Tamalpais Community Services District

Financial Statements
and
Independent Auditors' Report

June 30, 2016

CROCE, SANGUINETTI, & VANDER VEEN INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Board of Directors
Tamalpais Community Services District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Tamalpais Community Services District** (the District) as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 entity'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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Tamalpais Community Services District** as of June 30, 2016, and the respective changes in financial position and cash flows, 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 required supplementary information on pages 3 through 11 and 52 through 55 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.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
December 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2016

This narrative overview and analysis of the Tamalpais Community Services District's (District) financial activities for the fiscal year ended June 30, 2016 has been provided by the management of the District. The management's discussion and analysis is intended to serve as an introduction to the District's financial statements which follow this section and is recommended to be reviewed in conjunction with them.

Financial Highlights

- The District's net position decreased by $409,763 over the prior year, including a $141,606 decrease in net position of governmental activities, and a $268,157 decrease in net position of business-type activities. The District's net position is now $1,239,870.

- Total assets of the District were $8,062,948 with capital assets at $6,408,553 net of accumulated depreciation. Current and other assets were $1,654,395.

- Total liabilities were $7,469,844 consisting of long-term liabilities of $7,349,065 and other current liabilities at $120,779.

- Assets of the District exceeded liabilities at the close of the most recent fiscal year by $1,239,870 (net position). Of this amount, $796,717 (unrestricted net position) is a deficit and is not available to meet the District's ongoing obligations, and $2,036,587 is net investment in capital assets.

- On the current financial resources basis, the District's governmental fund expenditures exceeded revenues by $44,181. The proprietary fund expenditures exceeded revenues by $268,157.

- At year-end, there was $64,698 in cash and investments to fund future governmental activities, and $1,510,943 in cash and investments to fund future business-type activities.

Overview of the Financial Statements

The District's financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to financial statements including required supplemental information.

Government-wide and fund financial statements present the results of operations for different functions of the District as follows:

1. **Government-Wide financial statements** provide both long-term and short-term information about the District's overall financial position in a manner similar to private-sector business.

(Continued)

Overview of the Financial Statements (Continued)

The **Statement of Net Position** displays all of the District's assets and liabilities, with the difference between the two reported as net position. The **Statement of Activities** provides all current year revenues and expenses on an accrual basis of accounting regardless of when cash is received or paid. These two government-wide statements report the District's net position and how they have changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The government-wide financial statements separately present the District's functions as follows:

- **Governmental activities** include services financed mainly through property taxes. The District's parks and recreation, community center services, and Measure A services comprise its governmental activities.
- **Business-type activities** include services financed, in whole or in part, by fees paid by those who directly benefit from the service. The District's business-type activities include wastewater collection and treatment and garbage collection and disposal.

2. **Fund financial statements** focus on the individual functions of the District, and report the District's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control their resources that are legally restricted or otherwise earmarked for special purposes. The District reports its fund financial statements in the following two categories:

- **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 1) short-term inflows and outflows of expendable resources, and 2) the resources remaining at the end of the fiscal year that are available for future use. Because the focus of governmental funds is narrower than the government-wide financial statements, a reconciliation that explains the relationship (or differences) between them is presented following each of the governmental fund statements.

- **Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements in more detail.

(Continued)

Overview of the Financial Statements (Continued)

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Government-Wide Financial Statements

A review of net position over time may serve as a useful indicator of the District's financial position. Net position represents the difference between the District's assets, deferred outflows, liabilities, and deferred inflows. As of June 30, 2016, the District's net position was $1,239,870, a decrease of $458,802 from prior year. The following table outlines the District's net position by function for the current and prior fiscal years.

Tamalpais Community Services District Net Position
(rounded to nearest dollar)
As of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total		Variance
Assets	2016	2015	2016	2015	2016	2015	
Current and other assets	$ 70,777	$ 151,870	$ 1,583,618	$ 1,671,423	$ 1,654,395	$ 1,823,293	$ (168,898)
Capital assets, net	1,096,346	1,152,699	5,312,207	5,700,433	6,408,553	6,853,132	(444,579)
Total assets	1,167,123	1,304,569	6,895,825	7,371,856	8,062,948	8,676,425	(613,477)
Deferred outflows of resources	368,092	176,055	714,531	341,755	1,082,623	517,810	564,813
Liabilities							
Current liabilities	64,215	44,100	56,564	59,946	120,779	104,046	16,733
Non-current liabilities	937,030	631,652	6,412,035	6,087,960	7,349,065	6,719,612	629,453
Total liabilities	1,001,245	675,752	6,468,599	6,147,906	7,469,844	6,823,658	646,186
Deferred Inflows of resources	148,191	228,448	287,666	443,457	435,857	671,905	(236,048)
Net Position							
Net investment in capital assets	1,096,346	1,152,699	940,241	1,061,562	2,036,587	2,214,261	(177,674)
Unrestricted	(710,567)	(576,275)	(86,150)	60,686	(796,717)	(515,589)	(281,128)
Total net position	$ 385,779	$ 576,424	$ 854,091	$ 1,122,248	$ 1,239,870	$ 1,698,672	$ (458,802)

By far, the largest portion of the District's net position, less any related outstanding debt used to acquire those assets, reflects its investment in capital assets (e.g., land, buildings and improvements, equipment, etc.). The District uses its capital assets to provide the services it is responsible for and those assets don't represent future expendable resources. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations.

(Continued)

Financial Analysis of the Government-Wide Financial Statements (Continued)

The following table displays the change in the District's net position for the year ended June 30, 2016.

Tamalpais Community Services District Change in Net Position

	Governmental Activities		Business-type Activities		Total	
Revenues	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	$ 202,243	$ 193,956	$ 4,150,521	$ 4,143,678	$ 4,352,764	$ 4,337,634
Operating grants and contributions	46,695	24,866	3,500	3,500	50,195	28,366
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	786,385	778,926	-	-	786,385	778,926
Investment earnings	678	602	4,021	2,377	4,699	2,979
Miscellaneous	1,528	8,551	49,868	5,325	51,396	13,876
Total revenues	1,037,529	1,006,901	4,207,910	4,154,880	5,245,439	5,161,781
Expenses						
Parks and recreation	1,095,406	1,062,764	-	-	1,095,406	1,062,764
Community center	31,068	35,892	-	-	31,068	35,892
Measure A	52,661	51,871	-	-	52,661	51,871
Sanitation	-	-	2,827,488	2,465,764	2,827,488	2,465,764
Refuse	-	-	1,648,579	1,469,853	1,648,579	1,469,853
Total expenses	1,179,135	1,150,527	4,476,067	3,935,617	5,655,202	5,086,144
Transfers	-	-	-	-	-	-
Change in net position	(141,606)	(143,626)	(268,157)	219,263	(409,763)	75,637
Net position, beginning of year	576,424	1,158,298	1,122,248	1,753,701	1,698,672	2,911,999
Prior period adjustment	(49,039)	(438,248)	-	(850,716)	(49,039)	(1,288,964)
Net position, end of year	$ 385,779	$ 576,424	$ 854,091	$ 1,122,248	$ 1,239,870	$ 1,698,672

(Continued)

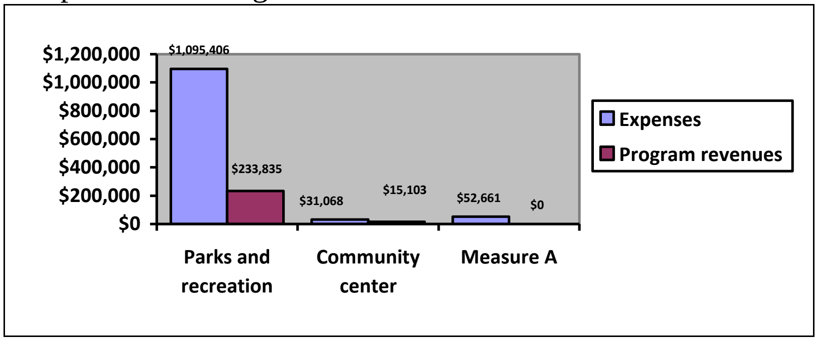
Financial Analysis of the Government-Wide Financial Statements (Continued)

The $409,763 decrease in total net position is attributed to each function for both governmental and business-type activities as follows:

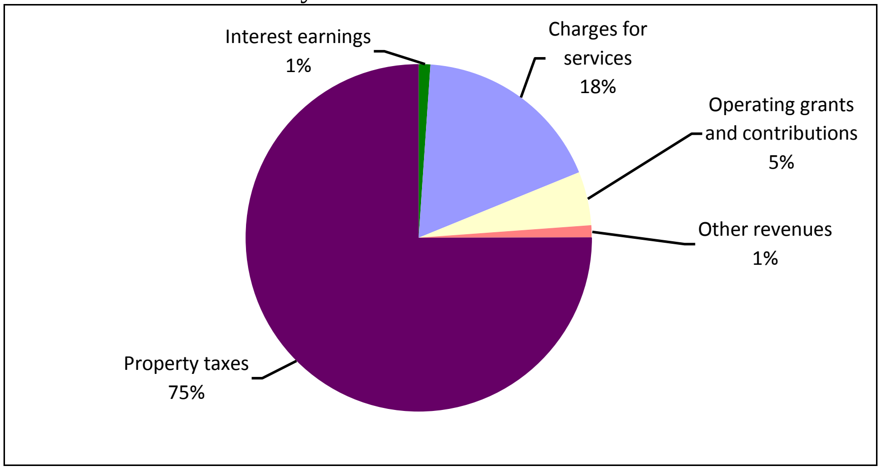
Governmental Activities

- Charges for services increased by $8,287 due to an increase in event revenue.
- Operating grants and contributions increased by $21,829, due to an increase in grant funds received for fire mitigation.
- Community center expenses decreased by $4,824, as a result of a decrease in improvements to the Community Center.
- Parks and recreation expenses increased by $32,642 as a result of an increase in sales tax expense.
- Measure A expenses increased by $790 as a result of an increase in expenses incurred to draft remodel options for the Community Center kitchen remodel.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



(Continued)

Financial Analysis of the Government-Wide Financial Statements (Continued)

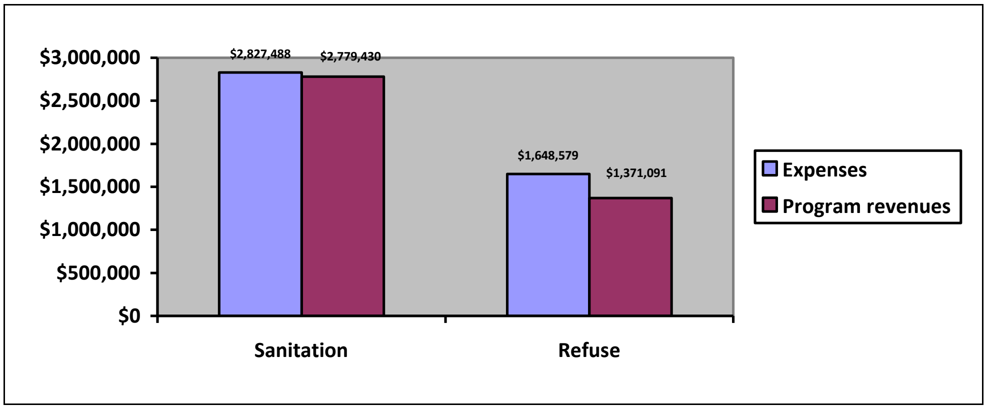
Business-type Activities

- Charges for services increased $6,843 due to an increase in sewer and refuse service charge rates.

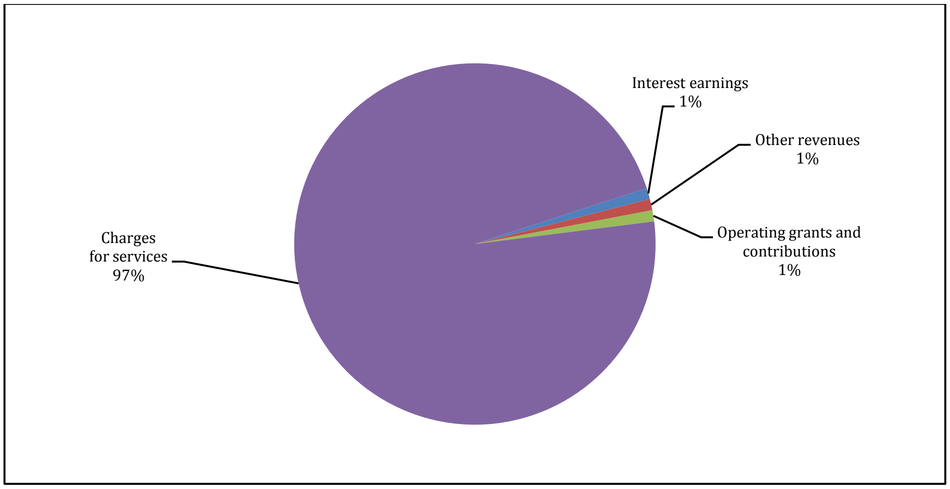
- Miscellaneous revenue increased $44,543 due to the gain on the sale of an old garbage truck and due to the receipt of funds from an insurance claim.

- Expenses increased $540,450, the largest components of this increase are: contract services, $130,925; employee benefits, $108,555; and repairs and maintenance, $337,053.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide short-term inflows and outflows and balances of current expendable resources. In particular, the *unassigned fund balance* presented in the balance sheet may serve as a useful measure of the District's resources available for spending at the end of its fiscal year.

As of the end of the current fiscal year, the District's combined governmental fund expenditures exceeded revenues by $44,181 primarily due to increased sales tax expenses and capital projects. This resulted in a $44,181 decrease in the combined ending fund balance of the District's governmental funds. The fund balance of the parks and recreation fund decreased by $34,085, the fund balance of the community center fund decreased by $15,965, and the fund balance of the Measure A fund increased by $5,869. At year-end, the combined fund balance of governmental funds was $4,971, consisting of $230,000 assigned for capital outlay and $225,029 was an unassigned deficit.

Proprietary Funds

The District's proprietary fund statements provide the same type of information, in more detail, on the business-type activities presented in the government-wide financial statements.

The net position of the proprietary funds decreased by $268,157 from $1,122,248 to $854,091. The net position included $86,150 in unrestricted net position which has decreased by $146,836 or 242% from the previous year. The decrease in unrestricted net position is primarily due to increases of employee benefits expense and contracted services expense. Changes in total net position from last year are as follows: Sanitation decrease of $14,646 and refuse decrease of $253,511.

Budgetary Highlights

The District adopts annual operating budgets for both the governmental and the proprietary funds, and this report includes the results of governmental fund operations on a budgetary comparison basis. The District Board also adopts budget amendments during the course of the fiscal year to adjust for unforeseen circumstances and changes in priorities.

(Continued)

Budgetary Highlights (Continued)

Parks and Recreation Fund

The parks and recreation fund reflects a net favorable budget variance of $9,162 when comparing actual amounts to the final budget for the fiscal year. The actual revenues were more than the budgeted amount by $24,291 and actual expenditures came over the budget by $15,129.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District's investment in capital assets amounted to $6,408,553 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, vehicles, park facilities and sanitation and refuse systems.

The District's total investment in capital assets before depreciation decreased by $69,824 from $13,033,204 to $12,963,380. Significant disposals of capital assets included:

- Garbage Truck (76,246)
- Kay Park playground equipment (37,482)

The following table displays the changes in District's capital assets, net of accumulated depreciation.

Tamalpais Community Services District's Capital Assets
(net of depreciation, in rounded dollars)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 66,500	$ 66,500	$ 29,853	$ 29,853	$ 96,353	$ 96,353
Buildings and improvements	1,328,339	1,321,917	701,367	701,367	2,029,706	2,023,284
Collection system	-	-	5,267,160	5,267,160	5,267,160	5,267,160
Pumping stations	-	-	2,722,316	2,722,316	2,722,316	2,722,316
Equipment	81,513	81,513	566,543	566,543	648,056	648,056
Leasehold improvements	840,170	840,170	-	-	840,170	840,170
Vehicles	33,536	33,536	1,326,083	1,402,329	1,359,619	1,435,865
Total	2,350,058	2,343,636	10,613,322	10,689,568	12,963,380	13,033,204
Less accumulated depreciation	(1,253,712)	(1,190,937)	(5,301,115)	(4,989,135)	(6,554,827)	(6,180,072)
Net capital assets	$ 1,096,346	$ 1,152,699	$ 5,312,207	$ 5,700,433	$ 6,408,553	$ 6,853,132

Additional information on the District's capital assets can be found in Note E of the "Notes to Financial Statements" section.

Long-term Debt

During fiscal year 2016, all debt service was paid when and as required. Additional information about long-term debt can be found in Note F of this report.

Long-term liabilities

At the end of the fiscal year, the District has accrued a liability of $1,076,659 for post-employment benefits other than pensions. The increase in the accrual for the current fiscal year was $187,063.

As a result of implementing GASB Statement No. 68 and 71, the District has accrued a net pension liability of $1,756,793 for retirement benefits to current and former employees at the end of the fiscal year.

Economic Factors and Next Year's Budgets and Rates

For the 2016 fiscal year, parks and recreation fund revenue projections have been conservative and comparable to prior years.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's financial accountability and compliance with applicable laws for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information can be addressed to Tamalpais Community Services District, Attention: General Manager, 305 Bell Lane, Mill Valley, California 94941.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2016

	Governmental activities	Business-Type activities	Total
Assets			
Cash and investments	$ 64,698	$ 1,510,943	$ 1,575,641
Accounts receivable	5,407	72,503	77,910
Interest receivable	672	-	672
Note receivable	-	172	172
Capital assets, net of accumulated depreciation	1,096,346	5,312,207	6,408,553
Total assets	1,167,123	6,895,825	8,062,948
Deferred outflows of resources			
Deferred outflows related to pension	368,092	714,531	1,082,623
Liabilities			
Accounts payable	51,969	56,266	108,235
Accrued liabilities	9,303	298	9,601
Deposits payable	2,943	-	2,943
Long-term liabilities			
Debt due within one year	-	277,415	277,415
Debt due in more than one year	-	4,094,551	4,094,551
Compensated absences	31,582	112,065	143,647
Accrued other post-employment benefits	308,138	768,521	1,076,659
Net pension liability	597,310	1,159,483	1,756,793
Total liabilities	1,001,245	6,468,599	7,469,844
Deferred inflows of resources			
Deferred inflows related to pension	148,191	287,666	435,857
Net Position			
Net investment in capital assets	1,096,346	940,241	2,036,587
Unrestricted	(710,567)	(86,150)	(796,717)
Total net position	$ 385,779	$ 854,091	$ 1,239,870

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Activities

For the year ended June 30, 2016

		Program revenues		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities				
Parks and recreation	$ 1,095,406	$ 187,140	$ 46,695	$ -
Community center	31,068	15,103	-	-
Measure A	52,661	-	-	-
Total governmental activities	1,179,135	202,243	46,695	-
Business-type activities				
Sanitation	2,827,488	2,779,430	-	-
Refuse	1,648,579	1,371,091	3,500	-
Total business-type activities	4,476,067	4,150,521	3,500	-
Total government	$ 5,655,202	$ 4,352,764	$ 50,195	$ -

General revenues

Taxes

Property taxes

Homeowners property tax relief

Investment income

Miscellaneous

Total general revenues

Changes in net position

Net position, beginning of year, as originally stated

Prior period adjustment, see Note A

Net position, beginning of year, as restated

Net position, end of year

Net (expenses) revenues and changes in net position		
Governmental activities	Business-type activities	Totals
$ (861,571)	$ -	$ (861,571)
(15,965)	-	(15,965)
(52,661)	-	(52,661)
(930,197)	-	(930,197)
-	(48,058)	(48,058)
-	(273,988)	(273,988)
-	(322,046)	(322,046)
(930,197)	(322,046)	(1,252,243)
783,640	-	783,640
2,745	-	2,745
678	4,021	4,699
1,528	49,868	51,396
788,591	53,889	842,480
(141,606)	(268,157)	(409,763)
576,424	1,122,248	1,698,672
(49,039)	-	(49,039)
527,385	1,122,248	1,649,633
$ 385,779	$ 854,091	$ 1,239,870

The accompanying notes are an integral part of this financial statement.

Tamalpais Community Services District

Balance Sheet
Governmental Funds

June 30, 2016

	Parks and Recreation Fund	Nonmajor Community Center Fund	Nonmajor Measure A Fund	Total Governmental Funds
Assets				
Cash and investments	$ -	$ -	$ 64,698	$ 64,698
Due from other funds	206,276	-	10,636	216,912
Accounts receivable	3,816	-	-	3,816
Interest receivable	672	-	-	672
Total assets	$ 210,764	$ -	$ 75,334	$ 286,098
Liabilities and Fund Balances				
Liabilities				
Due to other funds	$ -	$ 216,912	$ -	$ 216,912
Accounts payable	28,757	421	22,791	51,969
Accrued liabilities	10,276	1,970	-	12,246
Total liabilities	39,033	219,303	22,791	281,127
Fund balances				
Assigned to:				
Capital outlay	230,000	-	-	230,000
Unassigned	(58,269)	(219,303)	52,543	(225,029)
Total fund balances (deficit)	171,731	(219,303)	52,543	4,971
Total liabilities and fund balances	$ 210,764	$ -	$ 75,334	$ 286,098

The accompanying notes are an integral part of this financial statement.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016

Total fund balances - governmental funds	$	4,971
Amounts reported for governmental activities in the statement of net position are different because:		
Accounts receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds balance sheet.		1,591
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		1,096,346
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		
Compensated absences		(31,582)
Accrued other post-employment benefits		(308,138)
Net pension liability		(597,310)
Deferred inflows and outflows of resources related to pensions have not been included in the governmental funds balance sheet.		
Deferred outflows related to pension		368,092
Deferred inflows related to pension		(148,191)
Net position of governmental activities	$	385,779

The accompanying notes are an integral part of this financial statement.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the year ended June 30, 2016

	Parks and Recreation Fund	Nonmajor Community Center Fund	Nonmajor Measure A Fund	Total Governmental Funds
Revenues				
Tax revenues	$ 694,750	$ -	$ 101,214	$ 795,964
Charges for services	151,239	-	-	151,239
Rental income	34,310	12,463	-	46,773
Grant income	33,775	-	-	33,775
Contributions	12,919	-	-	12,919
Other	2,986	2,640	-	5,626
Investment income	678	-	-	678
Total revenues	930,657	15,103	101,214	1,046,974
Expenditures				
Parks and recreation	964,742	-	-	964,742
Measure A	-	-	51,441	51,441
Community center	-	31,068	-	31,068
Capital outlay	-	-	43,904	43,904
Total expenditures	964,742	31,068	95,345	1,091,155
Net change in fund balances	(34,085)	(15,965)	5,869	(44,181)
Fund balances, beginning of year, as originally stated	205,816	(203,338)	95,713	98,191
Prior period adjustment, see Note A	-	-	(49,039)	(49,039)
Fund balances, beginning of year, as restated	205,816	(203,338)	46,674	49,152
Fund balances, end of year	$ 171,731	$ (219,303)	$ 52,543	$ 4,971

The accompanying notes are an integral part of this financial statement.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

For the year ended June 30, 2016

Net change in fund balances - governmental funds	$	(44,181)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(7,988)
Governmental funds report capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the life of the assets.		43,904
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds.		(98,799)
Loss on sale of capital assets is recognized in the statement of activities, but is not reported in the funds.		(1,457)
Changes in compensated absences are recorded as an expense in the statement of activities, but are not reported in the funds.		7,018
Changes in other post-employment benefits are recorded as an expense in the statement of activities, but are not reported in the funds.		(64,724)
The net change of pension liability items are recognized in the statement of activities, but are not reported in the funds.		24,621
Change in net position of governmental activities	$	(141,606)

The accompanying notes are an integral part of this financial statement.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2016

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Assets and Deferred Outflows of Resources			
Current assets			
Cash and investments	$ 1,498,801	$ 12,142	$ 1,510,943
Due from other funds	268,839	-	268,839
Accounts receivable	56,687	15,816	72,503
Note receivable	172	-	172
Total current assets	1,824,499	27,958	1,852,457
Capital assets, net of accumulated depreciation	5,087,048	225,159	5,312,207
Deferred outflows of resources			
Deferred outflows related to pension	238,177	476,354	714,531
Total assets and deferred outflows of resources	$ 7,149,724	$ 729,471	$ 7,879,195
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities (payable from current assets)			
Due to other funds	$ -	$ 268,839	$ 268,839
Accounts payable	29,791	26,475	56,266
Accrued liabilities	298	-	298
Current portion of notes payable	277,415	-	277,415
Total current liabilities	307,504	295,314	602,818
Noncurrent liabilities			
Compensated absences	41,907	70,158	112,065
Noncurrent portion of notes payable	4,094,551	-	4,094,551
Accrued other post-employment benefits	223,903	544,618	768,521
Net pension liability	386,495	772,988	1,159,483
Total noncurrent liabilities	4,746,856	1,387,764	6,134,620
Deferred inflows of resources			
Deferred inflows related to pension	95,889	191,777	287,666
Net position			
Net investment in capital assets	715,082	225,159	940,241
Unrestricted	1,284,393	(1,370,543)	(86,150)
Total net position	1,999,475	(1,145,384)	854,091
Total liabilities, deferred inflows of resources and net position	$ 7,149,724	$ 729,471	$ 7,879,195

The accompanying notes are an integral part of this financial statement.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the year ended June 30, 2016

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Operating revenues			
Charges for services	$ 2,728,158	$ 1,338,413	$ 4,066,571
Other	42,722	36,178	78,900
Reimbursements	29,606	-	29,606
Connection fees	9,162	-	9,162
Total operating revenues	2,809,648	1,374,591	4,184,239
Operating expenses			
Contract services	1,231,172	234,154	1,465,326
Salaries and wages	219,462	531,370	750,832
Repairs and maintenance	553,047	173,894	726,941
Employee benefits	133,012	349,547	482,559
Depreciation	309,163	79,063	388,226
Insurance	51,615	74,388	126,003
Other post-employment benefits	34,420	87,920	122,340
Fees and permits	12,283	34,426	46,709
Supplies	23,621	19,852	43,473
Professional fees	18,149	19,622	37,771
Consulting	34,230	1,667	35,897
Fuel	2,160	28,907	31,067
Utilities	14,632	5,429	20,061
Directors' expenses	8,151	3,729	11,880
Other	2,983	3,616	6,599
Travel, schools, seminars	1,051	993	2,044
Total operating expenses	2,649,151	1,648,577	4,297,728
Operating income (loss)	160,497	(273,986)	(113,489)
Nonoperating revenues (expenses)			
Gain on disposal of asset	-	19,650	19,650
Interest revenue	3,196	825	4,021
Debt service - interest	(178,339)	-	(178,339)
Total nonoperating revenues(expenses)	(175,143)	20,475	(154,668)
Changes in net position	(14,646)	(253,511)	(268,157)
Net position, beginning of year	2,014,121	(891,873)	1,122,248
Net position, end of year	$ 1,999,475	$ (1,145,384)	$ 854,091

The accompanying notes are an integral part of this financial statement.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Cash Flows
Proprietary Funds

For the year ended June 30, 2016

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 2,839,870	$ 1,368,547	$ 4,208,417
Cash payments to suppliers for goods and services	(2,051,248)	(955,136)	(3,006,384)
Cash payments to employees	(264,231)	(579,856)	(844,087)
Internal activity - receipts from other funds	-	148,145	148,145
Internal activity - payments to other funds	(148,145)	-	(148,145)
Net cash provided by (used in) operating activities	376,246	(18,300)	357,946
Cash flows from capital and related financing activities			
Principal payments on long-term debt	(266,905)	-	(266,905)
Interest paid on long-term debt	(178,339)	-	(178,339)
Proceeds from sale of asset	-	19,650	19,650
Net cash (used in) provided by capital and related financing activities	(445,244)	19,650	(425,594)
Cash flows from investing activities			
Collection on note receivable	2,011	-	2,011
Interest income	3,196	825	4,021
Net cash provided by investing activities	5,207	825	6,032
Net increase (decrease) in cash and cash equivalents	(63,791)	2,175	(61,616)
Cash and cash equivalents, beginning of year	1,562,592	9,967	1,572,559
Cash and cash equivalents, end of year	$ 1,498,801	$ 12,142	$ 1,510,943
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ 160,497	$ (273,986)	$ (113,489)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	309,163	79,063	388,226
Pension related adjustments	51,890	103,778	155,668
Change in assets and liabilities			
Accounts receivable	30,222	(6,044)	24,178
Due to (from) other funds	(148,145)	148,145	-
Deferred outflows related to pension	(67,820)	(135,641)	(203,461)
Accounts payable	17,341	(20,770)	(3,429)
Accrued liabilities	47	-	47
Compensated absences	(11,369)	(764)	(12,133)
Accrued other post-employment benefits	34,420	87,919	122,339
Net cash provided by (used in) operating activities	$ 376,246	$ 18,300	$ 357,946

The accompanying notes are an integral part of this financial statement.

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Tamalpais Community Services District (the District) is presented to assist in understanding the District's financial statements.

Description of the reporting entity

The Tamalpais Community Services District was formed in 1967 at which time it assumed the assets, liabilities and operations of its predecessor, the Tamalpais Valley Sanitary District. The District provides sanitation service, refuse and debris removal, park maintenance and public recreation services to its constituents. The District is governed by an elected five-member Board of Directors.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include the financial activities of the overall District government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The *parks and recreation fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community center fund* is a nonmajor fund. It accounts for all activities to maintain and operate the community center.

The *Measure A fund* is a nonmajor fund. It accounts for activities that assist the District in managing its parks, open space preserves, recreation programs, and vegetation to promote biodiversity and reduce wildfire risk.

Proprietary Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

The reporting entity includes the following enterprise funds, all of which are reported as major funds:

Fund	Brief description
Sanitation Fund	Accounts for activities associated with operating and maintaining the Districts collection and treatment of wastewater. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Refuse Fund	Accounts for the provision of refuse collection services to residents of the District. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District's proprietary funds follow all GASB pronouncements currently in effect as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's operating revenues include all revenues derived from sanitation and refuse services. The enterprise funds also recognize as operating revenue, the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Measurement focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and investments

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and short-term investments with an original maturity of three months or less. This also includes deposits with the State of California Local Agency Investment Fund (LAIF).

Investments for the District are reported at fair value.

Accounts receivable

District management considers all accounts receivable to be fully collectible. Accordingly, an allowance of doubtful accounts has not been recorded in these financial statements.

Capital assets

Capital assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years. The District has elected not to retroactively capitalize infrastructure capital assets acquired prior to June 30, 2003, as allowed by Government Accounting Standards Board (GASB) Statement No. 34.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the statement of net position as a reduction in the book value of capital assets.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

Leasehold improvements	7-40 years
Buildings and improvements	5-50 years
Equipment	5-20 years
Vehicles	5-7 years
Collection lines and improvements	10-40 years
Pumping stations	7-15 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Compensated absences

Compensated absences are accrued as earned by employees, and consist of accruals for vacation and sick time. The District's liability for compensated absences is reported in the Statement of Net Position for governmental activities in the government-wide financial statements.

Deferred outflow/inflows of resources

In addition to assets, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resource (revenue) until that time.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's portion of the Marin County Employees' Retirement Association (MCERA) Miscellaneous 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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.

c. Unrestricted - Amounts not required to be reported in other components of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned - Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, District manager or their designee.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Unassigned - Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.

2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/ expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quotes prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within level 1 - that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Property taxes

Property taxes are levied as of January 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and February 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the “Teeter Plan”. Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Budgetary accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. On or before the end of each fiscal year, department heads of the District submit requests for appropriations to the General Manager so that a budget may be prepared. The proposed budget is presented to the District's Board for review. The Board of Directors holds public hearings and a final budget is approved by the Board.

The appropriated budget is prepared by fund, function and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Encumbrance accounting is not employed in governmental funds.

Prior period adjustment

During the year ended June 30, 2015, the District incorrectly reported revenue in the Measure A Fund that was earned in the year ended June 30, 2016. A prior period adjustment of $49,039 was recorded to decrease and restate the beginning net position and beginning fund balance of the Measure A Fund.

New accounting pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact to beginning net position as part of implementation of this accounting standard.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses, expenditures. The District will be required to implement the provisions of this Statement for the year ended June 30, 2018. The District has not determined the effect on the financial statements.

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District implemented the provisions of this Statement for the year ended June 30, 2016.

In December 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact on beginning net position as part of implementation of this accounting standard.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

In March 2016, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classifications of payments made by employers to satisfy employee (plan member) contribution requirements. The District will be required to implement the provisions of this Statement for the year ended June 30, 2017. The District has not determined the effect on the financial statements.

Note B - Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 1,575,641
Total cash and investments	$ 1,575,641

Cash and investments as of June 30, 2016 consist of the following:

Deposits with financial institutions	$ 112,771
Marin County Treasurer	33,727
Investments	1,429,143
	$ 1,575,641

Investment Type	Carrying value	Fair value
California Local Agency Investment Fund (State Investment Pool)	$ 1,429,143	$ 1,429,143

(Continued)

Note B - Cash and Investments (Continued)

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "cash and investments". Cash balances from all participating funds are combined and invested to the extent possible, pursuant to the Board of Directors approved Investment Policy and guidelines, and the California Government Code Section 53600. The District's cash and investments are in instruments allowed by the District's Investment Policy.

The Government Code and the District's Investment Policy allow investments in the following instruments:

Investment Type
Local Agency Investment Fund
Certificates of Deposit
Public Funds Savings Account
Money Market Account
Checking Account

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing all shorter-term investments.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Totals	12 months or less	13 - 24 months	25-36 months	37 - 48 months	49 - 60 months	More than 60 months
State Investment Pool	$1,429,143	$1,429,143	$ -	$ -	$ -	$ -	$ -

(Continued)

Note B - Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End				
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated	As of Investment
State Investment Pool	$ 1,429,143	N/A	$ -	$ -	$ -	$ -	$1,429,143	100%

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in certain types of investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(Continued)

Note B - Cash and Investments (Continued)

Marin County Treasurer

Cash held by the Marin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at http://www.co.marin.ca.us/). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at cost which approximates fair value, available upon demand and considered cash equivalents.

Investment in State Investment Pool

Although the District did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the District does have an investment in The California Local Agency Investment Fund (LAIF) in the amount of $1,429,143. Investments in LAIF are invested in accordance with the policy of the State Treasurer for LAIF accounts (see State Treasurer's investment policy for LAIF accounts and separately issued financial reports for LAIF at http://www.treasurer.ca.gov/pmia-laif/). The total amount invested by all public agencies in LAIF is $75,442,588,513 of which 2.81% is invested in structured notes and asset-backed securities. Included in LAIF's investment portfolio are United States Treasury and federal agency securities, International Bank for Reconstruction and Development federal agency floating rate debentures, bank notes, certificates of deposit, commercial paper, corporate floaters and bonds, time deposits, and California Assembly Bill 55 and State of California General Fund Loans. Participants equity in LAIF is determined by the dollar amount of the participant's deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily investment balances. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statue. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. The District's investment in the pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents. There are no restrictions or limitations on withdrawals from LAIF.

(Continued)

Note B - Cash and Investments (Continued)

Fair value hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investment in the County of Marin Treasury Pool is classified as Level 2 and its value is based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool.

Note C - Note Receivable

In January 2011, the District entered into a note agreement with a resident in the total amount of $9,162. The note is receivable in monthly principal and interest payments of $173, commencing February 10, 2011. The balance remaining as of June 30, 2016 was $172. The note is uncollateralized, bears interest at 5.178% per annum and is due July 2016.

Note D - Interfund Transactions

Interfund transactions consist of the following:

Current interfund balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2016.

Receivable fund	Payable fund	Amount
Parks and Recreation Fund	Community Center Fund	$ 206,276
Measure A Fund	Community Center Fund	10,636
Sanitation	Refuse	268,839

Internal balances

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

Note E - Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Governmental activities					
Non-depreciable capital assets					
Land	$ 66,500	$ -	$ -	$ -	$ 66,500
Total non-depreciable capital assets	66,500	-	-	-	66,500
Depreciable capital assets					
Leasehold improvements	840,170	-	-	-	840,170
Buildings and improvements	1,321,917	43,904	(37,482)	-	1,328,339
Equipment	81,513	-	-	-	81,513
Vehicles	33,536	-	-	-	33,536
Total depreciable capital assets	2,277,136	43,904	(37,482)	-	2,283,558
Less accumulated depreciation	(1,190,937)	(98,799)	36,024	-	(1,253,712)
Net depreciable capital assets	1,086,199	(54,895)	(1,458)	-	1,029,846
Net capital assets	$ 1,152,699	$ (54,895)	$ (1,458)	$ -	$ 1,096,346
Business-type activities					
Non-depreciable capital assets					
Land	$ 29,853	$ -	$ -	$ -	$ 29,853
Net non-depreciable capital assets	29,853	-	-	-	29,853
Depreciable capital assets					
Buildings and improvements	701,367	-	-	-	701,367
Collection lines and improvements	5,267,160	-	-	-	5,267,160
Pumping stations	2,722,316	-	-	-	2,722,316
Equipment	566,543	-	-	-	566,543
Vehicles	1,402,329	-	(76,246)	-	1,326,083
Total depreciable capital assets	10,659,715	-	(76,246)	-	10,583,469
Less accumulated depreciation	(4,989,135)	(388,226)	76,246	-	(5,301,115)
Net depreciable capital assets	5,670,580	(388,226)	-	-	5,282,354
Net capital assets	$ 5,700,433	$ (388,226)	$ -	$ -	$ 5,312,207

(Continued)

Note E - Capital Assets (Continued)

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental activities:		
Parks and recreation	$	64,423
Community center		33,157
Measure A		1,219
Total depreciation expense - Governmental activities	$	98,799
Business-type activities:		
Sanitation	$	309,163
Refuse		79,063
Total depreciation expense - Business-type activities	$	388,226

Note F - Long-Term Liabilities

Long-term liabilities outstanding as of June 30, 2016 consist of the following:

Notes payable	Interest rate	Maturity date	Amounts authorized and issued	Outstanding	Due within one year
City National Bank	3.90%	December 30, 2028	$ 4,620,387	$ 4,023,629	$ 255,312
City National Bank	3.90%	December 30, 2028	400,000	348,337	22,103
			$ 5,020,387	$ 4,371,966	$ 277,415

The following is a summary of long-term liability issuances and transactions during the year ended June 30, 2016:

Notes payable	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
City National Bank	$ 4,269,268	$ -	$ 245,639	$ 4,023,629
City National Bank	369,603	-	21,266	348,337
	$ 4,638,871	$ -	$ 266,905	$ 4,371,966

(Continued)

Note F - Long-Term Liabilities (Continued)

During December 2013, the District entered into a loan agreement with Municipal Finance Corporation for the purpose of refinancing the costs obtained to upgrade and replace certain wastewater collection improvements to the District's sanitation enterprise system. Municipal Finance Corporation assigned the loan to City National Bank. The note is payable in semi-annual principal and interest payments of $204,884 and is secured by a pledge of the net revenues of the District's sanitation and refuse enterprise funds. In addition, the District is obligated to set rates at a level such that the enterprise's unencumbered cash net revenues will at least be equal to 115 percent of that year's debt service on the loan. The District is required to submit audited financial statements within 270 days of year-end. As of June 30, 2016, the District was in compliance with the covenants referenced above.

During December 2013, the District entered into a loan agreement with Municipal Finance Corporation for the purpose of obtaining financing for the acquisition and construction of additional enterprise facilities consisting generally of sewer line replacements and improvements to the inflow and infiltration system. Municipal Finance Corporation assigned the loan to City National Bank. The note is payable in semi-annual principal and interest payments of $17,737 and is secured by a pledge of the net revenues of the District's sanitation and refuse enterprise funds. In addition, the District is obligated to set rates at a level such that the enterprise's encumbered cash net revenues will at least be equal to 115 percent of that year's debt service on the loan. The District is required to submit audited financial statements within 270 days of year-end. As of June 30, 2016, the District was in compliance with the covenants referenced above.

Summary of long-term liabilities service requirements

Long-term liabilities service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2017	$ 277,415	$ 167,828	$ 445,243
2018	288,340	156,903	445,243
2019	299,695	145,548	445,243
2020	311,497	133,746	445,243
2021	323,764	121,479	445,243
2022-2026	1,820,412	405,806	2,226,218
2027-2029	1,050,843	62,266	1,113,109
Total requirements	$ 4,371,966	$ 1,193,576	$ 5,565,542

Note G - Compensated Absences

Employees accrue vacation leave based on length of service. Accumulated vacation leave is subject to maximum accruals for all employees. As of June 30, 2016, the District's accrued liability for accumulated unused vacation leave and overtime is $97,530. Employees are paid for their accumulated unused vacation leave upon separation from service. The liability is expected to be liquidated with future resources and not with expendable available financial resources.

In addition, for all District employees hired before March 1, 2001, the District will pay one-half of accumulated sick leave upon separation from the District, not to exceed a total of six months. The District has estimated and recorded a liability for accumulated unused sick leave of $46,117.

Note H - Deficit Fund Balance

A deficit fund balance of $219,303 exists in the nonmajor community center fund. The deficit is due to the District incurring costs in excess of revenues. The fund deficit is expected to be offset in the future from the receipt of revenues.

Note I - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; risk of loss to employees; and natural disasters. In order to insure for risks of loss, the District participates in a joint venture under a joint powers agreement with the Special Districts Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the SDRMA is not a component unit of the District for financial reporting purposes.

The SDRMA arranges for and provides property, liability and worker's compensation coverage for its member districts. The Tamalpais Community Services District participates in all of the programs.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the SDRMA. The District's share of surpluses and deficits cannot be determined, although District management does not expect such amounts, if any, to be material in relation to the financial statements.

(Continued)

Note I - Risk Management (Continued)

The District is covered by the following types of insurance through the SDRMA as of June 30, 2016:

Coverage	Limits of liability
General liability	$ 5,000,000
Public officials and employees errors	5,000,000
Personal liability coverage for board members	500,000
Employment practices liability	5,000,000
Employee benefits liability	5,000,000
Employee dishonesty coverage	1,000,000
Auto liability	5,000,000
Uninsured/underinsured motorists	1,000,000
Property coverage	1,000,000,000
Boiler and machinery	100,000,000
Workers' compensation	
Statutory workers' compensation	Statutory limit
Employers' liability coverage	5,000,000

Note J - Pension Plans

General Information about the Pension Plans

Plan Descriptions - The District contributes to the Marin County Employees' Retirement Association (MCERA). MCERA is a cost-sharing multiple-employer retirement system governed by the 1937 Act of the California Code. MCERA acts as a common administrative and investment agent for defined benefit retirement plans for various local governmental agencies within the County of Marin. Copies of MCERA's annual financial reports, which include required supplementary information for each participant in the plan, may be obtained from the Marin County Employees' Retirement Association, One McInnis Parkway, Suite 100, San Rafael, California 94903.

Benefits Provided - MCERA provides retirement, disability, death, and survivor benefits to plan members and beneficiaries based on the employees' years of service, age, and final compensation. The plan covers all eligible District employees except the District general manager (see Note K). Employees hired before January 1, 2013 are eligible to receive retirement benefits after 10 years of service and having attained the age of 50, or 30 years of service regardless of age. Employees hired on or after January 1, 2013 vest after 10 years of service and may receive retirement benefits at age 62.

(Continued)

Note J - Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Tier 1 - Classic	Tier 2 - PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 58.5	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	100%	100%
Required employer contribution rates	35.85%	29.47%
Required employee contribution rates	8.07% - 12.63%	8.31%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by MCERA. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	$ 308,274

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 1,756,793
	$ 1,756,793

(Continued)

Note J - Pension Plans (Continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.4161%
Proportion - June 30, 2015	0.4535
Change - increase (decrease)	0.0374%

For the year ended June 30, 2016, the District recognized pension expense of $235,859. At June 30, 2016, 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	$ 308,274	$ -
Differences between actual and expected experience	-	105,623
Changes in assumptions	492,343	-
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	282,006	18,430
Net differences between projected and actual earnings on plan investments	-	311,804
Total	$ 1,082,623	$ 435,857

Note J - Pension Plans (Continued)

$308,274 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	Increase (decrease) of Pension Expense
2017	$ 122,798
2018	122,798
2019	52,513
2020	40,383
Total	$ 338,492

Actuarial Assumptions -The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions applied to all periods included in the measurement date. The key assumptions in the valuations were:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Inflation	3.25%
Projected Salary Increase	3.25% plus merit component (1)
Cost of Living Adjustments (COLA)	2.7% for those with a 4% COLA cap 2.6% for those with a 3% COLA cap 1.9% for those with a 2% COLA cap
Investment Rate of Return	7.25% (2)
Post-Retirement Mortality	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.

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

(Continued)

Note J - Pension Plans (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. Related to the discount rate is the funding assumption that employees will continue to contribute to the Plan at the required rates and employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (24 years remaining as of June 30, 2014 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (16 years remaining as of June 30, 2014 actuarial valuation).

The MCERA Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA’s investments. The IPS establishes MCERA’s investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board’s adopted asset allocation policy as of June 30, 2015:

Asset Class	Target allocation	Long-Term Expected Real Rate of Return
Domestic equity	32%	5.35%
International equity	22%	5.55%
Fixed income	23%	0.75%
Real estate	15%	7.55%
Private equity	8%	6.25%
Total	100%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - A change in the discount rate would affect the measurement of the total pension liability. A lower discount rate results in a higher total pension liability and higher discount rates results in a lower total pension liability. Because the discount rate does not affect the measurement of assets, the percentage change in the net pension liability can be very significant for a relatively small change in the discount rate. A one percent decrease in

(Continued)

Note J - Pension Plans (Continued)

the discount rate increases the total pension liability by approximately 13% and increases the net pension liability by approximately 85%. A one percent increase in the discount rate decreases the total pension liability by approximately 11% and decreases the net pension liability by approximately 70%.

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each 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:

	Miscellaneous
1% Decrease	6.25%
Net pension liability	$ 3,255,545
Current discount rate	7.25%
Net pension liability	$ 1,756,793
1% Increase	8.25%
Net pension liability	$ 526,024

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued MCERA financial reports.

Note K - Deferred Compensation and Defined Contribution Retirement Plans

The District contributes, on behalf of its general manager, to retirement plans administered by the International City Manager's Association Retirement Corporation (ICMA-RC), a not-for-profit retirement plan provider serving local and state government employees. ICMA-RC administers a 457 deferred compensation plan and a 401(a) defined contribution supplemental retirement savings plan for the District.

401(a) Plan - On September 14, 2005, the District established a qualified retirement program in accordance with Internal Revenue Code Section 401(a). This defined contribution 401(a) Money Purchase Retirement Plan was established with ICMA-RC. Contribution rates are based on plan members' annual covered salary and are actuarially determined. The District's contribution rate for the year ended June 30, 2016 was 35.85%. During the year ended June 30, 2016, the District's contribution to this plan was $58,096. The District's contribution includes both the employee and employers share.

(Continued)

Note K - Deferred Compensation and Defined Contribution Retirement Plans (Continued)

457 Plan - The District offers its general manager a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, the general manager may elect to defer a portion of his salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by the general manager until termination, death, or unforeseeable emergency. The District contributes 12.63% of the general manager's salary as deferred compensation. Total District contributions to the Plan were $20,411, which represents the total contribution to the Plan for the fiscal year ended June 30, 2016.

Note L - Jointly Operating Agreements

The District does not own and operate a separate wastewater treatment plant facility. Pursuant to an agreement with the Sausalito-Marin City Sanitary District, the District's waste is transported through District-owned and District maintained lines for processing at the Sausalito-Marin City Sanitary District's plant. The District is obligated to pay a proportionate share of the operating costs including sewage treatment costs, disposal costs, administrative costs and capital improvements. The District records such operating costs as expenses in its sanitation enterprise. The District also has a similar agreement with the Sewerage Agency of Southern Marin.

Note M - Other Post-Employment Benefits other than Pensions

Plan description

The District administers an Other Post-Employment Benefit (OPEB) Plan, a single-employer defined benefit plan. The District's OPEB Plan provides medical and dental insurance and supplemental Medicare insurance for eligible retirees and spouses through the District's group health insurance which covers both active and retired members.

Effective December 2011, the District's OPEB Plan has been extended to cover spouses and family members. In order to be eligible to retire with District-paid health benefits, an employee must have completed 20 years of service with the District and have retired under Marin County Employees' Retirement Association. The activity and liability from the OPEB plan are included in these financial statements.

Funding policy

The District pays 100% of the cost of the OPEB plan. The District funds the plan on a pay-as-you-go basis and maintains reserves and records a liability for the difference between the pay-as-you-go and the actuarially determined annual OPEB cost.

(Continued)

Note M - Other Post-Employment Benefits other than Pensions (Continued)

Annual OPEB cost

The following table presents the components of the District's annual OPEB cost, amounts actually contributed, and changes in net OPEB obligation for the year ended June 30, 2016:

Annual required contribution	$ 242,353
Interest on net OPEB obligation	35,060
Adjustment to annual required contribution	(57,487)
Annual OPEB expense	219,926
Contributions made:	
Retired employees post-employment medical benefit payments	(32,863)
Increase in net OPEB obligation	187,063
Net OPEB obligation, beginning of year	889,596
Net OPEB obligation, end of year	$ 1,076,659

No trust or agency fund has been established for the plan and there were no adjustments to the annual required contribution or interest earnings.

Funded status of the plan

The most recent valuation dated July 1, 2013 includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $2,684,959.

The District funds the plan on a pay-as-you-go basis and maintains reserves and records a liability for the difference between the pay-as-you-go and the actuarially determined annual cost.

Schedule of funding progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the year ended June 30, 2016 follows:

(Continued)

Note M - Other Post-Employment Benefits other than Pensions (Continued)

Fiscal year end	Actuarial valuation date	Actuarial accrued liability (a)	Actuarial value of assets (b)	Unfunded actuarial accrued liability (UAAL) (a) - (b)	Funded status (b) / (a)	Annual covered payroll (c)	UAAL as a percentage of covered payroll [(a) - (b)] / (c)
6/30/14	7/1/13	$ 2,378,747	$ -	$2,378,747	0.0%	$ 1,074,120	221.5%
6/30/15	7/1/13	2,505,148	-	2,505,148	0.0	1,110,593	225.6
6/30/16	7/1/13	Not available	-	Not available	0.0	Not available	Not available

Three-year trend information

The District's annual OPEB cost, percentage of annual OPEB costs contributed, and the net OPEB obligation are as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB costs contributed	Net OPEB obligation
6/30/14	$ 206,499	16.6%	$ 710,943
6/30/15	213,200	16.2	889,596
6/30/16	219,926	14.9	1,076,659

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 7.9% initially, reduced by decrements to an ultimate rate of 5.5% after ten years. A level dollar amortization of the Unfunded Actuarial Accrued Liability is used over an open 30-year period.

Note N - Contingencies

The District is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the District.

Note O - Lease Commitments

The District leases office equipment under a lease agreement that expires in 2018. The following summarizes future minimum rental payments required under the operating lease.

Year ending June 30,	
2017	$ 3,973
2018	2,980
	$ 6,953

Total equipment rent expenses for the year ended June 30, 2016 was $4,331.

The District also entered into a lease agreement on December 1, 2006 with the Tamalpais Valley Improvement Club. The term of the lease is 38 years (main term) for $1 per year. The lease has two renewal options to extend the lease for 2 consecutive 25-year periods immediately following the main term. The District paid the entire lease obligation.

Note P - Governing Board

The powers of the District are exercised by a Board of Directors consisting of five directors each elected for a term of four years by the qualified electors within the District.

As of June 30, 2016, the members of the District's Board of Directors were as follows:

Trustee	Term expires
Jeff Brown	December 2017
Steve Levine	December 2019
James Jacobs	December 2017
Steffen Bartschat	December 2019
Matthew McMahon	December 2019

REQUIRED SUPPLEMENTARY INFORMATION

TAMALPAIS COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule
Major Special Revenue Fund

Year ended June 30, 2016

	Parks and Recreation Fund		
	Budgeted amounts original/final	Actual amounts	Variance with final budget positive/ (negative)
Fund Balance, July 1	$ 205,816	$ 205,816	$ -
Resources (inflows):			
Property taxes	708,766	694,750	(14,016)
After school programs	39,000	41,362	2,362
Rental income	30,000	34,310	4,310
Special events and class fees	97,000	109,877	12,877
Investment income	600	678	78
Operating grants and contributions	30,000	46,694	16,694
Other revenues	1,000	2,986	1,986
Amounts available for appropriations	1,112,182	1,136,473	24,291
Charges to appropriations (outflows):			
Parks and recreation			
Salaries and benefits	601,963	602,086	123
All other	347,650	362,656	15,006
Total charges to appropriations	949,613	964,742	15,129
Fund Balance, June 30	$ 162,569	$ 171,731	$ 9,162

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources:	
Actual amounts available for appropriation from budgetary data above	$ 1,136,473
Differences-budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(205,816)
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances-governmental funds.	$ 930,657

Schedule of the District's Proportionate Share of the Net Pension Liability

As of June 30, 2016
Last 10 years*

	2016	2015
Proportion of the net pension liability	0.4535%	0.4161%
Proportionate share of the net pension liability	$ 1,756,793	$ 1,028,347
Covered - employee payroll	852,837	760,797
Proportionate share of the net pension liability as a percentage of covered - employee payroll	206.00%	135.17%
Plan fiduciary net position as a percentage of the total pension liability	84.30%	89.04%

* Fiscal year 2015 was the 1st year of implementation, therefore, only two years are shown.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Schedule of Contributions

As of June 30, 2016
Last 10 years*

	2016	2015
Contractually required contribution (actuarially determined)	$ 308,274	$ 306,954
Contributions in relation to the actuarially determined contributions	(308,274)	(306,954)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 852,837	$ 760,797
Contributions as a percentage of covered-employee payroll	36.15%	40.35%

Notes to schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2014	June 30, 2013
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	15 years	15 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Inflation	3.25%	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service	3.25% plus merit component based on employee classification and years of service
Investment rate of return	7.25%	7.50%
Mortality	CalPERS 2014 Pre-Retirement Non-Industrial Death rates	RP-2000 Combined Mortality Table

*Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

Notes to Required Supplemental Information

June 30, 2016

The manager of the District prepares an expenditure budget annually which is approved by the Board of Directors setting forth the contemplated fiscal requirements. The District's budgets are maintained on the modified accrual basis of accounting. The results of operations are presented in the budget to actual schedule in accordance with the budgetary basis.

Reported budget amounts reflect the annual budget as originally adopted. There were no amendments to the budget during the year ended June 30, 2016. The budget amounts are based on estimates of the District's expenditures and the proposed means of financing them. Actual expenditures for capital outlay, debt service and contingencies may vary significantly from budget due to timing of such expenditures.