

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

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2023**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Bel Marin Keys Community Services District as of and for the year ended June 30, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Bel Marin Keys Community Services District, as of June 30, 2023, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bel Marin Keys Community Services District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bel Marin Keys Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

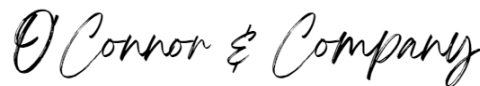
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bel Marin Keys Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Other Matters

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-7) and budgetary comparison information 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.



O'Connor & Company

Novato, California  
July 25, 2025

Bel Marin Keys Community Services District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

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, 2023. 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 Statements**

Bel Marin Keys Community Services District ~~was~~ able to respond to requests and needs of local stakeholders with these funds. Some of the services Bel Marin Keys Community Services District provides include maintenance of eight parks, four boat ramps/docks, two navigational locks, numerous open spaces, public lighting and the levee. Essential services are provided to residents from other agencies which include water supply, sewage, garbage, fire and police services, public education, libraries and roadway maintenance, and utilities.

## **Introduction to the Basic Financial Statements**

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

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

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of Bel Marin Keys Community Services District.

## **The Basic Financial Statements**

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of Bel Marin Keys Community Services District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of Bel Marin Keys Community Services District's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of Bel Marin Keys Community Services District as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of Bel Marin Keys Community Services District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of Bel Marin Keys Community Services District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All Bel Marin Keys Community Services District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report Bel Marin Keys Community Services District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of Bel Marin Keys Community Services District's Major Fund. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Bel Marin Keys Community Services District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

Major Funds account for the major financial activities of Bel Marin Keys Community Services District and are presented individually. The Major Funds are explained below.

**The Government-wide Financial Statements**

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of Bel Marin Keys Community Services District as a whole.

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

*Governmental Activities* – Bel Marin Keys Community Services District's basic services are governmental activities. These services are supported by specific general revenues from local agencies.

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of Bel Marin Keys Community Services District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of Bel Marin Keys Community Services District for the year, and may change from year-to-year as a result of changes in the pattern of Bel Marin Keys Community Services District's activities.

In Bel Marin Keys Community Services District's case, there is only one Major Governmental Fund, the General Fund.

Governmental Fund Financial Statements are prepared on a modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

**Analyses of Major Funds**

Governmental Funds

General Fund revenue decreased this fiscal year compared to the prior year due primarily to decreases in Measure Parcel Taxes. Actual revenues were less than budgeted by \$1,980.

General Fund expenditures were \$1,054,658, a decrease of \$458,799 from the prior year due to a large decrease in maintenance project costs from the prior year. Expenditures were \$1,043,027 less than budgeted.

**Financial Analysis of the District as a Whole**

Bel Marin Keys Community Services District's net position at June 30, 2023 is \$7,827,406. The following table provides a summary of the District's net position:

Bel Marin Keys Community Services District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

Table 1  
Summary of Net Position  
Governmental Activities  
June 30, 2023

	<u>2023</u>	<u>2022</u>
<b><u>Assets</u></b>		
Current assets	\$ 3,224,853	\$ 3,028,204
Capital assets, net	<u>4,629,347</u>	<u>3,394,876</u>
Total assets	<u>7,854,200</u>	<u>6,423,080</u>
<b><u>Liabilities</u></b>		
Current liabilities	26,794	50,280
Long-term debt obligations, net	<u>-</u>	<u>317,601</u>
Total liabilities	<u>26,794</u>	<u>367,881</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	4,629,347	3,077,275
Restricted	1,978,854	1,682,692
Unrestricted	<u>1,219,205</u>	<u>1,295,232</u>
Total net position	<u>\$ 7,827,406</u>	<u>\$ 6,055,199</u>

The District also reported positive balances in net position for the current year. Total net position increased by \$1,772,204 during the year.

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  
Governmental Activities  
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
<b><u>Program Expenses</u></b>		
Salaries and benefits	\$ 138,469	\$ 146,856
Services and supplies	836,079	819,783
Interest expense	<u>4,393</u>	<u>20,765</u>
Total program expenses	<u>978,941</u>	<u>987,404</u>
<b><u>Program Revenues</u></b>		
Charges for services	<u>20,191</u>	<u>6,750</u>
Total program revenues	<u>20,191</u>	<u>6,750</u>
<b><u>General Revenues</u></b>		
Taxes	1,237,773	1,667,040
Investment earnings (losses)	<u>16,829</u>	<u>1,489</u>
Total general revenues	<u>1,254,602</u>	<u>1,668,529</u>
Total revenue	<u>1,274,793</u>	<u>1,675,279</u>
Change in Net Position	<u>\$ 295,852</u>	<u>\$ 687,875</u>

Bel Marin Keys Community Services District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

As Table 2 above shows, total operating expense was \$978,941 in fiscal year 2023, which decreased by \$8,463 from the prior year. The decrease in the operating expense was due mainly to the decrease in repair and maintenance expenses.

As Table 2 above shows, \$1,254,602, or 98%, of the District's fiscal year 2023 governmental revenue came from general revenues such as taxes and interest, and 2% came from program revenues.

Program revenues were composed of charges for services of \$20,191.

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

### **Budgetary Highlights**

Comparisons of Budget and Actual financial information are presented for the General Fund (including Measure A and Measure D) in these financial statements. In the General Fund (including Measure A and D), actual revenue was \$1,980 lower than the budgeted amount. Total expenditures were \$1,043,027 lower than budgeted amounts. This was primarily due to less personnel costs and less maintenance project expenses than budgeted.

### **Capital Assets and Debt Administration**

#### Capital Assets

GASB Statement No. 34 requires Bel Marin Keys Community Services District to record all its capital assets, which were not recorded in prior years.

At the end of fiscal year 2023, the cost of infrastructure and other capital assets recorded in Bel Marin Keys Community Services District financial statements was as shown in Table 3 below:

Table 3  
Capital Assets at Year-End  
Governmental Activities  
For the Year Ended June 30, 2023

	2023
Land	\$ 880,256
Construction in progress	193,775
Buildings and improvements	8,991,920
Equipment	274,944
Furniture	1,034
Less accumulated depreciation	(5,712,582)
Governmental activity capital assets, net	<u>\$ 4,629,347</u>

Details on capital assets, current year's additions and current year disposals can be found in Note 4.

#### Debt Administration

The District has paid off all existing long-term debt in fiscal year 2022-2023. Details can be found in Note 6.



Bel Marin Keys Community Services District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

**Adopting the California Uniform Public Construction Cost Accounting Act**

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 Bel Marin Keys Community Services 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 Bel Marin Keys Community Services District's Financial Management**

This Annual Financial Report is intended to provide District residents, grant 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, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,040,602
Restricted cash and cash equivalents	1,154,151
Accounts receivable, net	<u>30,100</u>
Total current assets	<u>3,224,853</u>
Non-current assets:	
Capital assets not being depreciated	1,074,031
Capital assets, net of accumulated depreciation	<u>3,555,316</u>
Total non-current assets	<u>4,629,347</u>
Total assets	<u>7,854,200</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	24,691
Other liabilities	<u>2,103</u>
Total liabilities	<u>26,794</u>
<u>NET POSITION</u>	
Net investment in capital assets	4,629,347
Restricted for:	
Measures and capital projects	1,978,854
Unrestricted	<u>1,219,205</u>
Total net position	<u>\$ 7,827,406</u>

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

Bel Marin Keys Community Services District  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Salaries and benefits	\$ 138,469	\$ -	\$ (138,469)
Services and supplies	836,079	20,191	(815,888)
Interest expense	<u>4,393</u>	<u>-</u>	<u>(4,393)</u>
Total governmental activities	<u>\$ 978,941</u>	<u>\$ 20,191</u>	<u>(958,750)</u>
General revenues:			
Taxes:			1,237,773
Investment earnings (losses)			<u>16,829</u>
Total general revenues			<u>1,254,602</u>
Change in net position			<u>295,852</u>
Net position, beginning of period			6,055,199
Prior period adjustment			<u>1,476,355</u>
Net position, beginning of period restated			<u>7,531,554</u>
Net position, end of period			<u>\$ 7,827,406</u>

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

Bel Marin Keys Community Services District  
GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2023

ASSETS

Cash and investments	\$ 2,040,602
Restricted cash and investments	1,154,151
Accounts receivable, net	<u>30,100</u>
Total assets	<u><u>\$ 3,224,853</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 24,691
Other liabilities	<u>2,103</u>
Total liabilities	<u>26,794</u>

Fund balances:

Restricted fund balances	1,978,854
Unassigned	<u>1,219,205</u>
Total fund balances	<u>3,198,059</u>

Total liabilities and fund balances	<u><u>\$ 3,224,853</u></u>
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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, 2023

Total Governmental Funds Fund Balances	\$ 3,198,059
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Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital assets	10,341,929
Accumulated depreciation	(5,712,582)
	<u>-</u>

Net Position of Governmental Activities	<u>\$ 7,827,406</u>
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The accompanying notes are an integral part of these financial statements.

Bel Marin Keys Community Services District  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2023

Revenues:

Taxes	\$ 1,237,773
Investment earnings (losses)	16,829
Charges for services	<u>20,191</u>
Total revenues	<u>1,274,793</u>

Expenditures:

Current:

Salaries and benefits	138,469
Services and supplies	513,527
Capital outlay	80,668
Debt service:	
Principal	317,601
Interest expense	<u>4,393</u>
Total expenditures	<u>1,054,658</u>

Excess of revenues over (under)  
expenditures

220,135

Fund balances, beginning of period

2,977,924

Fund balances, end of period

\$ 3,198,059

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, 2023

Net Change in Fund Balances	\$ 220,135
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Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Depreciation expense	(322,552)
Capital outlay expenditures	80,668

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net assets.

Loan principal repayment	<u>317,601</u>
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Change in Net Position of Governmental Activities	<u>\$ 295,852</u>
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The accompanying notes are an integral part of these financial statements.

Bel Marin Keys Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2023

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 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. 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 a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditure or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

The Fund Financial Statements are presented after the government-wide financial statements. These statements display information about major funds individually in a separate column and non-major funds in the aggregate for governmental funds.



Bel Marin Keys Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

The District reported the following major governmental funds in the accompanying financial statements:

The District has the General Fund, which accounts for District activities.

D. 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*.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

E. 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. 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.

F. 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.

Bel Marin Keys Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. 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.

I. 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.

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

Net Position Flow Assumption

When both restricted and unrestricted net position is available, restricted resources are used first before unrestricted resources.

J. 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:

Non-spendable 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, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

Fund Balance Flow Assumption

When expenditure is 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).

K. 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.

L. Sales Taxes

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

M. 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, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

N. 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.

O. Contingencies

The District may be involved from time to time in various claims and litigation arising in the ordinary course of business. District management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on Bel Marin Keys Community Services District's financial position or results of operations.

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:

	2023
Cash in banks	\$ 2,040,602
Restricted cash in County Treasury	1,154,151
Total	<u>\$ 3,194,753</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, 2023

NOTE 3 - CASH AND INVESTMENTS (concluded)

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

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.

Fair Value Measurement

GASB Statement No. 72, Fair Value Measurements and Application, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

Bel Marin Keys Community Services District did not have any investments subject to the recurring fair value measurements as of June 30, 2023.

Bel Marin Keys Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2023

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the period ended June 30, 2023 is as follows:

	Balance 6/30/22	Adjustments	Additions	Deletions	Balance 6/30/23
Capital assets not being depr:					
Land	\$ 880,256	\$ -	\$ -	\$ -	\$ 880,256
Construction in progress	186,917	-	35,777	28,919	193,775
Total non-depreciable assets	<u>1,067,173</u>	<u>-</u>	<u>35,777</u>	<u>28,919</u>	<u>1,074,031</u>
Capital assets being depreciated:					
Buildings and improvements	8,558,811	433,109	-	-	8,991,920
Equipment	605,762	(404,628)	73,810	-	274,944
Furniture	17,272	(16,238)	-	-	1,034
Total depreciable assets	<u>9,181,845</u>	<u>12,243</u>	<u>73,810</u>	<u>-</u>	<u>9,267,898</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,517,177)	1,217,056	(302,699)	-	(5,602,820)
Equipment	(319,693)	230,818	(19,853)	-	(108,728)
Furniture	(17,272)	16,238	-	-	(1,034)
Total accumulated depreciation	<u>(6,854,142)</u>	<u>1,464,112</u>	<u>(322,552)</u>	<u>-</u>	<u>(5,712,582)</u>
Net capital assets being depr.	<u>2,327,703</u>	<u>1,476,355</u>	<u>(248,742)</u>	<u>-</u>	<u>3,555,316</u>
Capital assets, net of accumulated depreciation	<u>\$ 3,394,876</u>	<u>\$ 1,476,355</u>	<u>\$ (212,965)</u>	<u>\$ 28,919</u>	<u>\$ 4,629,347</u>

Depreciation expense for the year ended June 30, 2023 was \$322,552.

During the fiscal year ending June 30, 2023, the District performed an inspection of the Capital Asset records and related depreciation calculations. The assets' lives were changed to more accurately reflect their useful lives. This resulted in an adjustment of \$1,476,355 to increase the total capital assets, net of accumulated depreciation balance.

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 \$2,103 as of June 30, 2023. This is included in the accounts payable balance.

NOTE 6 - LONG-TERM DEBT OBLIGATIONS

A summary of changes in long-term debt for the period ended June 30, 2023 is as follows:

Long-term Debts	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
PG&E loan	\$ 4,846	\$ -	\$ 4,846	\$ -	\$ -
Loan 2014-1 E	99,634	-	99,634	-	-
Loan 2014-2 F	213,121	-	213,121	-	-
Total	<u>\$ 317,601</u>	<u>\$ -</u>	<u>\$ 317,601</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - PENSION PLAN

The District has a pension plan in the form of a SIMPLE IRA. The District contributes 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, 2023 were \$2,384.

Bel Marin Keys Community Services District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2023

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, Bel Marin Keys Community Services District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Bel Marin Keys Community Services District  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
 Required Supplementary Information  
 Budget and Actual - General Fund (Unaudited)  
 For the Year Ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ 1,237,773	\$ 1,237,773	\$ -
Investment earnings (losses)	2,500	16,829	14,329
Charges for services	36,500	20,191	(16,309)
Total revenues	<u>1,276,773</u>	<u>1,274,793</u>	<u>(1,980)</u>
Expenditures:			
Salaries and benefits	174,985	138,469	36,516
Services and supplies	505,200	513,527	(8,327)
Capital outlay	1,417,500	80,668	1,336,832
Debt service:			
Principal	-	317,601	(317,601)
Interest expense	-	4,393	(4,393)
Total expenditures	<u>2,097,685</u>	<u>1,054,658</u>	<u>1,043,027</u>
Excess of revenues over (under) expenditures	<u>\$ (820,912)</u>	220,135	<u>\$ 1,041,047</u>
Fund balances, beginning of period		<u>2,977,924</u>	
Fund balances, end of period		<u>\$ 3,198,059</u>	