
**BEL MARIN KEYS
COMMUNITY SERVICES DISTRICT**

NOVATO, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019, 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, 2019, 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, 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 6, 2020 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 6, 2020

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019. 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 \$3,989,157 at June 30, 2019; this amount is identified as the District's net position.

The District's net position increased by \$610,240 from 2018 and this increase is the Change in Net Position of \$610,240 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, 2019

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, 2019 is \$3,989,157. The following table provides a summary of the District's net position:

Table 1 - Summary of Net Position
 June 30, 2019
Governmental Activities

	2019		2018	
	Amount	Percentage of Total	Amount	Percentage of Total
<u>Assets</u>				
Current assets	\$ 2,517,047	40%	\$ 2,226,189	36%
Capital assets, net	<u>3,712,259</u>	<u>60%</u>	<u>4,019,709</u>	<u>64%</u>
Total assets	<u>6,229,306</u>	<u>100%</u>	<u>6,245,898</u>	<u>100%</u>
<u>Liabilities</u>				
Current liabilities	700,796	31%	740,598	26%
Long-term debt obligations, net	<u>1,539,353</u>	<u>69%</u>	<u>2,126,383</u>	<u>74%</u>
Total liabilities	<u>2,240,149</u>	<u>100%</u>	<u>2,866,981</u>	<u>100%</u>
<u>Net Position</u>				
Net investment in capital assets	1,585,952	40%	1,321,547	39%
Restricted	1,807,626	45%	1,639,241	49%
Unrestricted	<u>595,579</u>	<u>15%</u>	<u>418,129</u>	<u>12%</u>
Total net position	<u>\$ 3,989,157</u>	<u>100%</u>	<u>\$ 3,378,917</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, 2019 and at June 30, 2018. 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 \$610,240 or 18% during the year.

In 2019, approximately 60% 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 64% to 60% from 2018 to 2019 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, 2019

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, 2019
Governmental Activities

	2019		2018	
	Amount	Percentage of Total	Amount	Percentage of Total
<u>Program Expenses</u>				
Operating	\$ 597,420	49%	\$ 749,434	52.5%
Measure A	(14,707)	(1)%	2,130	1.0%
Measure D	511,379	42%	366,654	37.5%
Measure E and F	<u>126,884</u>	<u>10%</u>	<u>105,047</u>	<u>9.0%</u>
Total program expenses	<u>1,220,976</u>	<u>100%</u>	<u>1,223,265</u>	<u>100%</u>
<u>Program Revenues</u>				
Operating	<u>9,480</u>	<u>100%</u>	<u>8,000</u>	<u>100%</u>
Total program revenues	<u>9,480</u>	<u>100%</u>	<u>8,000</u>	<u>100%</u>
<u>General Revenues</u>				
Operating	564,021	31%	536,889	30%
Measure A	60,389	3%	57,461	3%
Measure D	508,040	28%	492,074	28%
Measure E and F	<u>689,286</u>	<u>38%</u>	<u>683,351</u>	<u>39%</u>
Total general revenues	<u>1,821,736</u>	<u>100%</u>	<u>1,769,775</u>	<u>100%</u>
Change in Net Position	<u>\$ 610,240</u>		<u>\$ 554,510</u>	

As Table 2 above shows, total Operating expense was \$597,420 in fiscal year 2019, which decreased by \$152,014 compared to \$749,434 in fiscal year 2018. The decrease in the Operating expense was due mainly to the decrease in maintenance, payroll and other expenses.

Total Measure A expense was \$(14,707) in fiscal year 2019, which decreased by \$16,837 compared to \$2,130 in fiscal year 2018. Measure A expense decreased because of an accounts payable adjustment made in 2019.

Total Measure D expense was \$511,379 in fiscal year 2019, which increased by \$144,725 compared to \$366,654 in fiscal year 2018. The increase in the Measure D expense was due mainly to the increase in waterway management and locks.

Total Measure E and F project expense was \$126,884 in fiscal year 2019, which increased by \$21,837 compared to \$105,047 in fiscal year 2018. The increase in the Measure E and F project expense was due mainly to the increase in maintenance and other project expenses.

Also as Table 2 above shows, program revenue was \$9,480 in fiscal year 2019 compared to \$8,000 in fiscal year 2018.

In fiscal year 2019, \$564,021 of the District's Operating general revenues came from property tax revenue, interest income and other income which increased by \$27,132 compared to \$536,889 in fiscal year 2018.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019

Measure A's general revenues come from sales tax revenue of \$60,389 in fiscal year 2019, which increased by \$2,928 compared to \$57,461 in fiscal year 2018. 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 \$508,040 in fiscal year 2019, which increased by \$15,966 compared to \$492,074 in fiscal year 2018. 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 \$689,286 in fiscal year 2019, which increased by \$5,935 compared to \$683,351 in fiscal year 2018 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

	2019	2018
<u>Revenues</u>		
Operating	\$ 573,501	\$ 543,639
Measure A	60,389	57,461
Measure D	508,040	493,324
Measure E and F	689,286	683,351
Total revenues	1,831,216	1,777,775
 <u>Expenditures</u>		
Operating	411,500	639,948
Measure A	(20,828)	93,519
Measure D	422,011	650,093
Total expenditures	812,683	1,383,560
 <u>Debt service and project costs</u>	(672,698)	(766,370)
 <u>Other financing sources</u>	-	-
 Excess of revenues over expenditures	\$ 345,835	\$ (372,155)

Operating revenues totaled \$573,501 in 2019, increased by \$29,862 in comparison with \$543,639 in fiscal year 2018 due primarily to the increase in other income.

Measure A revenues were \$60,389 in 2019, an increase of \$2,928 in comparison with \$57,461 in fiscal year 2018 due mainly to the increase in Measure A revenue from sales tax.

Measure D revenues were \$508,040 in 2019, an increase of \$14,716 in comparison with \$493,324 in fiscal year 2018 due mainly to the increase in parcel tax income and investment income.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Measure E and F revenues were \$689,286 in 2019, an increase of \$5,935 in comparison of \$683,351 received in fiscal year 2018. 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 \$411,500 in 2019, a decrease of \$228,448 in comparison with \$639,948 in fiscal year 2018 due mainly to the decrease in parks and open space, maintenance and capital outlay.

Measure A expenditures were \$(20,828) in 2019, a decrease of \$114,347 in comparison with \$93,519 in fiscal year 2018 due mainly to a significant capital outlay expense for the District's new tennis court and playground in 2018.

Measure D expenditures were \$422,011 in 2019, a decrease of \$228,082 in comparison with \$650,093 in fiscal year 2018 due mainly to the decrease in capital outlay.

Debt service and project E and F expenditures were \$672,698 in 2019, a decrease of \$93,672 in comparison of \$766,370 paid in fiscal year 2018. The decrease 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 decrease in capital outlay.

Other financing source was \$0 in 2019 and 2018. The only amount of other financing source in 2019 and 2018 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 \$167,170 higher than the budgeted amount. Total expenditures were \$187,344 lower than budgeted amounts. This was primarily due to less capital outlay expenditures than budgeted.

In the Special Fund (Measure D), actual revenue was \$27,040 higher than the budgeted amount due to more parcel taxes and investment income received in fiscal year 2019. Total Special Fund (Measure D) expenditures were \$177,961 higher than budgeted amounts. This was primarily due to an increase of expenditures for waterway management, locks, and due to higher licenses, permits and surveys expenditures that were not budgeted.

Bel Marin Keys Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation decreased this year by \$307,450 to \$3,712,259 compared to \$4,019,709 in 2019. 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 \$20,960 net with depreciation expense of \$328,410. 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 \$15,449 in 2019 and \$19,084 in 2018. The commercial term loans with Bank of Marin balance was \$2,110,858 in 2019 and \$2,679,078 in 2018.

The District's long-term debts decreased this year by \$571,855 due to a \$3,635 payment on the PG&E loan and a \$568,220 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, 2019

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 658,141
Restricted cash and cash equivalents	1,089,051
Short-term investments	671,679
Accounts receivable, net	73,371
Prepaid expenses	24,805
Total current assets	2,517,047
Non-current assets:	
Capital assets, net	3,712,259
Total non-current assets	3,712,259
Total assets	6,229,306
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	94,399
Compensated absences	10,393
Other liabilities	9,050
Long-term debt obligations, current portion	586,954
Total current liabilities	700,796
Non-current liabilities:	
Long-term debt obligations, net of current portion	1,539,353
Total non-current liabilities	1,539,353
Total liabilities	2,240,149
<u>NET POSITION</u>	
Net investment in capital assets	1,585,952
Restricted for:	
Debt service	885,318
Measures and project costs	922,308
Unrestricted	595,579
Total net position	\$ 3,989,157

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, 2019

	Governmental Activities
Program expenses:	
Service and supplies - Operating	\$ 340,512
Service and supplies - Measure A	(20,828)
Service and supplies - Measure D	421,574
Service and supplies - Project Fund I	37,497
Service and supplies - Project Fund II	63,346
Committee expenses	1,083
Community service center	49,382
Depreciation expense	328,410
Total program expenses	1,220,976
 Program revenues:	
Charges for services	9,480
Total program revenues	9,480
 Net program revenues (expenses)	(1,211,496)
 General revenues:	
Taxes:	
Measure income	1,729,063
ERAF income	29,598
HOPIR tax income	2,261
Investment earnings (losses)	16,971
Other revenue	43,843
Total general revenues	1,821,736
 Change in net position	610,240
Net position, beginning of period	3,378,917
 Net position, end of period	\$ 3,989,157

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

Bel Marin Keys Community Services District
GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2019

	General Fund		Special Fund		Debt Service		Total
	Operating	Measure A	Measure D	PC&E Loan	Project Fund I (Loan 2014-1)	Project Fund II (Loan 2014-2)	
ASSETS							
Cash and cash equivalents	\$ 658,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 658,141
Restricted cash and cash equivalents	-	112,607	365,440	-	214,508	396,496	1,089,051
Short-term investments	-	-	421,679	-	-	250,000	671,679
Accounts receivable, net	7,095	60,389	2,457	-	1,138	2,292	73,371
Due (to) from other funds	(50,106)	20,828	8,394	-	5,248	15,636	-
Prepaid expenses	24,805	-	-	-	-	-	24,805
Total assets	\$ 639,935	\$ 193,824	\$ 797,970	\$ -	\$ 220,894	\$ 664,424	\$ 2,517,047
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 24,913	\$ -	\$ 69,486	\$ -	\$ -	\$ -	\$ 94,399
Compensated absences	10,393	-	-	-	-	-	10,393
Other liabilities	9,050	-	-	-	-	-	9,050
Total liabilities	44,356	-	69,486	-	-	-	113,842
Fund balances:							
Assigned for debt service	-	-	-	-	220,894	664,424	885,318
Assigned for measures and project costs	-	193,824	728,484	-	-	-	922,308
Unassigned	595,579	-	-	-	-	-	595,579
Total fund balances	595,579	193,824	728,484	-	220,894	664,424	2,403,205
Total liabilities and fund balances	\$ 639,935	\$ 193,824	\$ 797,970	\$ -	\$ 220,894	\$ 664,424	\$ 2,517,047

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, 2019

Total Governmental Funds Fund Balances	\$ 2,403,205
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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	3,712,259
Long-term debt obligations	<u>(2,126,307)</u>

Net Position of Governmental Activities	<u>\$ 3,989,157</u>
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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, 2019

	General Fund		Special Fund		Debt Service		Total
	Operating	Measure A	Measure D	PG&E Loan	Project	Project	
					Fund I (Loan 2014-1)	Fund II (Loan 2014-2)	
Revenues:							
Taxes	\$ 519,951	\$ 60,389	\$ 491,484	\$ -	\$ 227,643	\$ 461,455	\$ 1,760,922
Investment earnings (losses)	227	-	16,556	-	48	140	16,971
Charges for services	9,480	-	-	-	-	-	9,480
Other revenue	43,843	-	-	-	-	-	43,843
Total revenues	573,501	60,389	508,040	-	227,691	461,595	1,831,216
Expenditures:							
Personnel costs	113,223	-	29,980	-	-	-	143,203
Professional fees	33,061	-	24,081	-	-	-	57,142
Community service center	48,945	-	437	-	-	-	49,382
Occupancy	738	-	5,705	-	-	-	6,443
Professional dues	3,166	-	3,507	-	-	-	6,673
Fees	7,756	-	1,964	-	-	-	9,720
Administrative expenses	4,400	-	19,171	-	-	-	23,571
Office expenses	14,425	-	-	-	-	-	14,425
Committee expenses	1,083	-	-	-	-	-	1,083
Information technology	6,373	-	-	-	-	-	6,373
Insurance	17,925	-	-	-	-	-	17,925
Licenses, permits and surveys	1,738	-	31,900	-	-	-	33,638
Maintenance	127,401	(20,828)	-	-	-	-	106,573
Marketing and outreach	781	-	-	-	-	-	781
Bond expenses	-	-	560	-	-	-	560
Capital outlay	20,960	-	-	-	-	-	20,960
Measure D							
Water circulation	-	-	62,198	-	-	-	62,198
Waterway management	8,821	-	141,340	-	-	-	150,161
Locks	704	-	101,168	-	-	-	101,872
Project I and II							
Other project costs	-	-	-	-	15,865	17,072	32,937
Debt service:							
Loan principal repayment	-	-	-	3,635	181,018	387,202	571,855
Loan interest expense	-	-	-	-	21,632	46,274	67,906
Total expenditures	411,500	(20,828)	422,011	3,635	218,515	450,548	1,485,381
Other financing sources (uses):							
Transfers in	-	-	-	3,635	-	-	3,635
Transfers out	(3,635)	-	-	-	-	-	(3,635)
Total other financing sources (uses)	(3,635)	-	-	3,635	-	-	-
Excess of revenues over (under) expenditures	158,366	81,217	86,029	-	9,176	11,047	345,835
Fund balances, beginning of period	437,213	112,607	642,455	-	211,718	653,377	2,057,370
Fund balances, end of period	\$ 595,579	\$ 193,824	\$ 728,484	\$ -	\$ 220,894	\$ 664,424	\$ 2,403,205

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, 2019

Net Change in Fund Balances	\$ 345,835
 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	(328,410)
Capital outlay expenditures	20,960
Loan principal repayment	<u>571,855</u>
 Change in Net Position of Governmental Activities	 <u>\$ 610,240</u>

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

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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 \$177,961, 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, 2019

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, 2019

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 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, 2019

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:

	2019	2018
Cash and cash equivalents:		
Cash - Operating	\$ 658,141	\$ 493,798
Total governmental funds cash and cash equivalents	658,141	493,798
Restricted cash and cash equivalents:		
Cash restricted for Measure A	112,607	104,880
Cash restricted for Measure D	365,440	243,512
Cash restricted for Measure E and F	611,004	613,615
Total governmental funds restricted cash	1,089,051	962,007
Short-term investments:		
Investments restricted for Measure D	421,679	425,572
Investments restricted for Measure E and F projects	250,000	250,000
Total governmental funds short-term investments	671,679	675,572
Total governmental funds cash and investments	\$ 2,418,871	\$ 2,131,377

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

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, 2019 and 2018:

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	135,460	-	51,207	62,937	21,316
Total	<u>\$ 671,679</u>	<u>\$ 404,658</u>	<u>\$ 124,758</u>	<u>\$ 120,947</u>	<u>\$ 21,316</u>

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 3 - CASH AND INVESTMENTS (concluded)

Investment Type	Carrying Amount	2018 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	\$ 221,877	\$ 221,877	\$ -	\$ -	\$ -
State & municipal bonds	330,145	144,276	110,719	75,150	-
Non-government obligations	<u>123,550</u>	<u>46,154</u>	<u>26,318</u>	<u>51,078</u>	-
Total	<u>\$ 675,572</u>	<u>\$ 412,307</u>	<u>\$ 137,037</u>	<u>\$ 126,228</u>	<u>\$ -</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, 2019 and 2018:

<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>135,460</u>	-
Total	<u>\$ 671,679</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,984</u>	<u>\$ 317,695</u>

<u>Fiscal year 2017-2018</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	\$ 221,877	N/A	\$ -	\$ -	\$ -	\$ 221,877
State & municipal bonds	330,145	N/A	-	-	330,145	-
Non-government obligations	<u>123,550</u>	N/A	-	-	<u>123,550</u>	-
Total	<u>\$ 675,572</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,695</u>	<u>\$ 221,877</u>

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the period ended June 30, 2019 is as follows:

	Balance 6/30/18	Additions	Transfers	Balance 6/30/19
Capital assets not being depreciated:				
Land	\$ 880,256	\$ -	\$ -	\$ 880,256
Construction in progress	30,178	-	(30,178)	-
Total non-depreciable assets	910,434	-	(30,178)	880,256
Capital assets being depreciated:				
Buildings and improvements	6,665,486	20,960	30,178	6,716,624
Equipment	2,103,610	-	-	2,103,610
Furniture	23,067	-	-	23,067
Total depreciable assets	8,792,163	20,960	30,178	8,843,301
Capital asset totals	9,702,597	20,960	-	9,723,557
Accumulated depreciation	(5,682,888)	\$ (328,410)	\$ -	(6,011,298)
Capital assets, net of accumulated depreciation	<u>\$ 4,019,709</u>			<u>\$ 3,712,259</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$328,410 and \$297,394, 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 \$10,393 and \$3,954 as of June 30, 2019 and 2018, 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, 2019, the District is obligated for the following payments:

Year Ending June 30	Principal	Interest	Total
2020 (current portion)	\$ 3,635	\$ -	\$ 3,635
2021	3,635	-	3,635
2022	3,635	-	3,635
2023	3,635	-	3,635
Thereafter	909	-	909
Total	\$ 15,449	\$ -	\$ 15,449

Bel Marin Keys Community Services District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

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, 2019, the District is obligated for the following payments:

<u>Year Ending June 30</u>	<u>Loan 2014-1</u>	
	Principal	Interest
2020 (current portion)	\$ 185,827	\$ 16,823
2021	190,877	11,773
2022	196,020	6,630
2023	99,730	1,594
Total	\$ 672,454	\$ 36,820

<u>Year Ending June 30</u>	<u>Loan 2014-2</u>	
	Principal	Interest
2020 (current portion)	\$ 397,492	\$ 35,985
2021	408,292	25,184
2022	419,293	14,183
2023	213,327	3,411
Total	\$ 1,438,404	\$ 78,763

Interest expense paid for loan 2014-1 and 2014-2 for the years ended June 30, 2019 and 2018 was \$21,632 and \$46,274, 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, 2019 and 2018 were \$2,541 and \$2,712, respectively.

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, 2019

	Original and Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:			
Taxes	\$ 461,500	\$ 580,340	\$ 118,840
Investment earnings (losses)	120	227	107
Charges for services	4,500	9,480	4,980
Other revenue	600	43,843	43,243
Total revenues	466,720	633,890	167,170
Expenditures:			
Personnel costs	153,158	113,223	39,935
Professional fees	40,800	33,061	7,739
Community service center	73,636	48,945	24,691
Occupancy	-	738	(738)
Professional dues	4,012	3,166	846
Fees	2,016	7,756	(5,740)
Administrative expenses	9,600	4,400	5,200
Office expenses	15,780	14,425	1,355
Committee expenses	6,000	1,083	4,917
Information technology	9,000	6,373	2,627
Insurance	13,434	17,925	(4,491)
Licenses, permits and surveys	500	1,738	(1,238)
Maintenance	114,040	106,573	7,467
Marketing and outreach	5,040	781	4,259
Bond expenses	-	-	-
Capital outlay	128,000	20,960	107,040
Measure D:			
Water circulation	-	-	-
Waterway management	3,000	8,821	(5,821)
Locks	-	704	(704)
Total expenditures	578,016	390,672	187,344
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	\$ (111,296)	239,583	\$ 350,879
Fund balances, beginning of period		549,820	
Fund balances, end of period		\$ 789,403	

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, 2019

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 466,000	\$ 491,484	\$ 25,484
Investment earnings (losses)	15,000	16,556	1,556
Charges for services	-	-	-
Other revenue	-	-	-
Total revenues	<u>481,000</u>	<u>508,040</u>	<u>27,040</u>
Expenditures:			
Personnel costs	-	29,980	(29,980)
Professional fees	47,000	24,081	22,919
Community service center	-	437	(437)
Occupancy	15,000	5,705	9,295
Professional dues	3,800	3,507	293
Fees	1,500	1,964	(464)
Administrative expenses	9,500	19,171	(9,671)
Office expenses	-	-	-
Committee expenses	-	-	-
Information technology	-	-	-
Insurance	-	-	-
Licenses, permits and surveys	4,800	31,900	(27,100)
Maintenance	-	-	-
Marketing and outreach	-	-	-
Bond expenses	-	560	(560)
Capital outlay	-	-	-
Measure D:			
Water circulation	60,300	62,198	(1,898)
Waterway management	71,900	141,340	(69,440)
Locks	30,250	101,168	(70,918)
Total expenditures	<u>244,050</u>	<u>422,011</u>	<u>(177,961)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>\$ 236,950</u>	86,029	<u>\$ (150,921)</u>
Fund balances, beginning of period		<u>642,455</u>	
Fund balances, end of period		<u>\$ 728,484</u>	

R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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 Commissioners
Bel Marin Keys Community Services District
San Mateo, 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, 2019, 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 6, 2020.

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*.

Board of Directors
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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 6, 2020