

SOUTHERN MARIN FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Southern Marin Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Southern Marin Fire Protection District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Southern Marin Fire Protection District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern Marin Fire Protection District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Southern Marin Fire Protection District, as of June 30, 2018, 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 supplementary information on pages 3-6 and page 31-35, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
September 30, 2019

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This section of Southern Marin Fire Protection District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2018. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

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

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

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

The Basic Financial Statements

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

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

All of the District's activities are grouped into Government Activities, as explained below.

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

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

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

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

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

Governmental Activities

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

Fund Financial Statements

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

In the District's case, the General Fund is the only Major Governmental Fund.

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

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

Analyses of Major Funds

Governmental Funds

General Fund revenues increased \$1,289,980 this fiscal year due primarily to an increase in property tax revenue. Property taxes increased \$674,629, as assessed valuations increased. Actual General Fund revenues received were \$697,267 more than estimated.

General Fund expenditures were \$18,180,522, an increase of \$3,552,187 from the prior year. The District continues its conservative approach towards its spending due to unknown changes in property taxes in years to come. Expenditures were \$923,444 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities	
	2018	2017
Current and other assets	\$ 9,970,825	\$ 10,927,179
Intergovernmental receivables	1,392,000	1,450,000
Capital assets, net of accumulated depreciation	<u>4,530,450</u>	<u>2,618,880</u>
Total assets	<u>15,893,275</u>	<u>14,996,059</u>
Deferred outflows of resources	<u>2,878,302</u>	<u>3,826,728</u>
Other liabilities	1,484,252	1,668,019
Long-term debt outstanding	<u>13,112,061</u>	<u>7,005,504</u>
Total liabilities	<u>14,596,313</u>	<u>8,673,523</u>
Deferred inflows of resources	<u>659,834</u>	<u>229,935</u>
Net position:		
Invested in capital assets, net of related debt	4,530,450	2,618,880
Unrestricted	<u>(1,015,020)</u>	<u>7,300,449</u>
Total net position	<u>\$ 3,515,430</u>	<u>\$ 9,919,329</u>

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

The District's governmental net position amounted to \$3,515,430 as of June 30, 2018, a decrease of (\$6,403,899) from 2017. The District's net position as of June 30, 2018 comprised the following:

- Cash and investments of \$9,445,472. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 2 of the basic financial statements.
- Intergovernmental receivable of \$1,392,000. This amount is a result of an annexation agreement with the City of Sausalito further explained in Note 12.
- Capital assets of \$4,530,450, net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$1,484,252.
- Long-term (noncurrent) accrued compensated absence, capital lease and OPEB liabilities payable and net pension liability to employees of \$13,112,061.
- Net position invested in capital assets, net of related debt, of \$4,530,450, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District had (\$1,015,020) of unrestricted net position as of June 30, 2018.

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

Table 2
Changes in Governmental Net Position

	Governmental Activities	
	2018	2017
<u>Revenues</u>		
Program revenues:		
Capital grants and contributions	\$ 215,121	\$ 58,259
General revenues:		
Taxes and assessments	14,741,531	14,067,245
Other revenue	2,386,197	1,963,335
Interest income	71,329	35,359
Total revenues	17,414,178	16,124,198
 <u>Program Expenses</u>		
Public safety - fire protection	16,902,542	14,101,236
Total expenses	16,902,542	14,101,236
 <u>Change in Net Position</u>	 \$ 511,636	 \$ 2,022,962

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

As Table 2 above shows, \$215,121, or 1%, of the District's fiscal year 2018 governmental revenue came from program revenues and \$17,413,274 or 99%, came from general revenues such as taxes and interest.

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

Capital Assets

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

Debt Administration

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

Economic Outlook and Major Initiatives

The District's financial position continues to be adequate. Financial planning is based on specific assumptions from recent trends in real property values, new residential development, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the District's Financial Management

This basic financial statement is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to 308 Reed Blvd., Mill Valley, CA 94941.

Southern Marin Fire Protection District

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Cash and investments	\$ 9,445,472
Accounts receivable	475,253
Prepaid items	50,100
Intergovernmental Receivable	1,392,000
Capital assets:	
Non-depreciable	495,783
Depreciable, net of accumulated depreciation	<u>4,034,667</u>
Total assets	<u>15,893,275</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pension	2,862,572
Deferred outflows of resources - OPEB	<u>15,730</u>
Total deferred outflows of resources	<u>2,878,302</u>

LIABILITIES

Accounts payable	173,569
Accrued expenditures	1,310,683
Long-term liabilities:	
Other post-employment benefits	6,781,622
Net pension liability	<u>6,330,439</u>
Total liabilities	<u>14,596,313</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - Pensions	<u>659,834</u>
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NET POSITION

Invested in capital assets, net of related debt	4,530,450
Unrestricted	<u>(1,015,020)</u>
Total net position	<u>\$ 3,515,430</u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Total Governmental Activities</u>
Governmental activities:				
Public safety - fire prevention and protection	\$ 16,902,542	\$ -	\$ 215,121	\$ (16,687,421)
Total governmental activities	<u>\$ 16,902,542</u>	<u>\$ -</u>	<u>\$ 215,121</u>	<u>(16,687,421)</u>
General revenues:				
Property taxes				13,873,494
Special assessment				868,037
Other revenue				2,386,197
Interest income				71,329
Total general revenues				<u>17,199,057</u>
Change in net position				<u>511,636</u>
Net position, beginning of period				9,919,329
Prior period adjustment				<u>(6,915,535)</u>
Net position, beginning of period restated				3,003,794
Net position, end of period				<u>\$ 3,515,430</u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2018

ASSETS

Cash and investments	\$ 9,445,472
Accounts receivable	475,253
Prepaid items	<u>50,100</u>
Total assets	<u>\$ 9,970,825</u>

LIABILITIES

Accounts payable	\$ 173,569
Accrued expenditures	<u>427,465</u>
Total liabilities	<u>601,034</u>

FUND BALANCES

Nonspendable	50,100
Assigned	<u>9,319,691</u>
Total fund balances	<u>9,369,791</u>

Total liabilities and fund balances	<u>\$ 9,970,825</u>
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The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District
 Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
 with the Governmental Activities
STATEMENT OF NET POSITION
 For the Year Ended June 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$	9,369,791
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Fund above because of the following:

CAPITAL ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Fund.		4,530,450
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LONG-TERM ASSETS AND LIABILITIES

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

Other post-employment benefits		(6,781,622)
Intergovernmental receivable		1,392,000
Non-current portion of compensated absences		(883,218)
Deferred inflows		(659,834)
Deferred outflows		2,878,302
Net pension liability		<u>(6,330,439)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>3,515,430</u>
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The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District
 GOVERNMENTAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2018

Revenues:	
Property taxes	\$ 13,873,494
Special assessment	868,037
Intergovernmental revenue	215,121
Other revenue	2,386,197
Interest income	71,329
Total revenues	<u>17,414,178</u>
Expenditures:	
Public safety - fire prevention and protection	<u>18,180,522</u>
Total expenditures	<u>18,180,522</u>
Excess (deficit) of revenues	
over (under) expenditures	(766,344)
Fund balances, beginning of period	<u>10,136,135</u>
Fund balances, end of period	<u><u>\$ 9,369,791</u></u>

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District
 Reconciliation of the
GOVERNMENTAL FUND - STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 with the Governmental Activities
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ (766,344)

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

CAPITAL ASSETS TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to the fund balance 2,426,239

Depreciation expense is deducted from the fund balance (514,673)

Government funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability. (703,262)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):

Long-term intergovernmental receivable	(58,000)
Other post-employment benefits	255,800
Long-term compensated absences	(128,124)
	(128,124)

Changes in net position of governmental activities \$ 511,636

The accompanying notes are an integral part of these financial statements

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description

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

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

The District is governed by an elected Board of Fire Commissioners consisting of seven members elected by the voters in its service area. The Board appoints a Fire Chief to oversee the day-to-day operations of the District. Effective June 24, 2012, the District annexed the City of Sausalito's Fire Department and acquired 14 new employees. With the new hires, the District now employs a full-time staff of 1 Fire Chief, 2 Battalion Chiefs, 9 Captains, 39 firefighters/engineers, 1 Deputy Fire Marshal, 1 Fire Inspector and 3 administrative support staff, for a total of 56.

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

B. Reporting Entity

The District does not exercise oversight responsibility over any other governmental unit, thus its financial statements do not include any financial activity of any other agency. It is not a component unit of any other reporting entity.

C. Basis of Presentation

The District's Basic Financial Statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Those Statements require that the financial statements described below be presented.

Government-wide Statements – The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues of each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (concluded)

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

D. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported its only fund as a major governmental fund in the accompanying financial statements:

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

E. Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The District may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

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

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

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all funds. Budgeted amounts presented in the financial statements are as originally adopted and as amended by the Board. Supplemental amendments to the budget were adopted by the Board and have been included in the budget versus actual statement. Appropriations lapse at year end. Expenditures were less than appropriations by \$923,444 for the year ended June 30, 2018.

G. Property Taxes

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

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

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

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

H. Accumulated Compensated Absences

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a value of \$10,000 or more are recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation expense for the current year was \$514,673.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Buildings	50 years
Equipment & Vehicles	5-50 years

J. General Revenue

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

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Marin County Employees Retirement Association (MCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS

A. Policies

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

B. Investments

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

Investments are carried at fair value, which is the same as fair market value. Cash and investments were as follows at June 30, 2018:

County of Marin - Operating Fund	\$ 5,742,977
County of Marin - Reserve Account	2,945,408
Cash Deposits with Bank of America - Payroll	<u>757,087</u>
Total	<u>\$ 9,445,472</u>

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

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

During the year ended June 30, 2018, the investment committee's permissible investments included obligations of the U.S. Government Agencies bills, notes or bonds and certain time deposits, certificates of deposit, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, money market funds, medium term corporate notes or deposit notes and municipal obligations.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - CAPITAL ASSETS

Capital assets activity comprised the following:

	Balance at 6/30/17	Contributions/ Acquisitions	Deletions/ Adjustments	Balance at 6/30/18
Land (not depreciated)	\$ 214,807	\$ -	\$ -	\$ 214,807
Construction in progress (not depreciated)	-	280,976	-	280,976
Buildings and improvements	3,566,726	-	-	3,566,726
Equipment	3,955,457	2,145,267	13,716	6,087,008
Subtotal	7,736,990	<u>\$ 2,426,243</u>	<u>\$ 13,716</u>	9,868,541
Accumulated depreciation	<u>(5,118,110)</u>			<u>(5,619,067)</u>
Net capital assets	<u>\$ 2,618,880</u>			<u>\$ 4,530,450</u>

NOTE 4 - NET POSITION AND FUND BALANCE

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

A. Net Position

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

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

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include debt service, acquisition and construction of facilities, and equipment.

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

B. Fund Balance

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - NET POSITION AND FUND BALANCE (concluded)

B. Fund Balance (concluded)

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District's policy specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

NOTE 5 - PENSION PLAN

A. Plan Description

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

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

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - PENSION PLAN (continued)

A. Plan Description (concluded)

Administration

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

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

Membership

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

Vesting

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

B. Benefit Provisions

Service Retirement

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

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

Disability Retirement

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - PENSION PLAN (continued)

B. Benefit Provisions (continued)

Death Benefits

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

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

Cost of Living Adjustment

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

Employer Contributions:	\$ 2,132,367
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As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the District's Plan as follows:

	Proportionate Share of Net Pension Liability
Southern Marin Fire Protection District	\$ 6,330,439
Total Net Pension Liability	<u>\$ 6,330,439</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - PENSION PLAN (continued)

B. Benefit Provisions (concluded)

The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

<u>District's Plan</u>	
Proportion - June 30, 2016	.014658%
Proportion - June 30, 2017	.017167%
Change – Increase (Decrease)	.002509%

For the year ended June 30, 2018, the District recognized pension expense of \$2,241,231. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,241,325	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	621,246	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	169,857
Net differences between projected and actual earnings on plan investments	-	489,977
Total	<u>\$ 2,862,571</u>	<u>\$ 659,834</u>

\$2,241,325 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

<u>Year Ended June 30</u>	<u>Inflows</u>
2019	\$ 889,991
2020	814,016
2021	467,368
2022	(334,030)
Thereafter	-

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - PENSION PLAN (continued)

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2015 (to determine FY 2016-17 contribution)
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Market value
Amortization Method:	Level percentage of payroll (23 years remaining as of 6/30/15) with separate periods for Extraordinary Actuarial Gains or Losses (22 years as of 6/30/15).
Discount Rate	7.25%
Amortization Growth Rate:	3.00%
Price Inflation:	2.75%
Salary Increases:	3.00% plus merit component based on employee classification and years of service.
Mortality:	Rates of mortality for active Members are specified by CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related death rates for Safety members) with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2017 can be found in the June 30, 2015 actuarial report.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - PENSION PLAN (concluded)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	4.60%
Fixed Income	23.0%	0.75%
International Equity	22.0%	4.75%
Public Real Assets	7.0%	5.60%
Private Equity	8.0%	3.50%
Real Estate	8.0%	5.10%
Total	100.0%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>District's Plan</u>
1% Decrease	6.25%
Net Pension Liability	\$12,397,791
Current Discount Rate	7.25%
Net Pension Liability	\$6,330,439
1% Increase	8.25%
Net Pension Liability	\$1,339,571

Pension Plan Fiduciary Net Position

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

NOTE 6 - DEFERRED COMPENSATION PLAN

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

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - RISK MANAGEMENT

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

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

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

NOTE 8 - CONTINGENT LIABILITIES AND COMMITMENTS

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

NOTE 9 - JOINT GOVERNED ORGANIZATIONS

The District participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board.

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

Southern Marin Emergency Medical Paramedic System

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - JOINT GOVERNED ORGANIZATIONS (concluded)

Hazardous Materials Response Unit

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

Fire Association Self Insurance System (FDAC-FASIS)

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

Marin Emergency Radio Authority

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

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

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

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

Firefighters with a minimum 10 years' of service credit

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

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

Administrative Employees with a minimum 10 years' service credit

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

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

A. Plan Description (concluded)

Fire Chief Officers' Association (SMFCOA)

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

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

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

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

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

B. Funding Policy

The District's Board of Commissioners will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

Membership of the District as of the valuation date consisted of the following:

Active plan members	34
Inactive employees or beneficiaries currently receiving benefit payments	<u>33</u>
Total	<u>67</u>

Contribution

As of June 30, 2018, the District has accumulated \$3,409,370 in an irrevocable trust toward this liability.

With the District's approval, the discount rate used in this valuation is 6.00% as of June 30, 2018; the long term expected return on trust assets.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

B. Funding Policy (continued)

Funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of trust assets
Long term return on assets	6.0% as of June 30, 2018
Discount rates	6.0% as of June 30, 2017
Salary increase	3%
Healthcare trend	6.0% for 2018; 5.5% for 2019; 5.25 for 2020 and 5% for 2021 and future years.

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB Statement No. 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB Statement No. 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate. The discount rate as of June 30, 2017 and June 30, 2016 is 5.75%.

Change in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position
Service cost	\$ 227,390	\$ -
Interest	576,249	156,463
Contributions		782,356
Benefit payments, including refunds of employee contributions	(427,356)	(427,356)
Administrative expenses	-	(1,267)
Net change in total OPEB liability	376,283	510,196
Total OPEB liability – beginning of year	<u>9,814,709</u>	<u>2,899,174</u>
Total OPEB liability – end of year	<u>\$ 10,190,992</u>	<u>\$ 3,409,370</u>
		June 30, 2018
Total OPEB Liability		\$ 10,190,992
Fiduciary Net Position		(3,409,370)
Net OPEB Liability		<u>\$ 6,781,622</u>

Sensitivity of Liabilities to Changes in the Discount Rate and Medical Cost Inflation

The discount rate used for the fiscal year end June 30, 2018 is 6.00%. Medical Cost Inflation was assumed to start at 6.00% and grade down to 5.00%. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Plan's Net OPEB Liability / (Asset)		
Discount Rate – 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
\$ 8,214,561	\$ 6,781,622	\$ 5,610,049

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

B. Funding Policy (concluded)

Plan's Net OPEB Liability / (Asset)		
Medical Trend – 1% (5% decreasing to 4%)	Current Medical Trend (6% decreasing to 5%)	Medical Trend + 1% (7% decreasing to 6%)
\$ 5,540,766	\$ 6,781,622	\$ 8,303,848

Deferred Resources and Expected Future Recognition

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$1,809. At June 30, 2018, the District reported deferred resources from OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made subsequent to the measurement date	\$ -	\$ -
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on investment	15,730	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Total	\$ 15,730	\$ -

\$0 reported as the net deferred (outflows) / inflows of resources related to contributions subsequent to measurement date will be recognized as increase of the net OPEB liability in the year ended June 30, 2019.

The District will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2019	\$ 3,932
2020	3,932
2021	3,932
2022	3,934
Thereafter	-

Southern Marin Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations and debt for the fiscal year ended June 30, 2018 are as follows:

	Original Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Post-employment Benefits	\$ -	\$ 121,887	\$ 6,659,735	\$ -	\$ 6,781,622	\$ -
Compensated absences	-	755,094	128,124	-	883,218	-
Total debt	<u>\$ -</u>	<u>\$ 876,981</u>	<u>\$ 6,787,859</u>	<u>\$ -</u>	<u>\$ 7,664,840</u>	<u>\$ -</u>

NOTE 12 - CITY OF SAUSALITO ANNEXATION AGREEMENT

In June 2012, the District entered into annexation agreement with the City of Sausalito (the City). The City agreed to pay the District \$58,000 annually for 30 years, a total of \$1,740,000; representing the retiree medical costs of nine firefighters who worked for City. The City made the first payment during fiscal year 2013. The last payment is due in fiscal year 2042. The outstanding balance at June 30, 2018 was \$1,392,000.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2018, the beginning net position has been adjusted by \$6,915,535 to decrease the net position balance as of the beginning of the period. The net OPEB liability was adjusted in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Southern Marin Fire Protection District
 GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Budget and Actual
 For the Year Ended June 30, 2018
 (Unaudited)

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 12,610,000	\$ 12,610,000	\$ 13,873,494	\$ 1,263,494
Special assessment	855,000	855,000	868,037	13,037
Intergovernmental revenue	800,000	800,000	215,121	(584,879)
Other revenue	2,431,911	2,431,911	2,386,197	(45,714)
Interest income	20,000	20,000	71,329	51,329
Total revenues	16,716,911	16,716,911	17,414,178	697,267
Expenditures:				
Public safety - fire prevention and protection	19,103,966	19,103,966	18,180,522	923,444
Total expenditures	19,103,966	19,103,966	18,180,522	923,444
Excess (deficit) of revenues over (under) expenditures	\$ (2,387,055)	\$ (2,387,055)	(766,344)	\$ 1,620,711
Fund balances, beginning of period			10,136,135	
Fund balances, end of period			\$ 9,369,791	

Southern Marin Fire Protection District
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - SAFETY
 June 30, 2018

Measurement Date, June 30	2017	2016	2015	2014
Proportion of the net pension liability	1.71670%	1.46580%	1.55740%	1.55590%
Proportion share of the net pension liability	\$ 6,330,439	\$ 7,005,504	\$ 6,033,143	\$ 3,845,243
Covered - employee payroll	\$ 5,680,977	\$ 5,290,483	\$ 5,007,820	\$ 4,640,149
Proportionate share of the net pension liability as percentage of covered-employee payroll	111.40%	132.40%	120.50%	83.00%
Plan fiduciary net position as a percentage of the total pension liability	86.30%	81.50%	84.30%	89.04%

* Fiscal year 2014 was the 1st year of implementation.

Southern Marin Fire Protection District
SCHEDULE OF CONTRIBUTIONS - SAFETY

June 30, 2018

<u>Fiscal Year Ending June 30</u>	Safety Plan			
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 2,132,367	\$ 2,133,581	\$ 2,072,079	\$ 1,892,811
Contributions in relation to the actuarially determined contributions	<u>(2,132,367)</u>	<u>(2,133,581)</u>	<u>(2,072,079)</u>	<u>(1,892,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered - employee payroll	 \$ 5,680,977	 \$ 5,290,483	 \$ 5,007,820	 \$ 4,640,149
Contributions as a percentage of covered-employee payroll				
percentage of covered-employee payroll	37.50%	40.33%	41.38%	40.79%

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

Southern Marin Fire Protection District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE
NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 227,390
Interest	576,249
Difference between expected and actual experience	-
Benefit payments, included refunds of employee contributions	(427,356)
Change in assumptions	-
Net change in total OPEB liability	376,283
Total OPEB liability - beginning of year	9,814,709
Total OPEB liability - end of year	\$ 10,190,992
 Plan Fiduciary Net Position	
Net investment income	\$ 156,463
Contributions	
Employer - explicit subsidy	782,356
Employer - implicit subsidy	-
Benefit payments, included refunds of employee contributions	(427,356)
Implicit rate subsidy fulfilled	-
Administrative expense	(1,267)
Net change in plan fiduciary net position	510,196
Plan fiduciary net position - beginning of year	2,899,174
Plan fiduciary net position - end of year	3,409,370
 District's net OPEB liability - end of year	\$ 6,781,622
 Plan fiduciary net position as a percentage of the total OPEB liability	33.45%
 Covered-employee payroll	\$ 5,680,977
 Net OPEB liability as a percentage of covered-employee payroll	179%

The schedules present information to illustrate changes in the District's changes in the net OPEB liability over a ten year period when the information is available.

Southern Marin Fire Protection District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB
For the Fiscal Year Ended June 30, 2018

	2018
Actuarially determined contribution	\$ 586,708
Contributions in relation to the actuarially determined contribution	<u>(782,356)</u>
Contribution deficiency (excess)	<u>\$ (195,648)</u>
Covered payroll	\$ 5,680,977
Contributions as a percentage of covered payroll	13.77%

The schedules present information to illustrate changes in the District's contributions over a ten year period when the information is available.