TAMALPAIS COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020

CROCE, SANGUINETTI, & VANDER VEEN INC.

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN INC.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Tamalpais Community Services District
Mill Valley, California

Report on the Financial Statements

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, 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Tamalpais Community Services District** as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
January 4, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2020

This narrative overview and analysis of the Tamalpais Community Services District's (District) financial activities for the fiscal year ended June 30, 2020 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 increased by $1,793,966 over the prior year, including a $160,371 increase in net position of governmental activities and a $1,633,595 increase in net position of business-type activities. The District's net position is now $3,992,903.

- Total assets of the District were $11,131,059 with capital assets at $6,549,414 net of accumulated depreciation. Current and other assets were $4,581,645.

- Total liabilities were $6,719,363 consisting of long-term liabilities of $6,581,717 and other current liabilities at $137,646.

- Assets of the District exceeded liabilities at the close of the most recent fiscal year by $3,992,903 (net position). Of this amount, $915,121 (unrestricted net position) is available to meet the District's ongoing obligations, and $3,077,782 is net investment in capital assets.

- On the current financial resources basis, the District's governmental fund revenues exceeded expenditures by $193,569. The proprietary fund revenues exceeded expenditures by $1,633,595.

- At year-end, there was $520,980 in cash and investments to fund future governmental activities, and $3,831,353 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.

   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 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

(Continued)

Overview of the Financial Statements (Continued)

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.

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, 2020, the District's net position was $3,992,903, an increase of $1,793,966 from the 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 (Deficit)
(rounded to nearest dollar)
As of June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total		Variance
Assets	2020	2019	2020	2019	2020	2019	
Current and other assets	$ 566,255	$ 400,195	$4,015,390	$ 3,023,868	$ 4,581,645	$3,424,063	$ 1,157,582
Capital assets, net	1,715,489	1,816,106	4,833,925	4,561,242	6,549,414	6,377,348	172,066
Total assets	2,281,744	2,216,301	8,849,315	7,585,110	11,131,059	9,801,411	1,329,648
Deferred outflows of resources	475,691	437,670	1,026,062	958,900	1,501,753	1,396,570	105,183
Liabilities							
Current liabilities	52,432	56,414	408,978	452,161	461,410	508,575	(47,165)
Non-current liabilities	1,029,013	1,423,930	5,228,940	6,249,194	6,257,953	7,673,124	(1,415,171)
Total liabilities	1,081,445	1,480,344	5,637,918	6,701,355	6,719,363	8,181,699	(1,462,336)
Deferred Inflows of resources	593,197	251,205	1,327,349	566,140	1,920,546	817,345	1,103,201
Net Position (Deficit)							
Net investment in capital assets	1,715,489	1,816,106	1,362,293	1,054,727	3,077,782	2,870,833	206,949
Unrestricted	(632,696)	(893,684)	1,547,817	221,788	915,121	(671,896)	1,587,017
Total net position (deficit)	$ 1,082,793	$ 922,422	$2,910,110	$ 1,276,515	$ 3,992,903	$2,198,937	$ 1,793,966

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

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.

The following table displays the change in the District's net position for the year ended June 30, 2020.

Tamalpais Community Services District Change in Net Position

	Governmental Activities		Business-type Activities		Total	
Revenues	2020	2019	2020	2019	2020	2019
Program revenues						
Charges for services	$ 158,516	$ 217,635	$ 7,237,054	$ 6,882,113	$ 7,395,570	$ 7,099,748
Operating grants and contributions	135,358	64,403	6,628	5,000	141,986	69,403
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	997,750	970,319	-	-	997,750	970,319
Investment earnings	11,737	7,465	50,940	38,228	62,677	45,693
Miscellaneous	5,994	7,872	-	33	5,994	7,905
Total revenues	1,309,355	1,267,694	7,294,622	6,925,374	8,603,977	8,193,068
Expenses						
Parks and recreation	1,091,026	1,102,747	-	-	1,091,026	1,102,747
Measure A	57,958	77,839	-	-	57,958	77,839
Sanitation	-	-	4,033,004	4,061,134	4,033,004	4,061,134
Refuse	-	-	1,628,023	1,743,854	1,628,023	1,743,854
Total expenses	1,148,984	1,180,586	5,661,027	5,804,988	6,810,011	6,985,574
Transfers	-	-	-	-	-	-
Change in net position	160,371	87,108	1,633,595	1,120,386	1,793,966	1,207,494
Net position, beginning of year	922,422	835,314	1,276,515	156,129	2,198,937	991,443
Net position, end of year	$ 1,082,793	$ 922,422	$ 2,910,110	$ 1,276,515	$ 3,992,903	$ 2,198,937

(Continued)

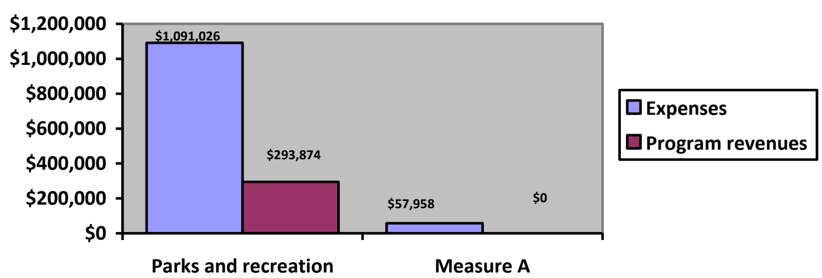
Financial Analysis of the Government-Wide Financial Statements (Continued)

The $1,793,966 increase in total net position is attributed to each function for both governmental and business-type activities as follows:

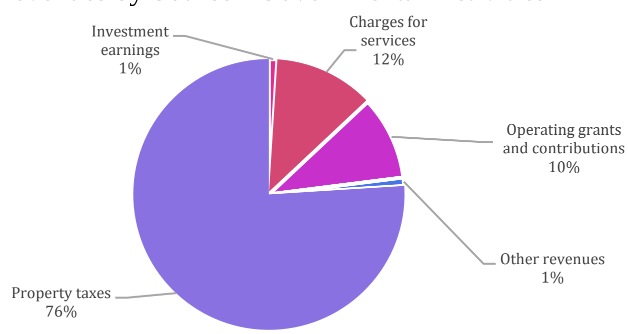
Governmental Activities

- Charges for services decreased by $59,119 due to a decrease in event revenue caused by COVID-19 mandates to cease events held.
- Operating grants and contributions increased by $70,955 due to an increase in grant funds received for fire mitigation.
- Parks and recreation expenses decreased by $11,721 as a result of a decrease in events held due to COVID-19 mandates and a reduction in salaries and wages due to a reduction in part-time help.
- Measure A expenses decreased by $19,881 as a result of a decrease in expenses incurred relative to Measure A tree and landscaping services.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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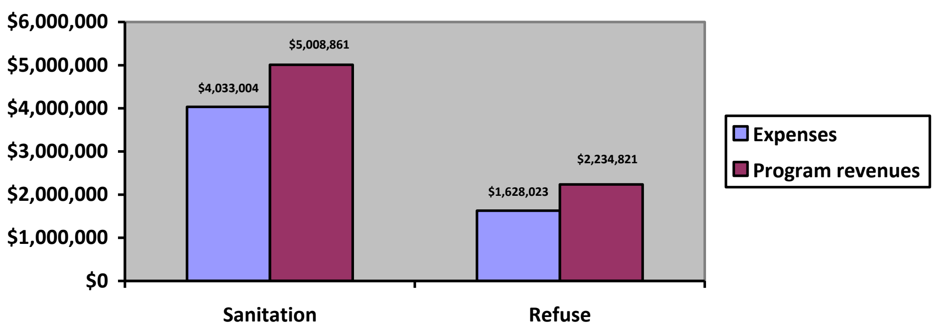
Financial Analysis of the Government-Wide Financial Statements (Continued)

Business-type Activities

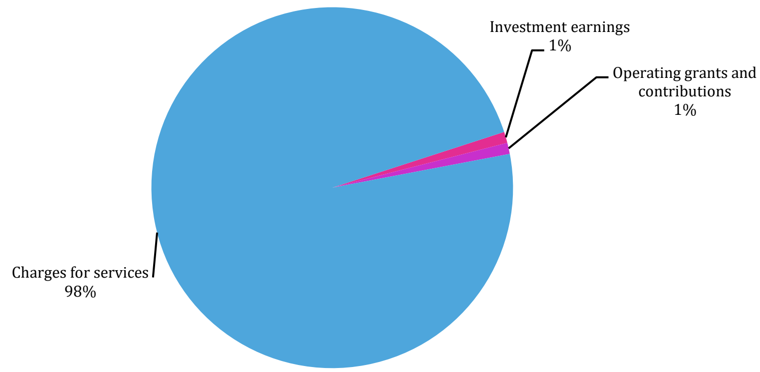
- Charges for services increased $354,941 due to an increase in sewer and refuse service charge rates.

- Expenses decreased $143,961, the largest components of this decrease are: consultants, employee benefits, and other post-employment benefits.

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 revenues exceeded expenditures by $193,569 primarily due to increased property tax revenues and fire mitigation grants. This resulted in a $193,569 increase in the combined ending fund balance of the District's governmental funds. The fund balance of the parks and recreation fund increased by $135,842 and the fund balance of the Measure A fund increased by $57,727. At year-end, the combined fund balance of governmental funds was $513,823, consisting of $230,000 assigned for capital outlay, $27,845 nonspendable, and $255,978 was unassigned.

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 increased by $1,633,595 from $1,276,515 to $2,910,110. The net position included $1,547,817 in unrestricted net position which has increased by $1,326,029 or 598% from the previous year. The increase in unrestricted net position is due primarily to increases in charges for services. Changes in total net position from last year are as follows: Sanitation increase of $1,015,060 and refuse increase of $618,535.

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.

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Budgetary Highlights (Continued)

Parks and Recreation Fund

The parks and recreation fund reflects a net favorable budget variance of $106,042 when comparing actual amounts to the final budget for the fiscal year. The actual revenues were more than the budgeted amount by $82,504 and actual expenditures came under the budget by $23,538.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District's investment in capital assets amounted to $6,549,414 (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 increased by $608,336 from $14,278,371 to $14,886,707. Significant additions of capital assets included:

- Sewer improvements ($280,950)
- Equipment ($39,572)
- Tam Valley Historical archive building concrete ($11,200)
- 2 Isuzu Refuse Collection trucks ($276,614)

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	
	2020	2019	2020	2019	2020	2019
Land	$ 416,500	$ 416,500	$ 29,853	$ 29,853	$ 446,353	$ 446,353
Buildings and improvements	1,964,187	1,952,987	701,367	701,367	2,665,554	2,654,354
Collection system	-	-	5,787,990	5,507,040	5,787,990	5,507,040
Pumping stations	-	-	2,777,791	2,777,791	2,777,791	2,777,791
Equipment	84,666	84,666	647,950	608,378	732,616	693,044
Leasehold improvements	840,170	840,170	-	-	840,170	840,170
Vehicles	33,536	33,536	1,326,083	1,326,083	1,359,619	1,359,619
Construction in progress	-	-	276,614	-	276,614	-
Total	3,339,059	3,327,859	11,547,648	10,950,512	14,886,707	14,278,371
Less accumulated depreciation	(1,623,570)	(1,511,753)	(6,713,723)	(6,389,270)	(8,337,293)	(7,901,023)
Net capital assets	$ 1,715,489	$ 1,816,106	$ 4,833,925	$ 4,561,242	$ 6,549,414	$ 6,377,348

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

Long-term Debt

During fiscal year 2020, all debt service was paid when and as required. Additional information about long-term debt can be found in Note D of this report.

Long-term liabilities

As a result of implementing GASB Statement No. 75, the District has accrued a liability of $1,674,934 for post-employment benefits other than pensions at the end of the fiscal year.

As a result of implementing GASB Statement No. 68 and 71, the District has accrued a net pension liability of $1,304,834 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 2020 fiscal year, parks and recreation fund revenue projections have been conservative and comparable to prior years.

On March 14, 2018, the District's Board adopted a Sewer Capital Improvement Program for FY 2018/19 through FY 2034/35. Also, on March 14, 2018, the District's Board approved resolution 2018-03 Reserve Policy for sanitation and refuse, based on recently adopted financial plans for the sanitation and refuse funds, and OPEB annual estimated expense.

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.

BASIC FINANCIAL STATEMENTS

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2020

	Governmental activities	Business-Type activities	Total
Assets			
Cash and investments	$ 520,980	$ 3,831,353	$ 4,352,333
Accounts receivable	17,430	75,179	92,609
Prepaid expenses	27,845	108,858	136,703
Capital assets, net of accumulated depreciation	1,715,489	4,833,925	6,549,414
Total assets	2,281,744	8,849,315	11,131,059
Deferred outflows of resources			
Pension related	421,226	857,049	1,278,275
OPEB related	54,465	169,013	223,478
Total deferred outflows of resources	475,691	1,026,062	1,501,753
Liabilities			
Accounts payable	51,943	85,214	137,157
Accrued liabilities	489	-	489
Long-term liabilities			
Debt due within one year	-	323,764	323,764
Debt due in more than one year	-	3,147,868	3,147,868
Compensated absences	27,692	102,625	130,317
Net OPEB liability	504,469	1,170,465	1,674,934
Net pension liability	496,852	807,982	1,304,834
Total liabilities	1,081,445	5,637,918	6,719,363
Deferred inflows of resources			
Pension related	222,890	492,845	715,735
OPEB related	370,307	834,504	1,204,811
Total deferred inflows of resources	593,197	1,327,349	1,920,546
Net Position			
Net investment in capital assets	1,715,489	1,362,293	3,077,782
Unrestricted	(632,696)	1,547,817	915,121
Total net position	$ 1,082,793	$ 2,910,110	$ 3,992,903

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, 2020

		Program revenues		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities				
Parks and recreation	$ 1,091,026	$ 158,516	$ 135,358	$ -
Measure A	57,958	-	-	-
Total governmental activities	1,148,984	158,516	135,358	-
Business-type activities				
Sanitation	4,033,004	5,008,861	-	-
Refuse	1,628,023	2,228,193	6,628	-
Total business-type activities	5,661,027	7,237,054	6,628	-
Total government	$ 6,810,011	$ 7,395,570	$ 141,986	$ -

General revenues

Taxes

Property taxes

Homeowners property tax relief

Investment income

Miscellaneous

Total general revenues

Changes in net position

Net position, beginning of year

Net position, end of year

Net (expenses) revenues and changes in net position		
Governmental activities	Business-type activities	Totals
$ (797,152)	$ -	$ (797,152)
(57,958)	-	(57,958)
(855,110)	-	(855,110)
-	975,857	975,857
-	606,798	606,798
-	1,582,655	1,582,655
(855,110)	1,582,655	727,545
995,486	-	995,486
2,264	-	2,264
11,737	50,940	62,677
5,994	-	5,994
1,015,481	50,940	1,066,421
160,371	1,633,595	1,793,966
922,422	1,276,515	2,198,937
$ 1,082,793	$ 2,910,110	$ 3,992,903

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

TAMALPAIS COMMUNITY SERVICES DISTRICT

Balance Sheet
Governmental Funds

June 30, 2020

	Parks and Recreation Fund	Nonmajor Measure A Fund	Total Governmental Funds
Assets			
Cash and investments	$ 362,972	$ 158,008	$ 520,980
Accounts receivable	17,430	-	17,430
Prepaid expenses	27,845	-	27,845
Total assets	$ 408,247	$ 158,008	$ 566,255
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 51,943	$ -	$ 51,943
Accrued liabilities	489	-	489
Total liabilities	52,432	-	52,432
Fund balances			
Nonspendable			
Prepaid expenses	27,845	-	27,845
Assigned to:			
Capital outlay	230,000	-	230,000
Unassigned	97,970	158,008	255,978
Total fund balances	355,815	158,008	513,823
Total liabilities and fund balances	$ 408,247	$ 158,008	$ 566,255

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

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

June 30, 2020

Total fund balances - governmental funds	$	513,823
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		1,715,489
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		(27,692)
Net OPEB liability		(504,469)
Net pension liability		(496,852)
Deferred inflows and outflows of resources related to pensions and other post-employment benefits (OPEB) have not been included in the governmental funds balance sheet.		
Deferred outflows related to pension		421,226
Deferred inflows related to pension		(222,890)
Deferred outflows related to OPEB		54,465
Deferred inflows related to OPEB		(370,307)
Net position of governmental activities	$	1,082,793

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, 2020

	Parks and Recreation Fund	Nonmajor Measure A Fund	Total Governmental Funds
Revenues			
Tax revenues	$ 907,243	$ 114,033	$ 1,021,276
Charges for services	122,584	-	122,584
Rental income	35,932	-	35,932
Grant income	118,380	-	118,380
Contributions	16,978	-	16,978
Other	5,994	-	5,994
Investment income	11,737	-	11,737
Total revenues	1,218,848	114,033	1,332,881
Expenditures			
Parks and recreation	1,083,006	-	1,083,006
Measure A	-	45,106	45,106
Capital outlay	-	11,200	11,200
Total expenditures	1,083,006	56,306	1,139,312
Net change in fund balances	135,842	57,727	193,569
Fund balances, beginning of year	219,973	100,281	320,254
Fund balances, end of year	$ 355,815	$ 158,008	$ 513,823

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, 2020

Net change in fund balances - governmental funds	$ 193,569
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.	(23,527)
Governmental funds report capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the life of the assets.	11,200
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds.	(111,817)
Changes in compensated absences are recorded as an expense in the statement of activities, but are not reported in the funds.	(7,747)
Changes in net OPEB liability and deferred inflows and outflows associated with net OPEB liability are recorded as an expense in the statement of activities, but are not reported in the funds.	19,747
Changes in net pension liability and deferred inflows and outflows associated with pensions are recognized in the statement of activities, but are not reported in the funds.	78,946
Change in net position of governmental activities	$ 160,371

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

TAMALPAIS COMMUNITY SERVICES DISTRICT

Statement of Net Position (Deficit)
Proprietary Funds

June 30, 2020

Assets and Deferred Outflows of Resources

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Current assets			
Cash and investments	$ 3,295,416	$ 535,937	$ 3,831,353
Accounts receivable	57,498	17,681	75,179
Prepaid expenses	44,732	64,126	108,858
Total current assets	3,397,646	617,744	4,015,390
Capital assets, net of accumulated depreciation	4,519,818	314,107	4,833,925
Deferred outflows of resources			
Pension related	290,229	566,820	857,049
OPEB related	64,742	104,271	169,013
Total deferred outflows of resources	354,971	671,091	1,026,062
Total assets and deferred outflows of resources	$ 8,272,435	$ 1,602,942	$ 9,875,377

Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Current liabilities			
Accounts payable	$ 20,403	$ 64,811	$ 85,214
Current portion of long-term liabilities	323,764	-	323,764
Total current liabilities	344,167	64,811	408,978
Noncurrent liabilities			
Compensated absences	18,805	83,820	102,625
Noncurrent portion of long-term liabilities	2,871,254	276,614	3,147,868
Net OPEB liability	283,560	886,905	1,170,465
Net pension liability	290,783	517,199	807,982
Total noncurrent liabilities	3,464,402	1,764,538	5,228,940
Deferred inflows of resources			
Pension related	166,358	326,487	492,845
OPEB related	285,335	549,169	834,504
Total deferred inflows of resources	451,693	875,656	1,327,349
Net position (deficit)			
Net investment in capital assets	1,324,800	37,493	1,362,293
Unrestricted	2,687,373	(1,139,556)	1,547,817
Total net position (deficit)	4,012,173	(1,102,063)	2,910,110
Total liabilities, deferred inflows of resources and net position	$ 8,272,435	$ 1,602,942	$ 9,875,377

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 (Deficit)
Proprietary Funds

For the year ended June 30, 2020

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Operating revenues			
Charges for services	$ 4,986,847	$ 2,228,192	$ 7,215,039
Other	24,296	-	24,296
Contributions	-	6,628	6,628
Total operating revenues	5,011,143	2,234,820	7,245,963
Operating expenses			
Contract services	2,766,859	314,076	3,080,935
Salaries and wages	324,981	597,734	922,715
Repairs and maintenance	174,141	246,037	420,178
Employee benefits	127,456	252,363	379,819
Depreciation	299,261	25,192	324,453
Insurance	33,918	51,251	85,169
Supplies	38,060	37,450	75,510
Consulting	62,923	-	62,923
Fees and permits	20,219	26,704	46,923
Fuel	3,725	42,124	45,849
Professional fees	25,030	18,179	43,209
Utilities	15,432	6,162	21,594
Directors’ expenses	5,501	1,813	7,314
Travel, schools, seminars	3,689	3,101	6,790
Other	-	5,189	5,189
Other post-employment benefits	345	647	992
Total operating expenses	3,901,540	1,628,022	5,529,562
Operating income	1,109,603	606,798	1,716,401
Nonoperating revenues (expenses)			
Interest revenue	39,203	11,737	50,940
Debt service - interest	(133,746)	-	(133,746)
Total nonoperating revenues(expenses)	(94,543)	11,737	(82,806)
Changes in net position	1,015,060	618,535	1,633,595
Net position (deficit), beginning of year	2,997,113	(1,720,598)	1,276,515
Net position (deficit), end of year	$ 4,012,173	$ (1,102,063)	$ 2,910,110

Statement of Cash Flows
Proprietary Funds

For the year ended June 30, 2020

	Sanitation Enterprise Fund	Refuse Enterprise Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 5,011,313	$ 2,230,415	$ 7,241,728
Cash payments to suppliers for goods and services	(3,303,977)	(975,560)	(4,279,537)
Cash payments to employees	(473,231)	(863,547)	(1,336,778)
Net cash provided by operating activities	1,234,105	391,308	1,625,413
Cash flows from capital and related financing activities			
Purchase of equipment	(320,522)	-	(320,522)
Principal payments on long-term debt	(311,497)	(30,000)	(341,497)
Interest paid on long-term debt	(133,746)	-	(133,746)
Net cash used in capital and related financing activities	(765,765)	(30,000)	(795,765)
Cash flows from investing activities			
Interest income	39,203	11,737	50,940
Net cash provided by investing activities	39,203	11,737	50,940
Net increase in cash and investments	507,543	373,045	880,588
Cash and investments, beginning of year	2,787,873	162,892	2,950,765
Cash and investments, end of year	$ 3,295,416	$ 535,937	$ 3,831,353
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ 1,109,603	$ 606,798	$ 1,716,401
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	299,261	25,192	324,453
Pension related adjustments	40,898	76,683	117,581
OPEB related adjustments	345	647	992
Forgiveness of settlement	-	(10,000)	(10,000)
Change in assets and liabilities			
Accounts receivable	170	(4,405)	(4,235)
Prepaid expenses	(44,732)	(61,967)	(106,699)
Deferred outflows related to pension	(112,665)	(214,943)	(327,608)
Deferred outflows related to OPEB	(38,209)	(54,520)	(92,729)
Accounts payable	(23,760)	8,328	(15,432)
Accrued liabilities	(18)	-	(18)
Compensated absences	3,212	19,495	22,707
Net cash provided by operating activities	$ 1,234,105	$ 391,308	$ 1,625,413

Supplemental schedule of noncash investing and financing activities:

The Company acquired $276,614 of assets through the addition of a long-term financing obligation during the year ended June 30, 2020.

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 *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 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 investments" 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 for 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 if actual cost is not available. Contributed assets are recorded at estimated fair value on the date of contribution. Donated capital assets are reported at acquisition value rather than fair value. 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 and other post-employment benefit (OPEB) 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 and net OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expense and net pension and net OPEB 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.

Other post-employment benefits other than pensions (OPEB)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain deferred timeframes. For this report, the following timeframes are used:

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

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

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 quoted 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

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

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.

New accounting pronouncements

Standards adopted

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The District implemented the provisions of this Statement for the year ended June 30, 2020. The adoption of this Statement had no impact on the District's financial statements.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Standards not yet adopted

In January 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The District will be required to implement the provisions of this Statement for the year ended June 30, 2021. The District has not determined the effect on the financial statements.

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District will be required to implement the provisions of this Statement for the year ended June 30, 2022. The District has not determined the effect on the financial statements.

Note B - Cash and Investments

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 4,352,333
Total cash and investments	$ 4,352,333

Cash and investments as of June 30, 2020 consist of the following:

Deposits with financial institutions	$ 749,096
Marin County Treasurer	38,725
Investments	3,564,512
	$ 4,352,333

(Continued)

Note B - Cash and Investments (Continued)

Investment Type	Carrying value	Fair value
California Local Agency Investment Fund (LAIF)	$ 3,564,512	$ 3,564,512
Marin County Treasurer	38,725	38,725
	$ 3,603,237	$ 3,603,237

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:

		Remaining maturity (in months)					
Investment type	Total	12 months or less	13 - 24 months	25 - 36 months	37-48 months	49-60 months	More than 60 months
Local Agency Investment Fund	$ 3,564,512	$ 3,564,512	$ -	$ -	$ -	$ -	$ -
Marin County Treasurer	38,725	38,725	-	-	-	-	-
	$ 3,603,237	$ 3,603,237	$ -	$ -	$ -	$ -	$ -

(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
Local Agency Investment Fund	$ 3,564,512	N/A	$ -	$ -	$ -	$ -	$3,564,512	99%
Marin County Treasurer	38,725	N/A	-	-	-	-	38,725	1
Total	$ 3,603,237	N/A	$ -	$ -	$ -	$ -	$3,603,237	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)

As of June 30, 2020, the District's bank balance was $863,082 and $250,000 of that amount was insured by the Federal Deposit Insurance Corporation and collateralized as required by state law and the remaining amount of $613,082 was collateralized as required by state law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

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.

California Local Agency Investment Fund

The District is a participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $100,978,752,029 of which 3.37% is invested in structured notes and asset-backed securities. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. No amounts were invested in derivative financial products. 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 District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. 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 County of Marin, which is calculated as the fair value divided by the amortized cost of the investment pool. The District's investment in the California Local Agency Investment Fund is classified as Level 2. LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets and investments categorized as Level 2 such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices that are derived principally from or corroborated by observable market data by correlation to other means. The District categorized its investments in LAIF based on the lowest significant input used to determine the fair market value of the total pool.

Note C - Capital Assets

Capital asset activity for the year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Governmental activities					
Non-depreciable capital assets					
Land	$ 416,500	$ -	$ -	$ -	$ 416,500
Total non-depreciable capital assets	416,500	-	-	-	416,500
Depreciable capital assets					
Leasehold improvements	840,170	-	-	-	840,170
Buildings and improvements	1,952,987	11,200	-	-	1,964,187
Equipment	84,666	-	-	-	84,666
Vehicles	33,536	-	-	-	33,536
Total depreciable capital assets	2,911,359	11,200	-	-	2,922,559
Less accumulated depreciation	(1,511,753)	(111,817)	-	-	(1,623,570)
Net depreciable capital assets	1,399,606	(100,617)	-	-	1,298,989
Net capital assets	$ 1,816,106	$(100,617)	$ -	$ -	$ 1,715,489

(Continued)

Note C - Capital Assets (Continued)

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Business-type activities					
Non-depreciable capital assets					
Land	$ 29,853	$ -	$ -	$ -	$ 29,853
Construction in progress	-	276,614	-	-	276,614
Net non-depreciable capital assets	29,853	276,614	-	-	306,467
Depreciable capital assets					
Buildings and improvements	701,367	-	-	-	701,367
Collection lines and improvements	5,507,040	280,950	-	-	5,787,990
Pumping stations	2,777,791	-	-	-	2,777,791
Equipment	608,378	39,572	-	-	647,950
Vehicles	1,326,083	-	-	-	1,326,083
Total depreciable capital assets	10,920,659	320,522	-	-	11,241,181
Less accumulated depreciation	(6,389,270)	(324,453)	-	-	(6,713,723)
Net depreciable capital assets	4,531,389	(3,931)	-	-	4,527,458
Net capital assets	$ 4,561,242	$ 272,683	$ -	$ -	$ 4,833,925

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	$ 98,965
Measure A	12,852
Total depreciation expense - Governmental activities	$ 111,817
Business-type activities:	
Sanitation	$ 299,261
Refuse	25,192
Total depreciation expense - Business-type activities	$ 324,453

Note D - Long-Term Liabilities

Long-term liabilities outstanding as of June 30, 2020 consist of the following:

Notes payable	Interest rate	Maturity date	Amounts authorized and issued	Outstanding	Due within one year
City National Bank	3.900%	December 30, 2028	$4,620,387	$ 2,940,455	$ 297,968
City National Bank	3.900%	December 30, 2028	400,000	254,563	25,796
The Gervais Family	0.000%	January 1, 2020	120,000	-	-
Mercedes-Benz Financial Services	2.915%	October 18, 2027	276,614	276,614	-
			$5,147,001	$ 3,471,632	$ 323,764

The following is a summary of long-term liability issuances and transactions during the year ended June 30, 2020:

Notes payable	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
City National Bank	$ 3,227,133	$ -	$ (286,678)	$ 2,940,455
City National Bank	279,382	-	(24,819)	254,563
The Gervais Family	40,000	-	(40,000)	-
Mercedes-Benz Financial Services	-	276,614	-	276,614
	$ 3,546,515	$ 276,614	$ (351,497)	$ 3,471,632

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, 2020, 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

(Continued)

Note D - Long-Term Liabilities (Continued)

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, 2020, the District was in compliance with the covenants referenced above.

During June 2017, the District entered into an agreement with the Gervais Family. The agreement is payable in three installments of $40,000 with the final installment due in 2020.

During May 2020, the District entered into a loan agreement with Mercedes-Benz Financial Services for the purpose of obtaining financing for the acquisition of two refuse collection trucks. The note is payable in annual principal and interest payments of $44,804 and due in 2027.

Summary of long-term liabilities service requirements

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

Year ending June 30,	Principal	Interest	Total
2021	$ 323,764	$ 121,479	$ 445,243
2022	369,728	120,320	490,048
2023	387,475	102,573	490,048
2024	402,348	87,700	490,048
2025	417,796	72,252	490,048
2026-2030	1,570,521	122,244	1,692,765
Total requirements	$ 3,471,632	$ 626,568	$ 4,098,200

Note E - 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, 2020, the District's accrued liability for accumulated unused vacation leave and overtime is $94,736. 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 $35,581.

Note F - Deficit Fund Balance

A deficit fund balance of $1,102,063 exists in the refuse fund. This 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 G - 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. The District is a member of the Special Districts Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs for the pooling of self-insured losses to purchase excess insurance or reinsurance and to arrange for group-purchased insurance and administrative expenses. At June 30, 2020, the District participated in the property, general and auto liability, and workers' compensation programs of the SDRMA as follows:

- General and auto liability, public officials, and employees' errors and omissions and employment practices liability; total risk financing self-insurance limits of $5,000,000, combined single limit at $5,000,000 per occurrence, subject to the following deductibles; $25,000 per occurrence for third party general liability property damage, $25,000 per occurrence for third party auto liability property damage; 50% co-insurance of cost expended by SDRMA in excess of $10,000 up to $50,000, per occurrence, for employment related claims.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $1,000,000 per loss includes public employee dishonesty; forgery or alteration; and theft, disappearance, and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.
- Public officials' personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the memorandum of coverages, with a deductible of $1,000 per claim.
- Workers' compensation insurance up to statutory limits per occurrence and Employers' Liability Coverage up to $5 million.
- Comprehensive and collision insurance on selected vehicles with deductibles of $250/$500 or $500/$1,000, as elected.

(Continued)

Note G - Risk Management (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2020, 2019, and 2018. Liabilities of the District are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. The District considers claims insured and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

Note H - 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 Government 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. Employees hired before January 1, 2013 are eligible to receive retirement benefits after 10 years of membership and having attained the age of 50, or 30 years of membership regardless of age. Employees hired on or after January 1, 2013 vest after 10 years of membership and may receive retirement benefits at age 62.

The Plans' provisions and benefits in effect at June 30, 2020, 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 of service	5 years of 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	31.92%	27.84%
Required employee contribution rates	8.56% - 12.88%	10.99%

(Continued)

Note H - Pension Plans (Continued)

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, 2020, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	$ 459,380

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

As of June 30, 2020, 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	$ 1,304,834

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.5704%
Proportion - June 30, 2019	0.3568
Change - increase (decrease)	(0.2136)%

(Continued)

Note H - Pension Plans (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $170,406. At June 30, 2020, 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	$ 459,380	$ -
Differences between actual and expected experience	44,747	(6,895)
Changes in assumptions	72,790	-
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	701,358	(621,647)
Net differences between projected and actual earnings on plan investments	-	(87,193)
Total	$ 1,278,275	$ (715,735)

$459,380 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, 2021. 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,	Annual Amortization
2021	$ 16,285
2022	(60,058)
2023	(24,963)
2024	171,896
Total	$ 103,160

(Continued)

Note H - Pension Plans (Continued)

Actuarial Assumptions -The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, 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, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Inflation	2.75%
Projected Salary Increase	3.00% 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	7.00% (2)
Post-Retirement Mortality	CalPERS 2017 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for safety members) with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. 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 (20 years remaining as of June 30, 2018 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (12 years remaining as of June 30, 2018 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

(Continued)

Note H - Pension Plans (Continued)

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, 2020:

Asset Class	Target allocation	Long-Term Expected Real Rate of Return
Domestic equity	32%	4.90%
International equity	22%	5.00%
Fixed income	23%	1.50%
Public real assets	7%	3.65%
Real estate	8%	4.00%
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 the discount rate increases the total pension liability by approximately 13% and increases the net pension liability by approximately 106%. A one percent increase in the discount rate decreases the total pension liability by approximately 11% and decreases the net pension liability by approximately 87%.

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:

Description	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 11,933,229	$ 10,554,466	$ 9,418,842
Fiduciary net pension	9,249,632	9,249,632	9,249,632
Net pension liability	$ 2,683,597	$ 1,304,834	$ 169,210

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 I - Deferred Compensation and Defined Contribution Retirement Plans

The District participates in 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. Total employee contributions to the plan during the year ended June 30, 2020 were $19,601.

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 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. Total employee contributions to the plan during the year ended June 30, 2020 were $19,601.

Note J - Joint 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 has a contractual obligation to pay Sausalito-Marin City Sanitary District for the treatment and disposal of wastewater based upon the District's respective number of equivalent dwelling units. The District records such operating costs as expenses in its sanitation enterprise.

In addition, the District is a member of the Sewerage Agency of Southern Marin (SASM). The SASM is a joint powers agency formed in 1979 with six member agencies: Almonte Sanitary District, Alto Sanitary District, City of Mill Valley, Richardson Bay Sanitary District, and the Tamalpais Community Services District. The SASM is a stand-alone governmental entity and it is not financially accountable for any other governmental entity and it has no component units. SASM's primary function is the maintenance and operation of its owned wastewater treatment plant and related lines and facilities. Member agencies pay annual assessments to SASM, based upon the concept of their respective number of equivalent dwelling units (EDUs), in exchange for the treatment and disposal of wastewater collected through their respective collection systems and conveyed to SASM's treatment plant and facilities.

In August of 2016, the District entered into a financing agreement with the SASM wherein the District agreed to maintain its net revenue system revenues at a level equal to at least 120 percent of its obligation to SASM to support the SASM bonds. The SASM issued $38,000,000 in revenue bonds to provide financing for improvements to its wastewater treatment plant and

(Continued)

Note J - Joint Operating Agreements (Continued)

refund other debt obligations. The District's annual financial obligations under the JPA Agreement and the Financing Agreement are passed through to the District each year in the form of a billing for an annual assessment payable in two equal semi-annual installments. These annual installments are reported by the District as contract service costs in the statement of revenues, expenses, and changes in net position.

Under the Joint Powers Agreement, all excess administration, operations, and maintenance funds, from any source, are the property of SASM and not its members. If excess monies are available, the SASM may, but is not required to, reduce member assessments for the subsequent year. There are no provisions for sharing among the members the net earnings of SASM. Accordingly, the District is deemed to have no equity interest in SASM.

Note K - Other Post-Employment Benefits other than Pensions

Plan description, benefits provided and funding policy

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. The OPEB plan does not issue a publicly available report. The District began making contributions to a California Employer's Retiree Benefit Trust (CERBT) during the year ended June 30, 2019. As of June 30, 2019, the District has accumulated $50,213 in the CERBT toward the cost of future benefits.

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 (MCERA). The District pays the full medical, dental, and Medicare B premiums for retirees and dependents. Retirees must enroll in a health plan sponsored by MCERA. The maximum amount payable each month is the single-employee premium that the District pays for medical care, plus dental premiums. The District also reimburses retired employees for their Medicare Part B premiums.

Employees covered by benefit terms

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

Active employees	13
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	0
Total	18

(Continued)

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

Net OPEB liability

The District's net OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation dated June 30, 2019 that was rolled forward using standard up to date procedures to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.50%
Inflation	2.75% per year
Salary Increases	3.00% per year including inflation
Investment Rate of Return	6.50%
Mortality Rate (1)	Derived using 2017 CalPERS Assumptions
Healthcare Cost Trend Rates:	Medical and Part B premiums are assumed to increase 5% per year. Dental and vision premiums are assumed to increase 4% per year.

Notes:

(1) Mortality rates were based on the 2017 CalPERS valuation. In the 2017 valuation, mortality was taken from the 2010 CalPERS OPEB Assumptions Model, projected to future years on a generational basis using Scale BB.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The asset class percentages are taken from the current composition of the CERBT trust, and the expected yields are taken from a recent CalPERS publication for the Pension Fund. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Target allocation	Long-term expected real rate of return
Global Equity	59.00%	5.25%
Fixed Income	25.00%	0.99%
Treasury Securities	5.00%	0.45%
Global Real Estate (REITs)	8.00%	4.50%
Commodoties	3.00%	3.00%
Total	100.00%	

(Continued)

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

Discount rate

The discount rate used to measure the total OPEB liability was 6.50 percent based on the long-term expected rate of return on investments.

Changes in the Net OPEB liability

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (c) = (a) - (b)
Balance at June 30, 2019 (Measurement Date June 30, 2018)	$ 2,494,224	$ -	$ 2,494,224
Changes recognized for the measurement period:			
Service cost	57,261	-	57,261
Interest	95,186	-	95,186
Differences between actual and expected experience	134,818	-	134,818
Assumption changes	(987,069)	-	(987,069)
Contributions - employer	-	119,486	(119,486)
Benefit payments	(69,273)	(69,273)	-
Net changes	(769,077)	50,213	(819,290)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	$ 1,725,147	$ 50,213	$ 1,674,934

Changes of assumptions reflect a change in the discount rate from 3.87% at June 30, 2019 to 6.50% at June 30, 2020.

Sensitivity of the Net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current discount rate:

(Continued)

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	$ 1,942,997	$ 1,674,934	$ 1,459,423

Sensitivity of the Net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (4.0 percent) or one percentage point higher (6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Current Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Net OPEB liability	$ 1,456,725	$ 1,674,934	$ 1,945,179

Recognition of deferred outflows and deferred inflows of resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

(Continued)

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

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $1,437. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 112,920	$ -
Differences between actual and expected experience	110,558	-
Changes of assumptions	-	(1,204,811)
Total	$ 223,478	$ (1,204,811)

The $112,920 reported as deferred outflows of resources related to employer contributions made subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (162,053)
2022	(151,010)
2023	(151,010)
2024	(151,010)
2025	(121,160)
Thereafter	(358,010)
	$ (1,094,253)

Note L - 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.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged in jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the District is unknown.

Note M - Lease Commitments

The District leases office equipment under a lease agreement that expires in 2024. The following summarizes future minimum rental payments required under the operating lease.

Year ending June 30,		
2021	$	5,340
2022		5,340
2023		5,340
2024		2,225
	$	18,245

Total equipment rent expenses for the year ended June 30, 2020 was $5,993.

Note N - 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, 2020, the members of the District's Board of Directors were as follows:

Trustee	Term expires
Jeff Brown	December 2022
Steven Levine	December 2020
James Jacobs	December 2022
Steffen Bartschat	December 2020
Matthew McMahon	December 2020

Note O - Subsequent Event

The District entered into a $16,430,000 certificate purchase agreement with Raymond James & Associates, Inc. effective October 2020.

REQUIRED SUPPLEMENTARY INFORMATION

TAMALPAIS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

For the year ended June 30, 2020

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

Last 10 years*

	Measurement Date June 30,					
	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.3568%	0.5704%	0.5546%	0.5304%	0.4535%	0.4161%
Proportionate share of the net pension liability	$ 1,304,834	$ 1,884,019	$ 2,045,122	$ 2,534,943	$ 1,756,793	$ 1,028,347
Covered - employee payroll	1,122,634	1,111,036	946,274	880,657	852,837	760,797
Proportionate share of the net pension liability as a percentage of covered - employee payroll	116.20%	169.60%	216.10%	287.80%	206.00%	135.17%
Plan fiduciary net position as a percentage of the total pension liability	87.60%	88.30%	86.30%	81.50%	84.30%	89.04%

Benefit changes - There have been no changes in benefits since the prior valuation.

* The fiscal year ended June 30, 2015 was the first year of implementation, therefore, only six years are shown.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

For the year ended June 30, 2020

Schedule of Contributions - Pension Plan

Last 10 years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 370,734	$ 394,512	$ 341,283	$ 382,899	$ 372,529	$ 306,954
Contributions in relation to the actuarially determined contributions	(370,734)	(394,512)	(341,283)	(382,899)	(372,529)	(306,954)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,122,634	$ 1,111,036	$ 946,274	$ 880,657	$ 852,837	$ 760,797
Contributions as a percentage of covered-employee payroll	33.02%	35.51%	36.10%	43.50%	43.70%	40.35%

Notes to schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	12 years
Asset Valuation method	5-year smoothed market
Actuarial assumptions:	
Inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment rate of return	7.00%
Mortality	CalPERS 2017 Pre-Retirement Non-Industrial Death rates

*Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to that date.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

For the year ended June 30, 2020

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last 10 years*

For the Measurement Period Ended June 30,	2019	2018	2017
Total OPEB Liability			
Service cost	$ 57,261	$ 61,097	$ 75,472
Interest	95,186	89,212	78,029
Changes of benefit terms	-	-	-
Differences between expected and actual experience	134,818	-	-
Changes of assumptions	(987,069)	(131,025)	(368,150)
Benefit payments	(69,273)	(34,035)	(28,445)
Net change in total OPEB liability	(769,077)	(14,751)	(243,094)
Total OPEB liability - beginning	2,494,224	2,508,975	2,752,069
Total OPEB liability - ending (a)	$ 1,725,147	$ 2,494,224	$ 2,508,975
Plan fiduciary Net Position			
Contributions - employer	$ 119,486	$ 34,035	$ -
Benefit payments	(69,273)	(34,035)	-
Administrative expenses	-	-	-
Net change in plan fiduciary net position	50,213	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	$ 50,213	$ -	$ -
Net OPEB liability - ending (a) - (b)	$ 1,674,934	$ 2,494,224	$ 2,508,975
Plan fiduciary net position as a percentage of the total OPEB liability	2.91%	0.00%	0.00%
Covered - employee payroll	$ 1,127,091	$ 1,146,165	$ 1,160,050
Net OPEB liability as a percentage of covered - employee payroll	148.61%	217.61%	216.28%

Notes to Schedule:

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

Changes of assumptions: Changes of assumptions reflect a change in the discount rate from 3.87% to 6.50% for the measurement period ended June 30, 2019. The probabilities of retirement, termination and mortality have been changed from the 2010 CalPERS assumptions to the 2017 CalPERS assumptions for the measurement period ended June 30, 2019.

TAMALPAIS COMMUNITY SERVICES DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
Major Special Revenue Fund

Year ended June 30, 2020

	Parks and Recreation Fund		
	Budgeted amounts original/final	Actual amounts	Variance with final budget positive/ (negative)
Fund Balance, July 1	$ 475,054	$ 475,054	$ -
Resources (inflows):			
Property taxes	880,144	907,243	27,099
After school programs	40,000	35,382	(4,618)
Rental income	54,700	35,932	(18,768)
Special events and class fees	120,000	87,202	(32,798)
Investment income	10,000	11,737	1,737
Operating grants and contributions	25,000	135,358	110,358
Other revenues	6,500	5,994	(506)
Amounts available for appropriations	1,611,398	1,693,902	82,504
Charges to appropriations (outflows):			
Parks and recreation			
Salaries and benefits	689,194	642,760	46,434
All other	417,350	440,246	(22,896)
Total charges to appropriations	1,106,544	1,083,006	23,538
Fund Balance, June 30	$ 504,854	$ 610,896	$ 106,042

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	$ 1,693,902
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.	(475,054)
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances-governmental funds.	$ 1,218,848

Notes to Required Supplemental Information

June 30, 2020

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, 2020. 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.

Other Independent Auditors' Report

CSV
CROCE, SANGUINETTI, & VANDER VEEN INC.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Tamalpais Community Services District
Mill Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
January 4, 2021