June 30	Current portion	Year Ending June 30	Current portion
2019	180,993	2019	387,151
2020	185,827	2020	408,292
2021	190,877	2021	419,293
2022	196,020	2022	46,325
2023	99,809	2023	56,482
Total	\$ 1,029,771	Total	\$ 2,202,714
	\$ 26,405		\$ 181,403
	Interest		Interest

Interest expense paid for loan 2014-1 and 2014-2 for the years ended June 30, 2017 was \$30,957 and \$66,066, respectively.

NOTE 7 - 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 8 - 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 year were \$2,260.

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, 2017

	Original and Final Budget	Actual	Final Budget With Variance
Revenues:			
Current:			
Taxes	\$ 395,000	\$ 595,143	\$ 200,143
Interest income	120	227	107
Other revenue	5,000	7,429	2,429
Total revenues	<u>400,120</u>	<u>602,799</u>	<u>202,679</u>
Expenditures:			
Community center	19,200	17,365	1,835
Committee expenses	9,000	7,142	1,858
Parks and open space	40,100	31,071	9,029
Insurance	14,600	11,519	3,081
Maintenance	89,100	121,681	(32,581)
Payroll	123,096	102,484	20,612
Professional fees	34,700	29,105	5,595
Utilities	27,376	24,859	2,517
Professional dues	4,012	3,169	843
Office expense	7,800	7,672	128
Other expense	28,046	51,164	(23,118)
Capital outlay	-	25,679	(25,679)
Total expenditures	<u>397,030</u>	<u>432,910</u>	<u>(35,880)</u>
Excess of revenues over expenditures	\$ 3,090	\$ 169,889	\$ 166,799
Other financing sources (uses)			
Transferred in	-	-	-
Transferred out	(3,635)	(3,635)	(3,635)
Total other financing sources (uses)	<u>(3,635)</u>	<u>(3,635)</u>	<u>(3,635)</u>
Fund balance at beginning of period	519,568	519,568	519,568
Fund balance at end of period	\$ 685,822	\$ 685,822	\$ 685,822

**Bel Marin Keys Community Services District
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Required Supplementary Information
Budget and Actual - Special Revenue - Measure D (Unaudited)
For the Year Ended June 30, 2017

	Original and Final Budget	Actual	Final Budget With Variance
Revenues:			
Current:			
Taxes	\$ 447,371	\$ 472,390	\$ 25,019
Interest income	2,864	4,241	1,377
Total revenues	<u>450,235</u>	<u>476,631</u>	<u>26,396</u>
Expenditures:			
Dredging	18,400	46,967	(28,567)
Water circulation	93,450	65,534	27,916
Locks	19,700	18,137	1,563
Waterway management	15,300	23,361	(8,061)
Maintenance	75,476	283,350	(207,874)
Professional fees	18,400	19,292	(892)
Utilities	6,800	4,461	2,339
Other	16,874	25,061	(8,187)
Capital outlay	-	25,146	(25,146)
Total expenditures	<u>264,400</u>	<u>511,309</u>	<u>(246,909)</u>
Excess of revenues over expenditures	\$ 185,835	\$(34,678)	\$ (220,513)
Fund balance at beginning of period		785,350	
Fund balance at end of period			<u>\$ 750,672</u>