

**Southern Marin
Fire Protection
District**
Sausalito, California

Basic Financial Statements

For the year ended June 30, 2019

Southern Marin Fire Protection District
Basic Financial Statements
For the year ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of 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, 2019, and the related notes to the financial statements, which collectively comprise the 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. 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 the entity'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 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.

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

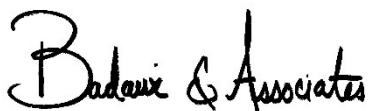
Opinions

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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary information, defined benefit pension plan information, and OPEB plan information on pages 3-7 and pages 46-49 to 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.



Badawi & Associates
Certified Public Accountants
Berkeley, California
July 29, 2020

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019

The Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the District for the fiscal year ended June 30, 2019. The MD&A outlines financial highlights and discusses other financial initiatives during the year.

FINANCIAL HIGHLIGHTS

Government-wide

The government-wide financial statements provide the reader with a longer-term view of the District's activities, and include all aspects of the financial operations including capital assets and long-term liabilities (such as pension and OPEB). The government-wide financial statements are similar in presentation to that of a private-sector business. The Statement of Net Position presents information about the financial position of the District as a whole. Over time, increases or decreases in the net position are an important indicator for monitoring the financial health of the District.

Table 1
Governmental Net Position

	Governmental Activities		
	2019	2018	\$ Change
Current assets	\$ 10,277,964	\$ 9,970,825	\$ 307,139
Intergovernmental receivables	1,334,000	1,392,000	(58,000)
Capital assets, net of accumulated depreciation	4,826,307	4,530,450	295,857
Total Assets	<u>16,438,271</u>	<u>15,893,275</u>	<u>544,996</u>
Deferred outflows of resources	5,431,343	2,878,302	2,553,041
Current liabilities	954,382	1,484,252	(529,870)
Non-current liabilities	14,043,504	13,112,061	931,443
Total Liabilities	<u>14,997,886</u>	<u>14,596,313</u>	<u>401,573</u>
Deferred inflows of resources	1,232,266	659,834	572,432
Net position:			
Net investment in capital assets	4,826,307	4,530,450	295,857
Restricted for pension	310,900	-	310,900
Unrestricted	502,255	(1,015,020)	1,517,275
Total net position	<u>\$ 5,639,462</u>	<u>\$ 3,515,430</u>	<u>\$ 2,124,032</u>

Statement of Net Position: The District's total assets and deferred outflows exceeded its total liabilities and deferred inflows by \$5,639,462 (*total net position*) as of June 30, 2019.

- The District's net position increased \$2,124,032, or 60%, over the prior year. This increase is largely due to an increase in the deferred outflows of resources related to pension.
- The District paid \$662,716 toward its OPEB actuarially determined contribution (ADC), with \$330,000 going

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019

into the trust and \$332,716 paid for benefits.

- In addition to the OPEB Trust established by the District in 2011, the District also made its first contribution of \$300,000 to the pension side of the trust in March 2019.

General Fund

The fund financial statements provide a short-term view of the District's finances, providing more detailed information on the District's current revenues, expenditures, and fund balance, and excluding capital assets and long-term obligations.

Statement of Revenues, Expenditures and Changes in Fund Balance

	General Fund		
	2019	2018	\$ Change
<u>Revenues</u>			
Capital grants and contributions	\$ 523,790	\$ 215,121	\$ 308,669
Program revenues:			
Taxes and assessments	15,597,098	14,741,531	855,567
Charges for Services	148,794	133,657	15,137
Other revenue	1,664,054	2,252,540	(588,486)
Interest income	137,559	71,329	66,230
Total revenues	18,071,295	17,414,178	657,117
<u>Program Expenditures</u>			
Public safety - fire protection:			
Personnel	14,618,071	13,528,420	1,089,652
Materials and Services	2,434,343	2,425,487	8,857
Equipment	112,056	81,349	30,707
Capital Outlay	846,033	2,145,267	(1,299,234)
Total expenditures	18,010,503	18,180,522	(170,018)
Net Change	\$ 60,791	\$ (766,344)	\$ 827,135

- Revenues exceeded expenditures by \$60,791.
- Property tax revenues increased 6%, or \$855,567, over the prior fiscal year, due to an increase in assessed property values. More modest increases are expected over the next several years.
- Total revenues were \$606,356 more than budgeted, primarily due to property tax revenues greater than estimated.

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

- Increased interest revenue reflects higher average balances in interest-bearing accounts, an increase in overall rates, and an additional \$10,900 in investment earnings from the pension trust.
- General Fund expenditures were \$18,010,503, a decrease of \$170,018, or -1%, over the prior fiscal year.
- Expenditures were \$444,155 less than budgeted. The difference can largely be attributed to the postponement of several facilities projects.
- Personnel costs comprise 81% of the budget, and increased by \$1,089,652, or 8% over the prior year. This increase was primarily due to salary and step increases, increased pension and medical costs, and the addition of a Deputy Chief and inspector position.
- Overtime expenditures were \$809,832 greater than budgeted, due to the District's participation in statewide fires and national disasters (reimbursable), and several employees' work-related extended absences.

Major Initiatives

- In November 2018, 75% of the District's voting residents approved the passage of Measure U, thereby providing the District with an additional \$3.1M in special tax revenues starting in the next fiscal year. This measure was proposed in order to address the District's long-term financial sustainability, as the District's long-term financial model indicated that expenditures were on track to exceed revenues. In addition to ensuring the District's long-term financial sustainability, \$1M of the new Measure U funds will go towards work specific to reducing the risks from wildland fire.
- In 2017, the District received a grant from the Federal Emergency Management Agency (FEMA), for \$734,522, or 75% of the cost of a new Metalcraft Marine Firestorm 40' boat, which would replace the existing fireboat. In June 2019 the new Fireboat Liberty was put into service in the District's Richardson's Bay as a continued resource to the entire fleet servicing the Bay Area's San Pablo Bay.

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Capital Assets and Debt Administration

The District maintains a long-range Capital Improvement Plan (CIP), and per District policy funds the plan every year based on the estimated replacement cost of major assets, plus any funds needed for projected facilities' improvements. Funding for the CIP is provided by an annual transfer from the General Fund; for this fiscal year \$997,600 was transferred to the CIP.

In addition to the aforementioned fireboat, a new Deputy Chief vehicle was added to the District's fleet. No other assets were retired or acquired during this fiscal year. The District's net position invested in capital assets as of June 30, 2019 is \$4,826,307. All capital assets are valued at historical cost, and those with a value of \$10,000 or more are recorded as capital assets, and depreciated over estimated useful lives, using the straight-line method.

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

Economic Outlook

The primary economic drivers of the District's finances are property tax revenue and personnel costs. The District's Board of Directors is committed to long-term financial resiliency, and a thorough understanding of these aforementioned primary drivers is required in order to achieve and maintain long-term fiscal resiliency. The recent passage of Measure U was a major accomplishment towards increasing the District's revenues and thereby maintaining an organization with long-term financial resiliency. The District utilizes long-range financial planning tools to measure the District's financial health, identify potential fiscal challenges and guide current decision making, and keep the District on a fiscally sustainable path going forward. Two of the tools the District uses are a ten-year general operating cash flow model, and a twelve-year Capital Improvement Plan (CIP).

In addition to the adoption of Measure U, the District has implemented a number of other cost-saving measures to ensure the long-term resiliency of the organization, such as:

- To address the OPEB liability, the District eliminated OPEB for employees hired after 1/1/2014, instead offering retiree health savings accounts.
- Prior to PEPR, the District's safety members were the first in the County to modify retirement benefits from 3%@50 to 3%@55.
- Submitted winning grants in excess of \$1.2 million.

Southern Marin Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

- The District started making contributions to a trust for OPEB liabilities in 2011, and in 2019 made its first pension contribution. The combined balance of this trust as of June 30, 2019 exceeded \$4.2M.
- Implemented employee cost-sharing of medical premium costs.
- The Board of Directors formally adopted a Reserve Policy to ensure the District has adequate working capital to cover operational costs and mitigate against potential adverse impacts stemming from an economic downturn. This policy calls for a minimum of 15% of current year operating and equipment expenditures to be in a separate cash fund, with a long-term goal of 40%. As of June 30, 2019, this cash fund balance was \$2.7M.

At the time of this writing, we are in the midst of the COVID-19 pandemic, the effects of which are still not fully known. However, given the previous cost-saving and revenue-enhancing measures enacted, the District is in a strong financial position to continue to provide the community with a high level of service, while providing a sustainable level of fair and reasonable employee compensation, and adequate funding to maintain equipment and facilities. The District will regularly review and adjust financial projections as new information becomes available.

Contacting the District's Financial Management

This financial report is intended to provide our citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to 28 Liberty Ship Way, Suite 2800, Sausalito, CA 94965.

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**BASIC
FINANCIAL STATEMENTS**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SOUTHERN MARIN FIRE PROTECTION DISTRICT

Statement of Net Position

June 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 9,686,247
Restricted cash and investments	310,900
Accounts receivable	205,625
Prepaid items	75,192
Total current assets	<u>10,277,964</u>
Noncurrent assets:	
Intergovernmental Receivable	1,334,000
Capital assets:	
Non-depreciable	214,807
Depreciable, net of accumulated depreciation	4,611,500
Total capital assets	<u>4,826,307</u>
Total noncurrent assets	<u>6,160,307</u>
Total assets	<u>16,438,271</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - Pension	5,428,751
Deferred outflows of resources - OPEB	2,592
Total deferred outflows of resources	<u>5,431,343</u>
LIABILITIES	
Current liabilities:	
Accounts payable	371,550
Accrued expenditures	475,832
Compensated absences - due in one year	107,000
Total current liabilities	<u>954,382</u>
Noncurrent liabilities:	
Compensated absences - due in more than one year	779,592
Other post-employment benefits	6,668,195
Net pension liability	6,595,717
Total noncurrent liabilities	<u>14,043,504</u>
Total liabilities	<u>14,997,886</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - Pensions	1,232,266
Total deferred inflows of resources	<u>1,232,266</u>
NET POSITION	
Net investment in capital assets	4,826,307
Restricted for pension	310,900
Unrestricted	502,255
Total net position	<u>\$ 5,639,462</u>

See accompanying Notes to Basic Financial Statements.

SOUTHERN MARIN FIRE PROTECTION DISTRICT

Statement of Activities

For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Public safety - fire prevention and protection	\$ 15,889,263	\$ 148,794	\$ 523,790	\$ (15,216,679)
Total governmental activities	\$ 15,889,263	\$ 148,794	\$ 523,790	(15,216,679)
General revenues:				
				14,688,440
Property taxes				908,658
Special assessment				1,606,054
Other revenue				10,900
Investment earnings				126,659
Interest income				
Total general revenues				17,340,711
Change in net position				2,124,032
Net position, beginning of year				3,515,430
Net position, end of year				\$ 5,639,462

FUND
FINANCIAL STATEMENTS

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SOUTHERN MARIN FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Fund
June 30, 2019

ASSETS

Cash and investments	\$ 9,686,247
Restricted cash and investments	310,900
Accounts receivable	205,625
Prepaid items	75,192
Total assets	10,277,964

LIABILITIES

Accounts payable	371,550
Accrued expenditures	475,832
Total liabilities	847,382

FUND BALANCES

Nonspendable	75,192
Restricted	310,900
Assigned	9,044,490
Total fund balances	9,430,582
Total liabilities and fund balances	\$ 10,277,964

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$ 9,430,582
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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 used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	4,826,307
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Deferred outflows of resources related to pensions and OPEB used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	5,431,343
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Deferred inflows of resources related to pensions and OPEB used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(1,232,266)
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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	(6,668,195)
Intergovernmental receivable	1,334,000
Compensated absences	(886,592)
Net pension liability	(6,595,717)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,639,462</u>
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SOUTHERN MARIN FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the year ended June 30, 2019

REVENUES:

Property taxes	\$ 14,688,440
Special assessment	908,658
Grants	523,790
Charges for services	148,794
Other revenue	1,664,054
Investment earnings	10,900
Interest income	126,659
Total revenues	<u>18,071,295</u>

EXPENDITURES:

Public safety - fire prevention and protection	<u>18,010,504</u>
Total expenditures	<u>18,010,504</u>

REVENUES OVER (UNDER) EXPENDITURES 60,791

FUND BALANCES:

Beginning of year	<u>9,369,791</u>
End of year	<u>\$ 9,430,582</u>

SOUTHERN MARIN FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$	60,791
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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.

Capital Outlay	846,033
Depreciation expense	(550,176)

Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources on the Government-Wide Statement of Net Position.	2,416,820
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Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(688,351)
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OPEB (expense)/income is recorded as incurred in the Government-Wide Statement of Activities, however OPEB expense is not recognized in the governmental funds.	100,289
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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):

Changes in long-term intergovernmental receivable	(58,000)
Change in compensated absences	(3,374)

Changes in net position of governmental activities	\$	<u>2,124,032</u>
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NOTES TO BASIC FINANCIAL STATEMENTS

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Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

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 City of Sausalito and the unincorporated areas 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, 1 Deputy Fire Chief, 1 Fire Marshal, 2 Battalion Chiefs, 10 Captains, 36 firefighters/paramedics, 2 Fire Inspectors, and 3 administrative support staff, for a total of 56.

The District maintains its headquarters at 28 Liberty Ship Way, Suite 2800 Sausalito, California 94965.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *Basis of Presentation, Continued*

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.

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 90 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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. *Basis of Accounting, Continued*

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.

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 Division basis and conveys this information to the Fire Chief/District Board. This approach allows the Fire Chief to hold 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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Property Taxes, Continued

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.

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 \$550,176.

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. 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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. *Deferred Outflows and Inflows of Resources, Continued*

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.

K. *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. The following timeframes are used for pension reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

L. *Other Postemployment Benefits (OPEB)*

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 plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS

At June 30, 2019, the District's cash and investments consisted of the following:

Description	Amount
Cash in hand and undeposited checks	\$ 76,645
Deposits held with Main County Treasury	9,165,105
Restricted cash and investment with PARS	310,900
Cash Deposits with Wells Fargo - Payroll	444,497
Total cash and investments	<u>\$ 9,997,147</u>

A. Deposits

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.

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

Investments as of June 30, 2019 consisted of the following:

Investments	Credit Rating	Fair Value	Maturity 12 Months or Less
Deposits held with Main County Treasury	Not Rated	\$ 9,165,105	\$ 9,165,105
Total investments		<u>\$ 9,165,105</u>	<u>\$ 9,165,105</u>

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. At June 30, 2019, the District investments are carried at fair value, which is the same as fair market value.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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, 2019, 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, shares of beneficial interest issued by diversified management companies, LAIF, and financial institution investment accounts.

C. Risk Disclosures

County Pool: Interest Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the County's Investment Policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 1.5 years or less. At June 30, 2019, the County Investment Pool had a weighted average maturity of 0.95 years, or approximately 348 days.

County Pool: Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the County's Investment Policy limit the County's investments in commercial paper, corporate bonds, and medium-term notes to the rating of 'A' or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with credit quality rating of 'AAA'. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

County Pool: Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of the County Pool's investment in a single issuer of securities. At June 30, 2019, the County had the following investments in any one issuer that represent 5% or more of the total investments: \$448.7 million in Federal Home Loan Mortgage Corporation, \$788.4 million in Federal Home Loan Bank, and \$192.89 million in Federal Farm Credit Bank.

Custodial Credit Risk - The custodial credit risk is the risk that in the event of the failure of a counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2019 none of the District's deposits or investments were exposed to disclosable custodial credit risk.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

3. CAPITAL ASSETS

Capital assets activity comprised the following:

	Balance at 6/30/2018	Additions	Transfers	Balance at 6/30/2019
Non-depreciable capital assets:				
Land	\$ 214,807	\$ -	\$ -	\$ 214,807
Construction in progress	280,976	-	(280,976)	-
Total non-depreciable capital assets	<u>495,783</u>	<u>-</u>	<u>(280,976)</u>	<u>214,807</u>
Depreciable capital assets:				
Buildings and improvements	3,566,726	-	-	3,566,726
Equipment	6,087,008	846,033	280,976	7,214,017
Total depreciable capital assets	9,653,734	846,033	280,976	10,780,743
Less: accumulated depreciation	(5,619,067)	(550,176)	-	(6,169,243)
Total depreciable capital assets, net	<u>4,034,667</u>	<u>295,857</u>	<u>280,976</u>	<u>4,611,500</u>
Total capital assets, net	<u>\$ 4,530,450</u>	<u>\$ 295,857</u>	<u>\$ -</u>	<u>\$ 4,826,307</u>

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

4. NET POSITION AND FUND BALANCE, Continued

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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. PENSION PLAN, Continued

A. *Plan Description, Continued*

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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. PENSION PLAN, Continued

B. *Benefit Provisions, Continued*

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, 2019, the contributions recognized as part of pension expense for the Plan were as follows:

Employer Contributions:	\$ 2,241,325
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C. *District Proportionate Share of the Net Pension Liability*

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the District's Plan as follows:

Balance as of June 30, 2018	Plan's Net Pension Liability	Proportionate Share of Net Pension Liability 1.9969%
Total Pension Liability	\$ 2,831,719,959	\$ 56,546,616
Fudiciary net position	2,501,422,132	49,950,899
Net Pension liability	\$ 330,297,827	\$ 6,595,717

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. PENSION PLAN, Continued

C. District Proportionate Share of the Net Pension Liability, Continued

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, 2018, 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, 2017 rolled forward to June 30, 2018 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.

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

Calculation Dates	District Percentage
Proportion - June 30, 2017	1.7167%
Proportion - June 30, 2018	1.9969%
Change – Increase (Decrease)	0.2802%

D. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	Market value
Salary Increases	3.00% per year plus merit component based on employee classification and years of service
Expected Rate of Return	7.00%
Price Inflation:	2.75%
Salary Increases:	3.00% plus merit component based on employee classification and years of service.
Postretirement COLA	2.70% for members with a 4.00% COLA cap, 2.60% for members with a 3% COLA cap, and 1.90% for members with a 2% COLA cap.
Mortality Rates	Rates of mortality for active Members are specified by CalPERS 2017 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-2017.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. PENSION PLAN, Continued

E. Pension Expense

For the measurement period ended June 30, 2018, the District recognized pension expense of \$688,351 as follows:

	Plan's Pension Expense	District's Pension Expense 1.9969%
Pension expense:		
Service Cost	\$ 61,074,664	\$ 1,219,600
Interest on the total pension liability	188,096,539	3,756,100
Administrative expenses and other non-investment expenses	4,203,705	83,944
Member contributions	(28,628,627)	(571,685)
Expected investment return net of expenses	(160,876,221)	(3,212,537)
Recognition of Deferred Outflows/Inflows:		-
Recognition of liability gains(losses)	(8,896,094)	(177,646)
Recognition of assumptions changes	46,388,832	926,339
Recognition of net investment gains(losses)	(36,459,872)	(728,067)
Amortization of employer specific deferred outflows/inflows	-	(607,696)
Total pension expense	<u>\$ 64,902,926</u>	<u>\$ 688,351</u>

F. Deferred outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,416,820	\$ -
Differences between actual and expected experience	-	61,206
Changes in assumptions	611,077	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,400,854	84,928
Net differences between projected and actual earnings on plan investments	-	1,086,132
Total	<u>\$ 5,428,751</u>	<u>\$ 1,232,266</u>

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. PENSION PLAN, Continued

F. Deferred outflows and Deferred Inflows of Resources Related to Pensions, Continued

\$2,416,820 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, 2020.

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

Amortization Period Fiscal Year Ended June 30	Deferred outflows (Inflows) of Resources
2019	\$ 1,210,835
2020	836,537
2021	(24,234)
2022	(243,473)
Total	<u>\$ 1,779,665</u>

G. Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018 was 7.00%. 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, 2018.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. PENSION PLAN, Continued

G. Discount Rate, Continued

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32.00%	4.60%
Fixed Income	23.00%	0.75%
International Equity	22.00%	4.75%
Public Real Assets	7.00%	5.60%
Private Equity	8.00%	3.50%
Real Estate	8.00%	5.10%
Total	100.00%	

H. Sensitivity 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:

Description	Plan's Net Pension Liability		
	Discount Rate - 1% 6.00%	Current Discount Rate 7.00%	Discount Rate + 1% 8.00%
Total pension liability	\$ 3,204,006,079	\$ 2,831,719,959	\$ 2,525,226,318
Fiduciary net position	(2,501,422,132)	(2,501,422,132)	(2,501,422,132)
Net pension liability	702,583,947	330,297,827	23,804,186
Net pension liability - District share 1.9969%	\$ 14,029,899	\$ 6,595,717	\$ 475,346

Pension Plan Fiduciary Net Position

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

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

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 can choose between tax deferred contributions or post-tax (Roth) contributions. If they choose tax deferred contribution, they 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.

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:

Type	Coverage Limit	Deductible
General Liability	\$1,000,000 per occurrence \$3,000,000 aggregate	No deductible
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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

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.

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.

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. OTHER POST EMPLOYMENT BENEFITS (OPEB), CONTINUED

A. Plan Description, Continued

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 and Employees Covered

The District's Board of Directors review the funding requirements and policy annually.

As of June 30, 2019, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active plan members	34
Inactive employees or beneficiaries currently receiving benefit payments	33
Total	67

C. Contributions

The annual contribution is based on projected pay-as-you-go financing requirements. The District has established the PARS Post-Employment Benefit Trust. The Board reviews the funding requirements and policy annually. For the fiscal year ended June 30, 2019, the District's total contributions were \$721,773, which includes \$332,716 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amounts of \$59,057 on benefit payments from sources outside of trust.

D. Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Discount rates	6.00%
Inflation rate	3.00%
Salary increase	3.00%
Investment rate of return	6.00%, net of OPEB plan investment expense
Healthcare trend rate	5.5% for 2019; 5.25% for 2020; 5.00% for 2021 and later years
Mortality rates	based on the RP-2014 employee mortality table for males or females as appropriate, without projection

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. OTHER POST EMPLOYMENT BENEFITS (OPEB), CONTINUED

E. 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, 2018 is 6.00%.

F. Change in the Net OPEB Liability

The Changes in the Net OPEB Liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 10,190,992	\$ 3,409,370	\$ 6,781,622
(Measurement date 6/30/2018)			
Change during the year:			
Service cost	234,212	-	234,212
Interest	599,878	234,362	365,516
Contributions	-	721,773	(721,773)
Benefit payments, including refunds of employee contributions	(391,773)	(391,773)	-
Administrative expenses	-	(8,618)	8,618
Net change in total OPEB liability	442,317	555,744	(113,427)
Balance at June 30, 2019	\$ 10,633,309	\$ 3,965,114	\$ 6,668,195
(Measurement date 6/30/2019)			

G. Sensitivity of Liabilities to Changes in the Discount Rate and Medical Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

Sensitivity of the Net OPEB Liability to changes in the Discount Rate:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	(5.00%)	(6.00%)	(7.00%)
Net OPEB Liability	\$ 8,134,619	\$ 6,668,195	\$ 5,467,292

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. OTHER POST EMPLOYMENT BENEFITS (OPEB), CONTINUED

G. Sensitivity of Liabilities to Changes in the Discount Rate and Medical Cost Trend Rates, Continued

The following presents the Net OPEB Liability of the District, as well as what the District Net OPEB 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 medical cost trend rates:

Sensitivity of the Net OPEB Liability to changes in the Medical Cost Trend Rates:

	Medical Trend - 1% (4.5% decreasing to 4%)	Current Medical Trend (5.5% decreasing to 5%)	Medical Trend + 1% (6.5% decreasing to 6%)
Net OPEB Liability	\$ 5,313,669	\$ 6,668,195	\$ 8,331,891

H. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$100,289. At June 30, 2019, the District reported deferred resources related to OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investment	\$ 2,592	\$ -
Total	<u>\$ 2,592</u>	<u>\$ -</u>

The reported Deferred Outflows/ (Inflows) of Resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/Inflows of Resources
2020	\$ 1,630
2021	1,630
2022	1,632
2023	(2,300)
Total	<u>\$ 2,592</u>

Southern Marin Fire Protection District
Notes to Basic Financial Statements
For the year ended June 30, 2019

11. LONG-TERM OBLIGATIONS

Changes in long-term obligations and debt for the fiscal year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Compensated absences	\$ 883,218	\$ 105,839	\$ 102,465	\$ 886,592	\$ 107,000
Total debt	<u>\$ 883,218</u>	<u>\$ 105,839</u>	<u>\$ 102,465</u>	<u>\$ 886,592</u>	<u>\$ 107,000</u>

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, 2019 was \$1,334,000.

13. SUBSEQUENT EVENT

On March 2020, the COVID-19 outbreak in the United States has caused business disruptions through mandated closing. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and financial impact of the closing. The related financial impact and duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

Southern Marin Fire Protection District
Required Supplementary Information
For the year ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Comparison Schedules - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 14,060,000	\$ 14,060,000	\$ 14,688,440	\$ 628,440
Special assessment	855,000	855,000	908,658	53,658
Grants	523,790	523,790	523,790	-
Charges for services	300,000	300,000	148,794	(151,206)
Other revenue	1,696,150	1,696,150	1,664,054	(32,096)
Investment earning	-	-	10,900	10,900
Interest income	30,000	30,000	126,659	96,659
Total revenues	17,464,940	17,464,940	18,071,295	606,355
EXPENDITURES:				
Public safety - fire prevention and protection	18,454,658	18,454,658	18,010,504	444,154
Total expenditures	18,454,658	18,454,658	18,010,504	444,154
NET CHANGE IN FUND BALANCE	\$ (989,718)	\$ (989,718)	60,791	\$ 1,050,509
FUND BALANCES:				
Beginning of year			9,369,791	
End of year			\$ 9,430,582	

Southern Marin Fire Protection District
Required Supplementary Information
For the year ended June 30, 2019

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal Year	2019	2018	2017	2016	2015
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	1.9969%	1.7167%	1.4658%	1.5574%	1.5559%
Proportion share of the net pension liability	\$6,595,717	\$6,330,439	\$7,005,504	\$6,033,143	\$3,845,243
Covered payroll	\$6,009,660	\$5,680,977	\$5,290,483	\$5,007,820	\$4,640,149
Proportionate Share of the net pension liability as percentage of covered payroll	109.75%	111.43%	132.42%	120.47%	82.87%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	86.30%	81.50%	84.30%	89.04%

Note to Schedule:

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

B. Schedule of Contributions - Last 10 Years*

Fiscal Year	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 2,416,820	\$ 2,217,637	\$ 2,132,367	\$ 2,151,878	\$ 1,902,520
Contribution in relation to the actuarially determined contributions	(2,416,820)	(2,217,637)	(2,132,367)	(2,151,878)	(1,902,520)
contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,239,136	\$ 6,009,660	\$ 5,680,977	\$ 5,290,483	\$ 5,007,820
Contributions as a percentage of covered payroll	38.74%	36.90%	37.54%	40.67%	37.99%

Note to Schedule:

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

Southern Marin Fire Protection District
Required Supplementary Information
For the year ended June 30, 2019

3. OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Years*

<i>Measurement Period</i>	2019	2018
Total OPEB Liability		
Service Cost	\$ 234,212	\$ 227,390
Interest on the total OPEB liability	599,878	576,249
Benefit payments, including refunds of employee contributions	(391,773)	(427,356)
Net change in total OPEB liability	442,317	376,283
Total OPEB liability - beginning	10,190,992	9,814,709
Total OPEB liability - ending (a)	<u>\$ 10,633,309</u>	<u>\$ 10,190,992</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 721,773	\$ 782,356
Net investment income	234,362	156,463
Benefit payments, including refunds of employee contributions	(391,773)	(427,356)
Administrative expense	(8,618)	(1,267)
Net change in plan fiduciary net position	555,744	510,196
Plan fiduciary net position - beginning	3,409,370	2,899,174
Plan fiduciary net position - ending (b)	<u>\$ 3,965,114</u>	<u>\$ 3,409,370</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 6,668,195</u>	<u>\$ 6,781,622</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	37.29%	33.45%
Covered-employee payroll	\$ 8,619,228	\$ 5,680,977
Net OPEB liability as a percentage of covered-employee payroll	77.36%	119.37%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Southern Marin Fire Protection District
Required Supplementary Information
For the year ended June 30, 2019

3. OTHER POSTEMPLOYMENT BENEFIT PLAN, Continued

B. Schedule of Contributions - Last 10 Years*

Fiscal Year Ended June 30	2019	2018
Actuarially Determined Contribution (ADC)	\$ 586,572	\$ 586,708
Contributions in relation to the ADC	(721,773)	(782,356)
Contribution deficiency (excess)	\$ (135,201)	\$ (195,648)
 Covered-employee payroll	 \$ 8,619,228	 \$ 5,680,977
Contributions as a percentage of covered-employee payroll	8.37%	13.77%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.