

**TOWN OF CORTE MADERA**  
***California***

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**Annual Financial Report**  
**June 30, 2019**

**Town Council**

**Robert Ravasio**  
**James Andrews**  
**Sloan Bailey**  
**Eli Beckman**  
**David Kunhardt**

**Mayor**  
**Vice Mayor**  
**Member**  
**Member**  
**Member**

**Appointed Officials**

***Town Manager***  
**Todd Cusimano**

***Director of Finance and Town Treasurer***  
**Daria Carrillo**

# TOWN OF CORTE MADERA

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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Post Office Box 60127 / Sacramento, California 95860-0127

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
Members of the Town Council  
Town of Corte Madera, 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 Town of Corte Madera, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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 preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 purposes 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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

Honorable Mayor  
Members of the Town Council  
Town of Corte Madera, California

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Corte Madera, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and schedules of funding progress, other postemployment benefits plan schedule of funding progress, and the respective budgetary comparison information of the general and major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 historic 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Corte Madera's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Marcello & Company***

Certified Public Accountants  
Sacramento, California  
November 8, 2019

**MANAGEMENT'S DISCUSSION & ANALYSIS**

*As Prepared by Management  
(unaudited)*

**Town of Corte Madera  
Management's Discussion and Analysis  
June 30, 2019**

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2019. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: Government-wide Financial Statements, Fund Financial Statements, and Notes to the Basic Financial Statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The Government-wide Financial Statements consist of the Statement of Net Position, and the Statement of Activities. These statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some of the revenue and expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenue related to uncollected taxes or interest expense incurred but not paid.

**Fund Financial 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. The Town, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities are divided into three categories: Governmental Funds, Proprietary Funds, and Trust and Agency Funds.

**Governmental Funds**

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 both short-term inflows and outflows of spendable resources and the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term

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June 30, 2019**

financing decisions. Both the governmental funds balance sheet and the statement of revenue, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The Town maintains 12 individual governmental funds. In the governmental funds balance sheet, and the statement of revenue, expenditures, and change in fund balances, information is presented separately for the General Fund, which is the only major governmental fund this year, as well as 11 nonmajor governmental funds.

The General Fund is the primary operating fund of the Town. It is used to account for governmental funds that are not classified as special revenue, capital project or debt service funds, and includes the following funds:

- General Fund
- Corte Madera Sales Tax Override Fund
- Street Impact Fee fund
- Equipment and Technology Fund
- Beautification Fund
- Recreation Capital Fund
- Park Madera Center Fund
- Recreation Fund

Special Revenue Funds generally account for revenue derived from specific sources. These funds are required by statute or ordinance to finance particular functions or activities of the government or are restricted as to their use, and include the following funds:

- Gas Tax Fund
- Westside Park in Lieu fund
- Traffic Improvement Fund
- Village Traffic Improvement Fund
- Affordable Housing Fund
- Capital Improvement Fund
- Measure A Parks Fund
- Storm Drain Tax Fund
- Tam Ridge Traffic Improvement Fund
- SB1 Road Maintenance Fund
- Traffic Congestion Improvement Fund

**Proprietary Funds**

Services for which the Town charges customers a fee are generally reported in proprietary funds. The Town maintains two different types of proprietary funds; a business-type enterprise fund and an internal service fund. The business-type enterprise fund, a Sanitary District, provides wastewater treatment service. The internal service fund; an Insurance fund, accounts for insurance premium payments as well as the self-insured portion of the Town's workers' compensation and liability insurance programs.

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Management's Discussion and Analysis  
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**Trust and Agency Funds**

Trust and Agency funds are used to account for assets held for the benefit of other individuals or entities. The Town currently acts as an agent on behalf of the Shoreline Parking Debt Service Fund, Shoreline Parking Maintenance District Fund, Age Friendly Corte Madera Fund, Old Landing Road Fund, and the Central Marin Fire Authority.

**Notes to the Financial Statements**

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes follow the Basic Financial Statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in addition to this discussion and analysis concerning the Town's budgetary to actual comparison schedules, its schedule of funding progress for the other postemployment benefits plan, and its cost-sharing multiple-employer defined benefits pension plan schedule, which is administered by CalPERS as trustee for the plan. This report presents combining nonmajor fund financial statements, which follow the required supplementary information section.

**FINANCIAL HIGHLIGHTS**

**Government-wide Financial Statement Highlights**

- The Government-wide statement of net position, appearing as the first statement of the basic financial statements and summarized in Management's Discussion and Analysis, reports the Town's total assets and deferred outflows of \$104,386,880, total liabilities and deferred inflows of \$40,966,603, and net position of \$63,420,277. The Sanitary District is included in this total and accounts for \$29,057,112 of the Town's net position. The net position for governmental activities is \$34,363,165.
- The total net position increased by \$9,145,351. Of this total, governmental activities accounted for \$6,350,078 of the increase and the Sanitary District accounted for an increase of \$2,795,273.
- The Town's capital assets totaled \$63,219,535, net of depreciation. This includes Sanitary District assets of \$15,256,374.
- The Town's long-term debt and obligations totaled \$37,637,297 as of June 30, 2019, a decrease of \$1,442,448 as compared to the previous year. The Town's net OPEB obligation decreased by \$184,000 and the Town's net pension obligation decreased by \$586,828, both of which contributed to the overall decrease in long-term obligations.

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**Fund Financial Statement Highlights**

- At the close of fiscal year 2019, the Town's governmental funds reported a combined ending fund balance of \$19,287,364 as compared to \$13,047,544 at June 30, 2018, an increase of \$6,239,820. This increase was due primarily to greater than expected revenue from property taxes, sales taxes, as well as lower than anticipated expenditures.
- Revenue, and transfers in, exceeded expenditures and transfers out, in the General Fund, by \$5,288,388. This increase is included in the total increase of \$6,239,820 as mentioned above.

**Government-wide Financial Statement Analysis**

A condensed presentation of the Statement of Net Position is presented in the following table comparing last fiscal year to the most recently completed fiscal year. This includes both the Sanitary District as well as the Governmental funds.

<b>Statement of Net Position</b>				
<b>Comparison of FY 2019 and FY 2018</b>				
	June 30		Amount	Percent
	2019	2018	Change	Change
<b><u>Assets</u></b>				
Current and other assets	\$ 35,785,782	\$ 26,177,267	\$ 9,608,515	37%
Capital assets, net	63,219,535	63,020,720	198,815	0%
Total assets	99,005,317	89,197,987	9,807,330	11%
<b><u>Deferred outflows</u></b>	5,381,563	6,892,871	(1,511,308)	-22%
Totals	104,386,880	96,090,858	8,296,022	9%
<b><u>Liabilities</u></b>				
Current and other liabilities	2,130,782	2,679,724	(548,942)	-20%
Noncurrent liabilities	37,637,297	38,669,722	(1,032,425)	-3%
Total liabilities	39,768,079	41,349,446	(1,581,367)	-4%
<b><u>Deferred inflows</u></b>	1,198,524	480,674	717,850	149%
Totals	40,966,603	41,830,120	(863,517)	-2%
<b><u>Net Position</u></b>				
Net investment in capital assets	54,050,654	53,441,815	608,839	1%
Restricted	2,876,329	1,924,896	951,433	49%
Unrestricted	6,493,294	(1,105,973)	7,599,267	-687%
Total net position	\$ 63,420,277	\$ 54,260,738	\$ 9,159,539	17%

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Net position of \$ 63,420,277 at June 30, 2019 increased by \$9,159,539 as compared to the prior fiscal year due to the following:

- Cash and investments of \$32,696,854 increased \$10,106,418 compared to the previous fiscal year, mainly as a result of increased sales tax and property taxes. The ending balance in the General fund increased by \$3,069,757, the ending balance in the Sales Tax Override Fund increased by \$2,113,943, and the ending balance in the Sanitary District increased by \$2,787,663.
- Receivables increased by \$460,865 also due to increased sales tax and property taxes.
- Capital assets increased by \$198,815 due to additional infrastructure projects.
- Noncurrent liabilities decreased by \$1,032,425. Factors contributing to the decrease were due to the repayment of debt principal in the amount of \$365,000 for the Park Madera Center and \$45,023 for Central Marin Police Authority facility, total decreased pension liability in the amount of \$586,828 and decreased OPEB liability in the amount of \$184,000. Additionally, liability for compensated absences decreased by \$40,722, primarily due to the transfer of Fire Department employees to the Central Marin Fire Authority.
- Noncurrent liabilities of \$37,637,297 included the unfunded net pension liability, noncurrent portion of insurance claim liabilities, the noncurrent portion of long-term debt, and the postemployment benefits plan obligation.

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Management's Discussion and Analysis  
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A condensed presentation of the Statement of Activities is presented in the following table comparing last fiscal year to the most recently completed fiscal year.

<b>Statement of Activities</b>				
<b>Comparison of FY 2019 and FY 2018</b>				
	June 30		Amount	Percent
	2019	2018	Change	Change
<b><u>Governmental Activities</u></b>				
Program Revenue:				
Charges for Services	\$ 3,239,019	\$ 2,529,286	\$ 709,733	28%
Operating Grants	1,696,944	1,298,214	398,730	31%
Capital Grants	-	1,721,836	(1,721,836)	-100%
Subtotals	4,935,963	5,549,336	(613,373)	-11%
General Revenue	24,461,753	19,000,331	5,461,422	29%
Total Revenue	29,397,716	24,549,667	4,848,049	20%
Total Expenses	23,047,638	20,271,769	2,775,869	14%
Transfers in (out)	-	(442,000)	442,000	-100%
Change in Net Position	6,350,078	3,835,898	2,514,180	66%
Net Position:				
Beginning	28,013,087	24,177,189	3,835,898	16%
End of Year	\$ 34,363,165	\$ 28,013,087	\$ 6,350,078	23%
<b><u>Business-type Activities</u></b>				
Program Revenue:				
Charges for Services	\$ 3,137,786	\$ 2,946,524	\$ 191,262	6%
Operating Grants	-	1,000	(1,000)	-100%
Capital Grants	-	148,827	(148,827)	-100%
Subtotals	3,137,786	3,096,351	41,435	1%
General Revenue	3,715,723	3,305,726	409,997	12%
Total Revenue	6,853,509	6,402,077	451,432	7%
Total Expenses	4,058,236	3,866,795	191,441	5%
Transfers in (out)	-	(38,000)	38,000	-100%
Change in Net Position	2,795,273	2,497,282	297,991	12%
Net Position:				
Beginning *	26,261,839	23,750,369	2,511,470	11%
End of Year	\$ 29,057,112	\$ 26,247,651	\$ 2,809,461	11%

\* Business-type activities included a special revenue fund in FY 2017-18

**Town of Corte Madera  
Management's Discussion and Analysis  
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**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

General Fund

Funds that comprise the "combined" General Fund, as presented in the financial statements on page 51, include the Corte Madera Sales Tax Override Fund, Street Impact Fee Fund, Equipment and Technology Fund, Beautification Fund, Recreation Fund, Park Madera Center Fund and Recreation Capital Fund, as well as the General Fund, which is the Town's primary operating fund. The General Fund's ending fund balance increased by \$5,288,388. The increases include an increase of \$3,069,757 in the operating fund and \$2,113,943 in the Corte Madera Sales Tax Override Fund. The ending fund balance of the "combined" General Fund is \$16,411,035. This includes a deficit of (\$1,961,429) in the Park Madera Center Fund.

Special Revenue Funds

The Special Revenue Funds are listed on page 4 and are mainly used for capital improvements to streets, roads, parks and other Town infrastructure. The ending fund balances of these funds increased by \$951,432. The total ending balance of these funds is \$2,876,329. These funds will be used for capital improvements.

**SANITARY DISTRICT NO 2 of MARIN COUNTY**

The Sanitary District is reported as a business enterprise fund of the Town, and is audited separately. As of June 30, 2019, the District's net position increased by nearly \$2.8 million to \$29,057,112. The increase is mainly the result of increased property tax revenue and interest earnings. The Sanitary District has no employees. Town employees perform contract work on behalf of the District. The Town invoices the District for this work as well as other operating and maintenance expenses incurred. In 2018-19, the District paid \$530,284 to the Town for contract services, and is budgeted to spend \$675,000 in fiscal year 2019-20. The increased amount is for additional capital projects.

**ECONOMIC OUTLOOK AND BUDGET FOR FISCAL YEAR 2019-20**

REVENUE

The Town's largest revenue sources are property tax and sales tax. Property tax and sales tax each account for one third of the Town's operating revenue. Additionally, the 0.75% Corte Madera sales tax override will fund more than half of the Town's budgeted capital projects in 2019-20. Based on the most recent information available, property tax is expected to increase by 3.5%, or \$218,000, in 2019-20.

General Fund sales tax revenue for 2018-19 included a one-time receipt of delayed sales tax revenue. This was the result of the State's implementation of new accounting software which caused untimely sales tax payments to California government agencies. As a result, sales tax revenue for 2018-19 was particularly strong and totaled \$8.1 million, a 30% increase over the previous year. For 2019-20, sales tax revenue is budgeted in the amount of \$6.8 million, and revenue received as of December 2019 indicates that the budgeted amount is appropriate.

The Corte Madera sales tax override tax is expected to increase from \$3.6 million in 2018-19 to \$4 million in 2019-20, mainly as a result of an increase in the rate of 0.5% to 0.75% starting in October 2018.

**Town of Corte Madera  
Management's Discussion and Analysis  
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Overall, Other Revenue is expected to be stable.

**EXPENDITURES**

Employee-related expenses make up 70% of the Town operating expenditures, including the Fire and Police contract payments. Town employees received a 3% increase to the salary schedule for the 2019-20 fiscal year. The overall increase to salaries for 2019-20 is approximately 10%. The overall increase provides an increase to salary schedules, scheduled step increases, the addition of a Senior Engineer, and filling open positions in the Public Works Department. The Sanitary District's payments to the Town for employee contract work will offset a portion of the increase.

Effective March 2019, all of the Town's Fire Department employees were transferred to the Central Marin Fire Authority, a Joint Powers Authority (JPA). The member agencies of the JPA are the City of Larkspur and Town of Corte Madera. As a result of the formation of the JPA, Corte Madera Fire Department employees enrolled in the classic CalPERS 3% at 50 Plan are now enrolled in the JPA's plan for classic employees which is 3% at 55, resulting in significant pension reform. Salaries and benefits for Central Marin Fire Authority are paid by the JPA. The Town pays 50% of all of the JPA's costs and the Town's expenditures are reflected in Outside Services rather than payroll.

Normal retirement costs, the annual cost of service accrual for the upcoming year for active employees, has increased by approximately \$42,000. The cost is expressed as a percentage of payroll. This is the result of increased salaries and in the rate itself. The Town pays no portion of the CalPERS retirement plan employee contribution. Classic employees, those enrolled in CalPERS or a reciprocal plan prior to January 1, 2013 without a significant break in service, pay 8% of salary as employee contributions, plus an additional 5.5% or 4.5% (depending on bargaining group) toward the employer contribution.

On January 1, 2013, the California Public Employees' Pension Reform Act of 2013 (PEPRA) went into effect. The Pension Reform Bill impacts new public employees and establishes a cap on the amount of compensation that can be used to calculate a retirement benefit. It also increases the age at which an employee is eligible for service credit retirement. In 2019-20, approximately half of the Town's employees are enrolled in the PEPRA plan. PEPRA plan members pay at least half the normal retirement costs.

In May 2014, the CalPERS Board adopted changes to the existing pooling structure policies and a new policy for allocating the pools' unfunded accrued liability. Due to unintended consequences resulting from the PEPRA changes and existing PERS policies on risk pools, changes were necessary to ensure the proper funding of the pools. In order to address the problem, CalPERS combined twelve risk pools into two, one for Safety and one for Miscellaneous, and employer contributions toward the unfunded liability for plans in a risk pool will be collected for the foreseeable future as dollar amounts instead of contribution rates expressed as a percentage of payroll. The Town has experienced significant increases in required CalPERS contributions for unfunded liabilities due to CalPERS lowering the discount rate from 7.5% to 7% and to changing the amortization schedule for unfunded liability payments from 30 years to 20 years.

**Town of Corte Madera  
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In order to address unfunded pension liabilities and establish a long term plan, the Town hired an actuarial firm to complete a pension analysis, which forecast that CalPERS will move to a 6% discount over the next several years. To mitigate rate volatility, the Town established a pension stabilization trust, with a goal to make contributions to the trust as if the rate were 6%. As of November 30, 2019, the balance in the trust was approximately \$1.4 million. In accordance with the 2019-20 Budget, the Town contributed an additional \$956,000 in December 2019. The Town's annual lump sum payment for 2019-20 was \$1,391,795, an 18.5% increase compared with the previous year.

In addition to the pension stabilization trust, the Town has established a trust to prefund Other Post Employment Benefits (OPEB). A preliminary actuarial valuation dated December 2019 indicates that the Town's total actuary accrued liability is approximately \$8.7 million and that the Town has prefunded approximately 33% of this liability. The balance in the trust as of June 2019 was approximately \$2.8 million and the Town has contributed an additional \$250,000 in the 2019-20 fiscal year.

The Town's is a member of the Bay Cities Joint Powers Insurance Authority, a self-insurance pool. In 2019-20, the required contribution from the Town's operating fund to its Insurance Fund to fund insurance expenditures will decrease by approximately \$500,000 compared to the previous year. This is due to the transfer of the Town's Fire Department to the Central Marin Fire Authority. Central Marin Fire Authority is also a member of Bay Cities and the Town will pay 50% of the insurance costs for the Fire Authority. The Town's Internal Service Insurance Fund is reported as a Proprietary Fund.

The 2019-20 Adopted Budget includes approximately \$7.5 million for capital project expenditures, not including Sanitary District projects. Projects include flood control and storm drainage improvements, multimodal transportation projects, parks and recreation projects, projects related to recycling and zero waste, as well as energy conservation, and projects related to the improvement and remodel of Town owned facilities. The majority of the projects will be funded by the Corte Madera Sales Tax Override. Other funding sources include State Gasoline Tax, grants obtained by Town staff, Measure A Parks funding, Street Impact fees and the Transportation Authority of Marin funding.

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

Finance & Administrative Services Director  
Town of Corte Madera  
300 Tamalpais Drive  
Corte Madera, CA  
(415) 927-5054

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**TOWN OF CORTE MADERA**  
**Government-wide Financial Statements**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 18,795,328	\$ 13,901,526	\$ 32,696,854
Receivables	2,857,042	128,658	2,985,700
Prepaid expenses	103,228	-	103,228
Total current assets	<u>21,755,598</u>	<u>14,030,184</u>	<u>35,785,782</u>
Noncurrent Assets:			
Capital assets not being depreciated	20,827,430	580,265	21,407,695
Capital assets, net of depreciation	<u>27,135,731</u>	<u>14,676,109</u>	<u>41,811,840</u>
Total noncurrent assets	<u>47,963,161</u>	<u>15,256,374</u>	<u>63,219,535</u>
Total assets	<u>69,718,759</u>	<u>29,286,558</u>	<u>99,005,317</u>
Deferred Outflows of Resources:			
Deferred outflows of pension resources	4,569,563	-	4,569,563
Deferred outflows of OPEB resources	<u>812,000</u>	-	<u>812,000</u>
Total Assets	<u>75,100,322</u>	<u>29,286,558</u>	<u>104,386,880</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payables	762,640	229,446	992,086
Accrued liabilities	942,177	-	942,177
Deposits	<u>196,519</u>	-	<u>196,519</u>
Total current liabilities	<u>1,901,336</u>	<u>229,446</u>	<u>2,130,782</u>
Noncurrent Liabilities:			
Due within one year	570,994	-	570,994
Due after one year	<u>37,066,303</u>	-	<u>37,066,303</u>
Total noncurrent liabilities	<u>37,637,297</u>	-	<u>37,637,297</u>
Total liabilities	<u>39,538,633</u>	<u>229,446</u>	<u>39,768,079</u>
Deferred Inflows of Resources:			
Deferred inflows of pension resources	1,154,524	-	1,154,524
Deferred inflows of OPEB resources	<u>44,000</u>	-	<u>44,000</u>
Total Liabilities and Deferred Inflows	<u>40,737,157</u>	<u>229,446</u>	<u>40,966,603</u>
<b>NET POSITION</b>			
Net investment in capital assets	38,794,280	15,256,374	54,050,654
Restricted	2,876,329	-	2,876,329
Unrestricted	<u>(7,307,444)</u>	<u>13,800,738</u>	<u>6,493,294</u>
Total Net Position	<u>\$ 34,363,165</u>	<u>\$ 29,057,112</u>	<u>\$ 63,420,277</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Government-wide Financial Statements**  
**Statement of Activities**  
**Year Ended June 30, 2019**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Governmental Activities</b>							
Personnel	\$ 6,012,126	\$ -	\$ -	\$ -	\$ (6,012,126)		\$ (6,012,126)
Public safety - fire	4,220,000	-	-	-	(4,220,000)		(4,220,000)
Public safety - police	3,511,174	-	-	-	(3,511,174)		(3,511,174)
Outside services	1,200,775	-	-	-	(1,200,775)		(1,200,775)
Public works/streets	767,557	441,904	1,346,049	-	1,020,396		1,020,396
Utilities	351,073	-	-	-	(351,073)		(351,073)
Recreation	772,715	469,985	-	-	(302,730)		(302,730)
Community Development	202,406	2,327,130	113,803	-	2,238,527		2,238,527
Debt service	1,359,916	-	-	-	(1,359,916)		(1,359,916)
Capital projects	1,591,545	-	237,092	-	(1,354,453)		(1,354,453)
Depreciation	3,058,351	-	-	-	(3,058,351)		(3,058,351)
Total governmental activities	<u>23,047,638</u>	<u>3,239,019</u>	<u>1,696,944</u>	<u>-</u>	<u>(18,111,675)</u>		<u>(18,111,675)</u>
<b>Business-type Activities</b>							
Total Sanitary District	4,058,236	3,137,786	-	-		(920,450)	(920,450)
Total primary government	<u>\$ 27,105,874</u>	<u>\$ 6,376,805</u>	<u>\$ 1,696,944</u>	<u>\$ -</u>	<u>(18,111,675)</u>	<u>(920,450)</u>	<u>(19,032,125)</u>

**General Revenue**

Property taxes	6,629,879	3,410,344	10,040,223
Sales taxes	11,807,526	-	11,807,526
Transient occupancy taxes	1,199,914	-	1,199,914
Franchise fees	1,195,057	-	1,195,057
Business licenses	614,045	-	614,045
Intergovernmental	310,693	-	310,693
Use of money & property	1,527,959	299,309	1,827,268
Other revenue	1,176,680	6,070	1,182,750
Totals	<u>24,461,753</u>	<u>3,715,723</u>	<u>28,177,476</u>

**Change in Net Position**

	6,350,078	2,795,273	9,145,351
Net Position - beginning	<u>28,013,087</u>	<u>26,261,839</u>	<u>54,274,926</u>
Net Position - end of year	<u>\$ 34,363,165</u>	<u>\$ 29,057,112</u>	<u>\$ 63,420,277</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

***FUND FINANCIAL STATEMENTS***

**TOWN OF CORTE MADERA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 15,264,283	\$ 2,787,774	\$ 18,052,057
Receivables	2,733,263	123,779	2,857,042
Prepaid expenses	45,969	17,259	63,228
Total assets	<u>\$ 18,043,515</u>	<u>\$ 2,928,812</u>	<u>\$ 20,972,327</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 709,318	\$ 52,483	\$ 761,801
Accrued liabilities	726,643	-	726,643
Deposits	196,519	-	196,519
Total liabilities	<u>1,632,480</u>	<u>52,483</u>	<u>1,684,963</u>
 Fund Balances:			
Nonspendable	-	-	-
Restricted	-	2,876,329	2,876,329
Committed	-	-	-
Assigned	-	-	-
Unassigned	16,411,035	-	16,411,035
Total fund balances	<u>16,411,035</u>	<u>2,876,329</u>	<u>19,287,364</u>
 Total liabilities and fund balances	 <u>\$ 18,043,515</u>	 <u>\$ 2,928,812</u>	 <u>\$ 20,972,327</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2019**

Total fund balances - governmental funds (page 14)	\$ 19,287,364
Amounts reported for governmental activities in the statement of net position are different because:	
(1) Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the balance sheet.	47,963,161
(2) Pension plan contributions are reported as deferred outflows of resources in the statement of net position.	4,569,563
(3) Other post-retirement employee medical benefit plan contributions are reported as deferred outflows of resources in the statement of net position.	812,000
(4) Accrued interest payable on long-term debt is reported in the statement of net position.	(215,534)
(5) Long-term liabilities and obligations are not due and payable in the current period and therefore, are not reported in the governmental funds balance sheet. All such liabilities are reported in the statement of net position.	(37,357,751)
(6) Deferred pension plan inflows of resources are not recognized as revenue in the governmental funds financial statements.	(1,154,524)
(7) Other post-retirement employee medical benefit plan inflows of resources are not recognized as revenue in the governmental funds financial statements.	(44,000)
(8) Internal Service Funds are used by management to charge the cost of insurance to one fund. Those assets and liabilities are included in governmental activities in the statement of net position.	<u>502,886</u>
Net position of governmental activities (page 12)	<u><u>\$ 34,363,165</u></u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2019**

	General	Other	Total
<b>REVENUE</b>	Fund	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Property taxes	\$ 6,629,879	\$ -	\$ 6,629,879
Sales taxes	11,807,526	-	11,807,526
Business licenses	614,045	-	614,045
Paramedic tax	493,105	-	493,105
Transient occupancy taxes	1,199,914	-	1,199,914
Franchise taxes	1,195,057	-	1,195,057
Permits and fees	2,041,928	-	2,041,928
Intergovernmental	310,693	1,982,146	2,292,839
Charge for services	911,889	-	911,889
Use of money and property	1,513,622	14,337	1,527,959
Other revenue	683,575	-	683,575
Total revenue	<u>27,401,233</u>	<u>1,996,483</u>	<u>29,397,716</u>
<b>EXPENDITURES</b>			
Current -			
Personnel	6,708,165	-	6,708,165
Public safety - fire	4,220,000	-	4,220,000
Public safety - police	3,511,174	-	3,511,174
Outside services	2,235,369	-	2,235,369
Public works/streets	767,557	-	767,557
Utilities	351,073	-	351,073
Recreation services	772,715	-	772,715
Community development	202,406	-	202,406
Debt service	741,687	-	741,687
Capital projects	1,932,133	1,046,351	2,978,484
Total expenditures	<u>21,442,279</u>	<u>1,046,351</u>	<u>22,488,630</u>
Excess of Revenue over (under) Expenditures	<u>5,958,954</u>	<u>950,132</u>	<u>6,909,086</u>
Other financing sources (uses)			
Transfers in	785,684	1,300	786,984
Transfers (out)	<u>(1,456,250)</u>	<u>-</u>	<u>(1,456,250)</u>
Total other sources (uses)	<u>(670,566)</u>	<u>1,300</u>	<u>(669,266)</u>
<b>CHANGE IN FUND BALANCES</b>			
Fund Balances - beginning	11,122,647	1,924,897	13,047,544
Fund Balances - end of year	<u>\$ 16,411,035</u>	<u>\$ 2,876,329</u>	<u>\$ 19,287,364</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Reconciliation of the Statement of Revenue, Expenditures, and Change in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2019**

Change in fund balances - governmental funds (page 16) \$ 6,239,820

Amounts reported for governmental activities in the statement of activities are different because:

**Capital Assets**

(1) The acquisition of capital assets uses current financial resources but has no effect on net position. The cost of capital assets is allocated over the estimated useful lives and reported as depreciation expense in the statement of activities. (2,531,538)

**Measurement focus**

(2) Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Change in accrued interest expense on long-term debt	(208,205)
Change in compensated absences expense liability	40,722
Change in net pension plan expense liability and deferrals	2,563,986
Change in net OPEB plan expense liability and deferrals	436,000

**Long-term Liabilities and Obligations**

(3) Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. (410,024)

**Internal Service funds**

(4) Internal service funds are used by management to charge the costs of insurance to an individual fund. The net revenue (loss) is reported with governmental activities in the statement of activities. 219,317

Change in net position of governmental activities (page 13) \$ 6,350,078

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Business Enterprise- Sanitary District</b>	<b>Internal Service- Insurance Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 13,901,526	\$ 743,271
Customer receivables	128,658	-
Other receivables	-	-
Other asset	-	40,000
Total current assets	<u>14,030,184</u>	<u>783,271</u>
Noncurrent assets:		
Capital assets not being depreciated	580,265	-
Capital assets, net of depreciation	14,676,109	-
Bond costs	-	-
Total noncurrent assets	<u>15,256,374</u>	<u>-</u>
Total assets	<u>29,286,558</u>	<u>783,271</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	229,446	839
Customer deposits	-	-
Claims payable	-	87,559
Total current liabilities	<u>229,446</u>	<u>88,398</u>
Noncurrent liabilities:		
Due within one year	-	-
Due after one year	-	-
Claims payable	-	191,987
Total noncurrent liabilities	<u>-</u>	<u>191,987</u>
Total liabilities	<u>229,446</u>	<u>280,385</u>
<b>Net Position</b>		
Net investment in capital assets	15,256,374	-
Unrestricted	13,800,738	502,886
Total net position	<u>\$ 29,057,112</u>	<u>\$ 502,886</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Proprietary Funds**  
**Statement of Revenue, Expenses, and Change in Net Position**  
**Year Ended June 30, 2019**

	<b>Business Enterprise- Sanitary District</b>	<b>Internal Service- Insurance Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Operating Revenue</b>		
Charge for services	\$ 3,050,716	\$ -
Permits and fees	87,070	-
Total revenue	<u>3,137,786</u>	<u>-</u>
 <b>Operating Expenses</b>		
Sewage treatment and disposal	972,624	-
Sewage collection maintenance and repairs	360,420	-
Sewage pump station maintenance	290,332	-
Contract services	530,284	-
Utilities	127,660	-
General and administrative	68,173	
Insurance claims	-	452,712
Depreciation	1,127,580	-
Total operating expenses	<u>3,477,073</u>	<u>452,712</u>
 <b>Operating Income (Loss)</b>	 <u>(339,287)</u>	 <u>(452,712)</u>
 <b>Nonoperating Revenue (Expense)</b>		
Property tax assessments	3,410,344	-
CMSA debt service commitment	(581,163)	-
Investment earnings	299,309	1,048
Other revenue (expense)	6,070	1,715
Total nonoperating revenue	<u>3,134,560</u>	<u>2,763</u>
 <b>Income Before Contributions/Transfers</b>	 2,795,273	 (449,949)
Transfers in	-	669,266
Transfers (out)	-	-
 <b>Change in Net Position</b>	 2,795,273	 219,317
Net Position - beginning	26,261,839	283,569
Net Position - end of year	<u>\$ 29,057,112</u>	<u>\$ 502,886</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**

<b>CASH FLOWS PROVIDED BY (USED FOR)</b>	<b>Business Enterprise- Sanitary District</b>	<b>Internal Service- Insurance Fund</b>
<b>Operating Activities</b>		
Receipts from customers	\$ 3,162,551	\$ -
Payments for contract services and supplies	(2,300,548)	-
Payments for insurance claims	-	(469,321)
Net cash provided (used)	862,003	(469,321)
<b>Noncapital Financing Activities</b>		
Property tax assessments	3,410,344	-
CMSA debt service commitment	(581,163)	-
Net cash provided (used)	2,829,181	-
<b>Capital &amp; Related Financing Activities</b>		
Purchase of property and equipment	(695,502)	-
Transfers in (out)	-	669,266
Net cash provided (used)	(695,502)	669,266
<b>Investing Activities</b>		
Investment earnings	297,857	1,048
Other revenue	7,522	1,715
Net cash provided (used)	305,379	2,763
<b>Net Increase (Decrease) in Cash</b>		
Cash and investments - beginning	3,301,061	202,708
Cash and investments - end of year	10,600,465	540,563
	\$ 13,901,526	\$ 743,271
<b>Operating Activities Analysis</b>		
Operating Income (Loss) - page 19	\$ (339,287)	\$ (452,712)
Reconciliation adjustments:		
Add depreciation, a noncash expense	1,127,580	-
(Increase) decrease in receivables	24,765	-
Increase (decrease) in payables	90,121	(16,609)
Net cash provided (used)	\$ 903,179	\$ (469,321)

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2019**

	Shoreline Parking Debt Svc	Parking Maintenance District	Age Friendly CM	Old Landing Debt Svc	CM Fire Authority	Pension Stabilization Trust	OPEB Prefunding and Stabilization Trust	Totals
<b>Assets</b>								
Cash and								
investments	\$ 184,553	\$ 24,150	\$ 9,134	\$ 81,335	\$ 212,910	\$ -	\$ -	\$ 512,082
Receivables	1,662	50	-	598	251,336	-	-	253,646
Cash with								
trustee	-	-	-	-	-	1,411,632	2,844,441	4,256,073
	<u>\$ 186,215</u>	<u>\$ 24,200</u>	<u>\$ 9,134</u>	<u>\$ 81,933</u>	<u>\$ 464,246</u>	<u>\$ 1,411,632</u>	<u>\$ 2,844,441</u>	<u>\$ 5,021,801</u>
<b>Liabilities</b>								
Payables	\$ 227,475	\$ -	\$ -	\$ 23,963	\$ 284,807	\$ -	\$ -	\$ 536,245
Long-term debt	565,000	-	-	100,000	7,788,939	-	-	8,453,939
	<u>\$ 792,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,963</u>	<u>\$ 8,073,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,990,184</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Town as follows:

- Note 1 - Defining the Financial Reporting Entity
- Note 2 - Summary of Significant Accounting Policies
- Note 3 - Stewardship, Compliance and Accountability
- Note 4 - Cash and Investments
- Note 5 - Capital Assets
- Note 6 - Long-term Obligations
- Note 7 - Other Postemployment Benefits Plan (OPEB)
- Note 8 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
- Note 9 - Jointly Governed Organizations
- Note 10 - Commitments and Contingencies
- Note 11 - Risk Management
- Note 12 - Subsequent Events
- Note 13 - New Pronouncements
- Note 14 - Fund Balance Designations Section of the Balance Sheet

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

***Note 1 - Defining the Financial Reporting Entity***

The Town of Corte Madera (the Town) was incorporated in 1916 under the laws of the State of California. Corte Madera operates under a Council-Manager form of government. The Town provides municipal services to its citizens including public safety, public works, community development, parks and recreation, sewer services, and general administrative support. These financial statements present the financial status of the Town and its blended component unit.

The Sanitary District No. 2 of Marin County is a subsidiary district, with the Town Council acting as the governing body and is reported as a component unit. Financial statements of the District may be obtained from the Town's Department of Finance.

The Town participates in several Joint Powers Agreements (JPAs) with the following entities:

- Bay Cities Joint Powers Insurance Authority
- Central Marin Fire Authority
- Central Marin Police Authority
- Central Marin Sanitation Agency
- Hazardous Materials Spills Management JPA
- Marin Climate and Energy Partnership
- Marin Emergency Radio Authority
- Marin General Services Authority
- Marin Telecommunications Agency
- Transportation Authority of Marin

The financial activities of the JPAs are not included in the accompanying financial statements because they are administered by governing boards which are separate from, and independent of the Town.

***Note 2 - Summary of Significant Accounting Policies***

**Basis of Presentation**

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants as applicable to governments. The following is a summary of the more significant policies.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported instead as general revenue. Expenses reported for functional activities include allocated indirect expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounting system of the Town is organized and operated on the basis of separate 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 constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the Town, or the government has determined that a fund is important to the financial statement user, or it meets the following criteria:

- Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Fund Types

Governmental funds are those through which most general government functions typically are financed. The Town maintains the following fund types:

- General Fund - this fund accounts for all unrestricted resources except those required to be accounted for in another fund.
  - Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
  - Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital projects.
  - Proprietary Fund Types - these funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and cost reimbursement.
- (1) *Enterprise Funds* are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Town is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- (2) *Internal Service Funds* are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town, and to

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

other government units on a cost reimbursement basis. The Town's self-insurance employee benefit program is reported as an internal service fund.

- Fiduciary Fund Types - these funds are used to account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments.

Major Funds

The following are the Town's major funds this year:

- *General Fund* - this fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The government-wide statement of net position and the statement of activities, and both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of the economic 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.

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

The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net position, and in the statement of activities, both governmental and business-like activities are presented using the "accrual basis of accounting." Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when the liability is incurred and the amount of obligation is ascertainable. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the "modified accrual basis of accounting." Under this modified accrual basis of accounting, revenue is recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue which is susceptible to accrual includes property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, penalties, charges for services, and miscellaneous revenue are recorded as governmental fund type revenue when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

became both measurable and available to finance expenditures of the fiscal period. Grant revenue, which is normally reimbursements of expenses under contractual agreements, is recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt in the governmental funds, which is recognized when due.

Proprietary funds use the “accrual basis of accounting” which records the financial effect on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only when cash is received or paid by the enterprise.

**Budgetary Data**

**General Budget Policies:** the Town maintains budgetary controls of which the objective is to ensure compliance with legal provisions embodied in the annual budget approval by the Town Council. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The Town’s budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments or capital improvement projects may be re-appropriated for the subsequent fiscal year upon Town Council approval.

**Budget Basis of Accounting:** budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America as prescribed by the GASB and the AICPA. The Budgetary Comparison Schedule of the general fund presents comparisons of legally adopted budget amounts (both the original budget and final budget), and actual amounts, on the budgetary basis. The budgeting basis is substantially equivalent to the Town's accounting basis; thus no reconciliation between the two is considered necessary.

**Other Accounting Policies**

**Cash and Investments**

Deposits in financial institutions, money market funds, and the State Treasurer’s investment pool are reported as cash and investments since funds can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents if they are liquid. Investments are stated at fair value.

**Receivables and Payables**

Property, sales, and use taxes related to the current fiscal year are accrued as revenue and accounts receivable are considered available if received within 60 days of fiscal year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The Town considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Grants, entitlements or shared revenue are recorded as receivables and revenue in the general, special revenue, and capital projects funds when they are received or susceptible to accrual.

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either “due to/due from other funds” (amounts due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions), or “loans to/from other funds” (long-term lending/borrowing transactions as evidenced by loan agreements).

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Allowance for Doubtful Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Capital Assets

Capital assets are reported in the government-wide statement of net position. Capital assets are stated at historical cost, when available and at estimated replacement cost when original cost was not available. Donated assets are stated at estimated market value at date of donation. The Town's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$25,000, with an estimated useful life in excess of two years. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from five to fifty years. As permitted by GASB, small governments are allowed to report infrastructure assets prospectively beginning in fiscal year 2003-04.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and compensated time off with a maximum of 300 hours. The Town's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer's share of pension contributions and payroll taxes have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole.

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the applicable statement of net position. Bond premiums, issuance costs and discounts are deferred and amortized over the life of the bond. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Net Position and Fund Balances

Net position designations are classified on the government-wide statement of net position as follows:

- Net Investment in capital assets - represents the Town's total investment in capital assets reduced by any outstanding debt used to acquire those assets.
- Restricted net position - includes resources that the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net position - represents resources derived from sources without spending restrictions, are used for transactions relating to the general operations of the Town, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

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Governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Town is bound to honor constraints on how specific amounts can be spent, as follows:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b) not in spendable form such as long-term notes receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the specific purposes determined by a *formal action* of the Town Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the Town Council or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Other Postemployment Benefits Plan (OPEB)

In government-wide financial statements, as required by GASB Statement No. 75, OPEB plans are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as OPEB expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Town recognizes a net OPEB liability, which represents the excess of the total OPEB liability over the fiduciary net position (*plan assets owned*) as reflected in the actuarial report provided by the plan actuarial analyst. The net OPEB liability is measured as of the Town's prior fiscal year-end. Changes in the net OPEB liability are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective OPEB plan and are recorded as a component of OPEB expense beginning with the period in which they are incurred.

Pension Plan

In government-wide financial statements, as required by GASB Statement No. 68, retirement plans are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position (*plan assets owned*) of the pension reflected in the actuarial report provided by the California Public Employees Retirement System (CalPERS). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual

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experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Property Tax Revenue

Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- Property Valuations - are established by the Assessor of Marin County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- Tax Levies - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- Tax Collections - are the responsibility of the Marin County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.
- Tax Levy Apportionments - due to the nature of the Town-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County auditor-controller based primarily on the ratio that each agency represented of the total Town-wide levy for the three fiscal years prior to fiscal year 1979.
- Property Tax Administration Fees - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property taxes.

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***Note 3 - Stewardship, Compliance and Accountability***

Budgetary Information

The Town follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The Town Manager submits to the Town Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Town Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various Town departments. The Town Council may amend the budget by resolution during the fiscal year. The Town Manager may authorize transfers from one object or purpose to another within the same department, and between departments within the General Fund. All appropriations lapse at year end.

Economic Dependency

In fiscal year 2018-19, the Town received 63% of its total governmental revenue from two sources: sales taxes 40% and property taxes 23%. Any disruption to the ongoing economic growth in Marin County, or reduction in assessed property values, or reduction in the Town's property tax share due to the State's ongoing budget issues could have fiscal consequences to the Town's operating budget.

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the Town's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in future years by the voters.

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**Note 4 - Cash and Investments**

The Town follows the practice of pooling cash and investments of all funds except for restricted funds when required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments at June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 32,696,854
Statement of Fiduciary Net Assets	
Cash and investments	512,082
	<u>\$ 33,208,936</u>

Cash and Investments are comprised of the following:

Deposits with financial institutions:	
checking accounts	\$ 1,371,486
money market fund	251,413
certificates of deposit	746,174
Investment with Local Agency Investment Fund	30,839,863
	<u>\$ 33,208,936</u>

Investment in State Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits on an annual basis. As of June 30, 2019, PMIA had approximately \$106 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer.

The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the maturity date and yield of each investment:

		<u>Maturity / Yield</u>
State investment pool (LAIF)	\$30,839,863	6 months average maturity, 2.4% yield

**TOWN OF CORTE MADERA**  
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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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 governmental 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 Town deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At fiscal year end the Town had \$2,425,329 that was not covered by depository insurance but collateralized by either marketable securities, first trust deed mortgage notes, or a combination of both.

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 Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investments Authorized by the Town's Investment Policy

The table below identifies the investment types that are authorized under provisions of the Town's investment policy adopted for fiscal year 2018-19, and in accordance with Section 53600 of the California Government Code. The table also identifies certain provisions of the investment policy that address concentration or maximum percentages and maturity.

<u>Permitted Investments/Deposits</u>	<u>Maximum Percentages</u>	<u>Maximum Maturity</u>
<u>Investment Type A:</u>		
Securities of the US Government, Treasury obligations, Agency obligations, and Federal Instrumentalities	n/a	n/a
State of California Bonds and Registered Warrants	n/a	n/a
Commercial Paper (A-1, P-1 or better)	10% to 25%	270 days
Local Agency Investment Fund (LAIF)	n/a	n/a
Passbook Savings Account Demand Deposits	n/a	n/a
<u>Investment Type B:</u>		
Negotiable Certificates of Deposit	30%	n/a
Bankers Acceptances	30%	180 days
Repurchase Agreements	n/a	1 year
Medium Term Notes	30%	n/a

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**Note 5 - Capital Assets**

Governmental-type capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 19,440,491	\$ -	\$ -	\$ 19,440,491
Construction-in-progress	-	1,386,939	-	1,386,939
	<u>19,440,491</u>	<u>1,386,939</u>	<u>-</u>	<u>20,827,430</u>
<u>Depreciable Assets</u>				
Infrastructure	50,821,093	1,034,594	-	51,855,687
Structures/improvements	12,326,341	-	-	12,326,341
Machinery/equipment	1,372,365	-	(791,751)	580,614
Vehicles	2,662,714	-	(1,750,199)	912,515
	67,182,513	1,034,594	(2,541,950)	65,675,157
<u>Accumulated Depreciation</u>	<u>(39,290,736)</u>	<u>(628,763)</u>	<u>1,380,073</u>	<u>(38,539,426)</u>
Depreciable assets, net	<u>27,891,777</u>	<u>405,831</u>	<u>(1,161,877)</u>	<u>27,135,731</u>
Total capital assets, net	<u>\$ 47,332,268</u>	<u>\$ 1,792,770</u>	<u>\$ (1,161,877)</u>	<u>\$ 47,963,161</u>

Business-type capital asset activity for the year was as follows:

Land	\$ 580,265	\$ -	\$ -	\$ 580,265
Construction-in-progress	-	-	-	-
	<u>580,265</u>	<u>-</u>	<u>-</u>	<u>580,265</u>
<u>Depreciable Assets</u>				
Structures/pump stations	13,027,644	474,290	-	13,501,934
Underground lines	18,919,940	92,509	-	19,012,449
Central Marin Plant	2,798,561	-	-	2,798,561
Machinery/equipment	45,721	27,977	-	73,698
Vehicles	451,867	-	-	451,867
	35,243,733	594,776	-	35,838,509
<u>Accumulated Depreciation</u>	<u>(20,135,546)</u>	<u>(1,026,855)</u>	<u>-</u>	<u>(21,162,401)</u>
Depreciable assets, net	<u>15,108,187</u>	<u>(432,079)</u>	<u>-</u>	<u>14,676,108</u>
Total capital assets, net	<u>\$ 15,688,452</u>	<u>\$ (432,079)</u>	<u>\$ -</u>	<u>\$ 15,256,373</u>

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**Note 6 - Long-term Obligations**

The following is a summary changes in the Town's long-term debt and obligations as reported in the Government-wide financial statements:

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	End of Year	Due Within One Year
2016 COPs	\$ 8,925,000	\$ -	\$ (365,000)	\$ 8,560,000	\$ 365,000
Bank real estate loan	653,905	-	(45,024)	608,881	54,258
Insurance claims	500,420	-	(220,874)	279,546	87,559
Net pension liability	19,180,989	-	(586,828)	18,594,161	-
Net OPEB liability	9,522,000	-	(184,000)	9,338,000	-
Compensated absences	297,431	-	(40,722)	256,709	64,177
	<u>\$ 39,079,745</u>	<u>\$ -</u>	<u>\$ (1,442,448)</u>	<u>\$ 37,637,297</u>	<u>\$ 570,994</u>

2016 Certificates of Participation

On September 28, 2006, the Town issued \$10,575,000 in taxable, variable-rate Certificates of Participation (COPs) to finance the acquisition of land, structures and improvements known as the Park Madera Center, a retail property. The debt is secured by a pledge of rental income. Total principal and interest payments are due each May 1<sup>st</sup>. Payments increase annually due to the fluctuating interest rate which was 1.7% in 2019 and increases to 4.0% in 2032. The debt matures in May 2017.

Future debt service requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 365,000	\$ 289,743	\$ 654,743
2021	380,000	282,538	662,538
2022	385,000	274,938	659,938
2023	390,000	270,606	660,606
2024	400,000	256,524	656,524
2025-2029	2,190,000	1,093,796	3,283,796
2030-2034	2,620,000	680,924	3,300,924
2035-2038	1,830,000	148,400	1,978,400
	<u>\$ 8,560,000</u>	<u>\$ 3,297,469</u>	<u>\$ 11,857,469</u>

Bank Real Estate Loan

On March 17, 2009, Town Council authorized the purchase of a 50 percentage interest in land used for a Central Marin Police Authority facility. The loan is secured by the other real estate owned by the Town. Principal and interest payments are due each March 20<sup>th</sup> and September 20<sup>th</sup>, with interest at 2.5% per annum.

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Future debt service requirements consist of the following:

Year Ending	Principal	Interest	Total
June 30,			
2020	\$ 54,258	\$ 15,004	\$ 69,262
2021	55,634	13,628	69,262
2022	57,045	12,217	69,262
2023	58,492	10,770	69,262
2024	59,975	9,287	69,262
2025-2029	323,477	22,840	346,317
	<u>\$ 608,881</u>	<u>\$ 83,746</u>	<u>\$ 692,627</u>

Insurance Claims

The Town is a member of Bay Cities Joint Insurance Authority (BCJIA), a self-insurance pool that provides liability and workers compensation insurance to member government agencies. Each member agency selects a self-insured retention limit, which in the Town's case is \$250,000 for liability claims and \$250,000 for workers' compensation claims. The Town pays all claim costs below the self-insured retention amount. Workers' compensation coverage through BCJIA has a \$2 million limit, while liability coverage has a \$30 million limit. BCJIA is responsible for all costs above the self-insured retention limit, and purchases excess insurance coverage through a commercial insurance agency to cover those potential costs. An actuarial valuation is performed each year to determine total claims liability for each member agency. At June 30, 2019, BCJIA determined that the Town's total insurance claims liability was estimated at \$279,546. This amount is reported in the statement of net position, of which \$87,559 is estimated of be paid within the next fiscal year.

Compensated Absences

Town employees accumulate earned but unused vacation benefits up to a maximum of 300 hours, which can be converted to cash at termination of employment. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities, the expenditure is allocated to each function or department. Vested compensated absences are payable in accordance with various collective bargaining agreements. At year end, \$256,709 was reported in the statement of net position of which \$64,177 is estimated to be paid within the next fiscal year.

**Note 7 - Other Postemployment Benefits Plan (OPEB)**

Overview of the Plan

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75), requires public employers to comply with new accounting and financial reporting standards. Under GASB 75, employers that participate in an OPEB plan administered as a trust or equivalent arrangement are required to record their portion of the net OPEB liability, OPEB expense, and deferred outflows/deferred inflows of resources related to OPEB plans in their financial statements as part of their financial position. Net OPEB liability is the plan's total OPEB liability less the plan's fiduciary net position (assets owned). This may be a net OPEB asset when the Plan's fiduciary net position exceeds its total OPEB liability. OPEB expense is the change in net OPEB liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (OPEB income), which should be reported as a credit in OPEB expense. Deferred outflows of resources and deferred inflows of resources related to OPEB plans are certain

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changes in total OPEB liability and fiduciary net position that are to be recognized in future OPEB expense.

Plan Description and Eligibility

The Town provides retiree medical benefits to employees who retire directly from the Town and are eligible for a CalPERS pension. The amount and type of benefit is contingent upon date of hire.

California Public Employees Retirement System Trust

In fiscal year 2018-19, the Town elected to begin prefunding its OPEB obligation through the use of an irrevocable trust established with the California Employers' Retiree Benefit Trust Fund (CERBT). This trust fund is an agent multiple-employer plan which is administered by the CalPERS Board of Administration. The trust is used to accumulate and invest funds necessary to pay for future retiree benefits and to reduce the Town's future cash flow requirements. The Town contributed \$250,000 to the trust in fiscal year 2018-19.

Contributions

The obligation of the Town to contribute to the Plan is established and may be amended by the Town Council. For this fiscal year end, the Town contributed \$80,510 to the Plan. Employees are currently not required to contribute to the plan.

Actuarial Assumptions

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

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

Actuarial Assumptions:

Funding Method	Entry age normal cost, level of percent of pay
Amortization Method	Straight-line amortization over a closed 5-year period
Discount Rate	6.75% for fiscal year end June 30, 2018
General Inflation	2.75%
Payroll Growth Rate	3.00%
Participation Rate	100% for Tier 1 employees and 70% for Tier 2 employees
Healthcare Cost Trend Rate	7.50% for 2019
Mortality Factors	CalPERS 2017 Experience Study

Funded Status

Total OPEB Plan Liability	\$ 11,754,000
Plan Fiduciary Net Position ( <i>assets owned</i> )	2,416,000
Net OPEB Plan Liability	9,338,000
 OPEB plan expense for the fiscal year	 \$ 882,000

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% which the Actuary has determined is a reasonable long-term assumption of the Town's expected return on its investments. The best-

**TOWN OF CORTE MADERA**  
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estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions as of June 30, 2018 are as follows.

Asset Class	Target Allocation *	Expected Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
US Real Estate REITS	8%	3.76%
	100%	
Assumed Long-term Rate of Inflation		2.75%
Expected Long-term Net Rate of Return		6.75%

\* Policy Target effective through September 30, 2018. New rate starting October 1, 2018 not expected to have an impact.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. The impact of a 1% increase or decrease in these assumptions is shown in the chart below:

	Discount Rate -1% 5.75%	Current Rate 6.75%	Discount Rate +1% 7.75%
Net OPEB liability / (asset)	\$ 10,791,000	\$ 9,338,000	\$ 8,134,000

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability calculated using the Healthcare Cost Trend discount rate assumed to start at 8.0% (effective January 1, 2018) down grade down to 5% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below:

	Discount Rate -1% 5.75%	Current Rate 6.75%	Discount Rate +1% 7.75%
Net OPEB liability / (asset)	\$ 7,937,000	\$ 9,338,000	\$ 11,047,000

Deferred Outflows/Inflows of Resources Related to OPEB

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

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 812,000	\$ -
Differences between projected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings of OPEB Plan investments	-	44,000
Totals	<u>\$ 812,000</u>	<u>\$ 44,000</u>

The Town will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

<u>Year Ending June 30:</u>	
2020	\$ (15,000)
2021	(15,000)
2022	(14,000)

**Note 8 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**

Overview of the Plan

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), requires public employers to comply with new accounting and financial reporting standards. GASB 68 outlines a different approach to the recognition and calculation of pension obligations. Under GASB 68, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position. Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position (assets owned). This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability. Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense.

Public Agency Retirement System Trust

On September 23, 2019, Town Council passed a resolution to establish a comprehensive strategy for the acceptance and accumulation of invested assets under the Pension Stabilization Trust for California Municipalities Act. The Trust will be used to accumulate and invest funds necessary to pay for future retiree benefits and to reduce the Town's future cash flow requirements. As of June 30, 2019, the total balance in the Trust was \$1,411,663.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
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Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2018 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website: <https://www.calpers.ca.gov>

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Straight-line amortization over 5-year period
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using Membership Data
Investment Rate of Return	7.00%, net of investment expense
Post Retirement Benefit Increase	Contract COLA up to 2.50%

Funded Status

Total Pension Plan Liability	\$ 68,604,758
Plan Fiduciary Net Position ( <i>assets owned</i> )	50,010,597
Net Pension Plan Liability	18,594,161

**TOWN OF CORTE MADERA**  
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Pension plan expense for the fiscal year \$ 3,205,479

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Target Allocation
Global Equity	50.00%
Fixed Income	28.00%
Private Equity	8.00%
Real Assets	13.00%
Liquid Assets	1.00%
	100.00%

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

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

The amortization period differs depending on the source of the gain or loss, as follows:

- Net Difference between projected and actual earnings on pension plan investments: 5 year straight-line amortization.
- All Other Amounts: Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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

The following presents the Town's proportionate share of the unfunded net pension liability calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1%	Current Rate	Discount Rate +1%
	6.15%	7.15%	8.15%
Net Pension Liability	\$ 27,971,610	\$ 18,594,161	\$ 10,885,173

Deferred Outflows/Inflows of Resources Related to Pensions

The Town 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
Differences between expected and actual experience	\$ 485,442	\$ (52,455)
Changes of assumptions	1,966,637	(377,776)
Differences between projected and actual investment earnings	109,536	-
Change in employer's proportion	31,063	(464,837)
Differences between employer's share of contributions	161,736	(259,456)
Pension contributions subsequent to the measurement date	1,815,179	-
Totals	\$ 4,569,593	\$ (1,154,524)

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense as follows:

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

<u>Fiscal Year Ending June 30:</u>	
2020	\$ 1,591,860
2021	861,721
2022	(706,384)
2023	(147,307)

***Note 9 - Jointly Governed Organizations***

Central Marin Fire Authority

The Central Marin Fire Authority is a full service public safety fire protection agency for the communities of Corte Madera and Larkspur.

Central Marin Police Authority

The Central Marin Police Authority is a full service public safety police and dispatch agency for the communities of Corte Madera, Larkspur, San Anselmo and portions of Greenbrae.

Central Marin Sanitation Agency

The Central Marin Sanitation Agency operates a regional wastewater treatment facility for the San Rafael Sanitation District (City of San Rafael), the Ross Valley Sanitation District (Town of Ross), the Sanitary District No. 2 of Marin County (Town of Corte Madera) and the City of Larkspur.

Hazardous Materials Spills Management Authority

This multi-agency and multi-jurisdictional agency responds to hazardous materials emergencies in Marin County.

Marin Climate and Energy Partnership

The Marin Climate and Energy Partnership (MCEP) was created in 2007 by the County of Marin, eleven Marin cities and towns, the Transportation Authority of Marin, Marin Clean Energy, and the Marin Municipal Water District. The member agencies work together to reduce greenhouse gas emissions in the community.

Marin Emergency Radio Authority

The Town participates in a joint powers agreement through the Marin Emergency Radio Authority (MERA) under an operating agreement between certain public agencies in Marin County to provide a public safety radio system to its members.

Marin General Services Authority

The Marin General Services Authority was created to finance, implement, and manage various municipal services within the member agencies including the taxicab regulation program and information management services.

Marin Telecommunications Agency

The Marin Telecommunications Agency was created by an agreement between the County of Marin, the Cities of Belvedere, Larkspur, Mill Valley, Sausalito, and San Rafael, and the Towns of Corte Madera, Ross, Corte Madera, Fairfax, and Tiburon to provide for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992.

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

***Note 10 - Commitments and Contingencies***

The Town receives funding from a number of federal, state and local grant programs. These programs are subject to financial and compliance review by grantors. Accordingly, the Town's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The Town does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of this federal, state and local grant revenue is not assured in the future.

At June 30, 2019, the Town was in contract for two construction projects which are expected to be completed by December 31, 2019. The unpaid balance on the contracts was \$655,000.

***Note 11 - Risk Management***

The Town participates in a joint powers agreement through the Bay Cities Joint Powers Insurance Authority (BCJPIA) which is a workers compensation and general liability risk pool. The Town currently reports all of its risk management activities in its Internal Service Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. BCJPIA was created as a California Public Agency by an agreement between certain public agencies in the San Francisco Bay Area to provide vehicle, general liability, and workers compensation coverage. BCJPIA is governed by a Board of Directors which is comprised of officials appointed by each member city, town or agency.

The BCJPIA is an "account pool" as defined by Government Accounting Standards Board Statement No. 10. The BCJPIA manages separate accounts for each pool member. Losses and expenses are paid from these pools above the self-insured retention limit of \$250,000 per occurrence for the Town of Corte Madera. The BCJPIA annually evaluates the financial risk cash position, less claims reserves, claims incurred but not reported (IBNR), and claims development of each member in the Primary Liability Program. The BCJPIA purchases excess insurance above the \$2,000,000 limit for workers compensation, and above the \$30,000,000 limit for liability insurance, per occurrence. Financial statements may be obtained from BCJPIA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

***Note 12 - Subsequent Events***

The management of the Town has reviewed the results of operations for the period from its year end June 30, 2019 through December 20, 2019, the date the draft financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

***Note 13 - New Pronouncements***

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can be read in their entirety at <http://www.gasb.org>

GASB Statement No. 84, Fiduciary Activities

Effective Date: The requirements of this Statement are effective for reporting periods beginning after

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

December 15, 2018. Earlier application is encouraged. (Issued 01/17)

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

GASB Statement No. 87, Leases

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**TOWN OF CORTE MADERA**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 15 - Fund Balance Designations Section of the Balance Sheet**

<b>Fund Balances</b>	General Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>	\$ -	\$ -	\$ -
<b>Restricted for:</b>			
Sales Tax Override (Measure B)	9,589,519	-	9,589,519
Street Impact Fees	919,198	-	919,198
Gas tax - streets/sidewalks	-	184,806	184,806
Westside Park in-lieu	-	222,030	222,030
Traffic improvements	-	347,846	347,846
Village traffic improvements	-	754,000	754,000
Affordable housing	-	544,003	544,003
Capital improvements	-	185,074	185,074
Measure A parks	-	291,241	291,241
Storm drains	-	75,000	75,000
TAM Ridge traffic	-	250,224	250,224
Traffic congestion	-	22,105	22,105
Total restricted fund balances	<u>10,508,717</u>	<u>2,876,329</u>	<u>13,385,046</u>
<b>Committed to:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Assigned:</b>			
Emergency Reserve	2,500,000	-	2,500,000
Equipment & Technology	578,919	-	578,919
Recreation Capital	653,073	-	653,073
Recreation	451	-	451
Total assigned fund balances	<u>3,732,443</u>	<u>-</u>	<u>3,732,443</u>
<b>Unassigned:</b>	<u>2,169,875</u>	<u>-</u>	<u>2,169,875</u>
<b>Total Fund Balances</b>	<u>\$ 16,411,035</u>	<u>\$ 2,876,329</u>	<u>\$ 19,287,364</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

***(unaudited)***

**TOWN OF CORTE MADERA**  
**Required Supplementary Information (unaudited)**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**As of June 30, 2019**

Schedule of Proportionate Share of the Net Pension Liability

The proportion (percentage) of the collective net pension liability represents the Town's share of the cost-sharing plan assets offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the Town's share of the cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the plan.

Schedule of Contributions

The employer's contributions to the plan is actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

**TOWN OF CORTE MADERA**  
**Required Supplementary Information (unaudited)**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Last Five Fiscal Years\***

Schedule of the Town's Proportionate Share of the Plan's Net Pension Liability	Measurement Date - Fiscal Year Ending June 30				
	2018	2017	2016	2015	2014
Town's proportion of the net pension liability	0.19296%	0.19341%	0.19965%	0.20781%	0.19520%
Town's proportionate share of the net pension liability	\$ 18,594,161	\$ 19,180,989	\$ 17,275,610	\$ 14,263,877	\$ 12,146,336
Town's covered-employee payroll **	\$ 4,964,063	\$ 4,907,134	\$ 4,775,667	\$ 4,850,172	\$ 4,607,570
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	375%	391%	362%	294%	264%
Plan fiduciary net position as a percentage of the total pension liability	75%	73%	74%	78%	80%

Schedule of the Town's Contributions	Fiscal Year Ending June 30				
	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 1,815,179	\$ 1,656,467	\$ 1,903,472	\$ 1,810,099	\$ 1,667,342
Contributions in relation to the contractually required employer contribution	1,815,179	1,656,467	1,903,472	1,810,099	1,667,342
Contribution (excess) deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll ***	\$ 4,719,523	\$ 4,964,063	\$ 4,907,134	\$ 4,775,667	\$ 4,850,172
Contributions as a percentage of covered employee payroll	38%	33%	39%	38%	34%

\* Fiscal year 2015 was the first year of implementation, therefore only five years are shown

\*\* for the measurement date fiscal year

\*\*\* for the fiscal year ending on the date shown

**TOWN OF CORTE MADERA**  
**Required Supplementary Information (unaudited)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Last Two Fiscal Years\***

For Reporting at Fiscal Year Ended June 30:	2019	2018
<u>Measurement Date - Fiscal Year Ending June 30:</u>	<u>2018</u>	<u>2017</u>
 <u>Total OPEB Liability</u>		
Service cost	\$ 268,000	\$ 260,000
Interest on the total OPEB liability	762,000	731,000
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	<u>(575,000)</u>	<u>(519,000)</u>
Net Change in Total OPEB Liability	455,000	472,000
Total OPEB Liability - beginning	<u>11,299,000</u>	<u>10,827,000</u>
Total OPEB Liability - ending (a)	<u><u>\$ 11,754,000</u></u>	<u><u>\$ 11,299,000</u></u>
 <u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ 1,077,000	\$ 1,019,000
Net investment income	142,000	160,000
Administrative expenses	(5,000)	(1,000)
Benefit payments	<u>(575,000)</u>	<u>(519,000)</u>
Net Change in Plan Fiduciary Net Position	639,000	659,000
Plan Fiduciary Net Position - beginning	<u>1,777,000</u>	<u>1,118,000</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 2,416,000</u></u>	<u><u>\$ 1,777,000</u></u>
 <u>Net OPEB Liability - ending (a) - (b)</u>	 <u><u>\$ 9,338,000</u></u>	 <u><u>\$ 9,522,000</u></u>
 Covered-employee payroll	 \$ 6,102,000	 \$ 6,719,000
 Net OPEB liability as a percentage of covered-employee payroll	 153%	 142%

\*Fiscal year 2018 was the first year of implementation, therefore only two years are shown

**TOWN OF CORTE MADERA**  
**Required Supplementary Information (unaudited)**  
**Budgetary Comparison Information**  
**Year Ended June 30, 2019**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at Town Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved resolution.
- The Town Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the Town's needs; however, revisions that alter the total expenditures must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the Town Council.

**TOWN OF CORTE MADERA**  
**Required Supplementary Information**  
**Budgetary Comparison Information (unaudited)**  
**General Fund No. 01**  
**Year Ended June 30, 2019**

<b>Resources</b>	<b>Budget Amounts (unaudited)</b>		<b>Actual Results</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Property tax	\$ 6,567,778	\$ 6,567,778	\$ 6,629,879	\$ 62,101
Sales tax	6,580,000	7,255,000	8,129,175	874,175
Business licenses	570,000	570,000	614,045	44,045
Paramedic tax	510,000	510,000	493,105	(16,895)
Transient Occupancy tax	908,000	1,271,200	1,199,914	(71,286)
Franchise fees	1,208,440	1,208,440	1,195,057	(13,383)
Permits and fees	1,605,000	1,705,000	2,041,928	336,928
Intergovernmental	192,178	192,178	310,693	118,515
Charges for services				
Use of money and property	482,800	482,800	691,602	
Other revenue	489,000	517,000	651,575	134,575
Transfers in	-	-	-	-
Amounts Available for Appropriation	<u>19,113,196</u>	<u>20,279,396</u>	<u>21,956,973</u>	<u>1,468,775</u>
<b>Charges to Appropriations</b>				
Personnel	7,083,135	7,228,557	6,708,165	520,392
Public safety - fire	4,220,000	4,220,000	4,220,000	-
Public safety - police	3,493,000	3,493,000	3,511,174	(18,174)
Outside services	1,630,167	1,830,167	2,235,369	(405,202)
Public works/streets	1,037,700	1,082,700	767,557	315,143
Utilities	297,700	367,700	351,073	16,627
Recreation services	-	-	-	-
Community development	-	181,600	202,406	(20,806)
Debt service	79,413	79,413	79,413	-
Capital projects	-	-	-	-
Transfers out	<u>779,966</u>	<u>804,966</u>	<u>812,059</u>	<u>(7,093)</u>
Total Charges to Appropriations	<u>18,621,081</u>	<u>19,288,103</u>	<u>18,887,216</u>	<u>400,887</u>
<b>Surplus (Deficit)</b>	<u>\$ 492,115</u>	<u>\$ 991,293</u>	<u>\$ 3,069,757</u>	<u>\$ 1,869,662</u>

***OTHER SUPPLEMENTARY INFORMATION***

**TOWN OF CORTE MADERA**  
**General Fund**  
**Combining Balance Sheet**  
**June 30, 2019**

	General Fund	Gen Fund Payroll Cash	Sales Tax Override	Street Impact Fee	Equipment & Technology	Beautification Fund	Recreation Fund	Recreation Capital	Park Madera Center	PMC Property Management	TOTAL GENERAL FUND
<b>ASSETS</b>											
Cash & investments	\$ 5,411,273	\$ 99,459	\$ 9,212,043	\$ 920,698	\$ 606,679	\$ -	\$ 320,791	\$ 653,073	\$ (1,901,983)	\$ (57,750)	\$ 15,264,283
Receivables	1,995,183	-	680,330	-	-	-	-	-	-	57,750	2,733,263
Prepaid expense	45,969	-	-	-	-	-	-	-	-	-	45,969
Totals	<u>\$ 7,452,425</u>	<u>\$ 99,459</u>	<u>\$ 9,892,373</u>	<u>\$ 920,698</u>	<u>\$ 606,679</u>	<u>\$ -</u>	<u>\$ 320,791</u>	<u>\$ 653,073</u>	<u>\$ (1,901,983)</u>	<u>\$ -</u>	<u>\$ 18,043,515</u>
<b>LIABILITIES</b>											
Accounts payable	\$ 351,274	\$ -	\$ 302,854	\$ 1,500	\$ 27,760	\$ -	\$ 25,930	\$ -	\$ -	\$ -	\$ 709,318
Accrued liabilities	273,328	99,459	-	-	-	-	294,410	-	59,446	-	726,643
Deposits	196,519	-	-	-	-	-	-	-	-	-	196,519
Totals	<u>821,121</u>	<u>99,459</u>	<u>302,854</u>	<u>1,500</u>	<u>27,760</u>	<u>-</u>	<u>320,340</u>	<u>-</u>	<u>59,446</u>	<u>-</u>	<u>1,632,480</u>
<b>FUND BALANCES</b>											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	9,589,519	919,198	-	-	-	-	-	-	10,508,717
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	2,500,000	-	-	-	578,919	-	451	653,073	-	-	3,732,443
Unassigned	4,131,304	-	-	-	-	-	-	-	(1,961,429)	-	2,169,875
Totals	<u>6,631,304</u>	<u>-</u>	<u>9,589,519</u>	<u>919,198</u>	<u>578,919</u>	<u>-</u>	<u>451</u>	<u>653,073</u>	<u>(1,961,429)</u>	<u>-</u>	<u>16,411,035</u>
Total Liabilities & Fund Balances	<u>\$ 7,452,425</u>	<u>\$ 99,459</u>	<u>\$ 9,892,373</u>	<u>\$ 920,698</u>	<u>\$ 606,679</u>	<u>\$ -</u>	<u>\$ 320,791</u>	<u>\$ 653,073</u>	<u>\$ (1,901,983)</u>	<u>\$ -</u>	<u>\$ 18,043,515</u>

**TOWN OF CORTE MADERA**  
**General Fund**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Year Ended June 30, 2019**

	General Fund	Sales Tax Override	Street Impact Fee	Equipment & Technology	Beautification Fund	Recreation Fund	Recreation Capital	Park Madera Center	PMC Property Management	TOTAL GENERAL FUND
<b>REVENUE</b>										
Property tax	\$ 6,629,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,629,879
Sales tax	8,129,175	3,678,351	-	-	-	-	-	-	-	11,807,526
Business licenses	614,045	-	-	-	-	-	-	-	-	614,045
Paramedic tax	493,105	-	-	-	-	-	-	-	-	493,105
Transient Occupancy tax	1,199,914	-	-	-	-	-	-	-	-	1,199,914
Franchise fees	1,195,057	-	-	-	-	-	-	-	-	1,195,057
Permits and fees	2,041,928	-	-	-	-	-	-	-	-	2,041,928
Intergovernmental	310,693	-	-	-	-	-	-	-	-	310,693
Charge for services	-	-	441,904	-	-	469,985	-	-	-	911,889
Use of money and property	691,602	13,351	4,009	1,340	(41)	161,237	1,688	(3,755)	644,191	1,513,622
Other revenue	651,575	-	-	-	-	-	32,000	-	-	683,575
Total Revenue	<u>21,956,973</u>	<u>3,691,702</u>	<u>445,913</u>	<u>1,340</u>	<u>(41)</u>	<u>631,222</u>	<u>33,688</u>	<u>(3,755)</u>	<u>644,191</u>	<u>27,401,233</u>
<b>EXPENDITURES</b>										
Current -										
Personnel	6,708,165	-	-	-	-	-	-	-	-	6,708,165
Public safety - fire	4,220,000	-	-	-	-	-	-	-	-	4,220,000
Public safety - police	3,511,174	-	-	-	-	-	-	-	-	3,511,174
Outside services	2,235,369	-	-	-	-	-	-	-	-	2,235,369
Public works/streets	767,557	-	-	-	-	-	-	-	-	767,557
Utilities	351,073	-	-	-	-	-	-	-	-	351,073
Recreation services	-	-	-	-	-	772,715	-	-	-	772,715
Community development	202,406	-	-	-	-	-	-	-	-	202,406
Debt service	79,413	-	-	-	-	-	-	662,274	-	741,687
Capital projects	-	1,577,759	-	110,165	-	-	244,209	-	-	1,932,133
Total Expenditures	<u>18,075,157</u>	<u>1,577,759</u>	<u>-</u>	<u>110,165</u>	<u>-</u>	<u>772,715</u>	<u>244,209</u>	<u>662,274</u>	<u>-</u>	<u>21,442,279</u>
Excess Revenue over (under) Expenditures	<u>3,881,816</u>	<u>2,113,943</u>	<u>445,913</u>	<u>(108,825)</u>	<u>(41)</u>	<u>(141,493)</u>	<u>(210,521)</u>	<u>(666,029)</u>	<u>644,191</u>	<u>5,958,954</u>
<b>OTHER FINANCING SOURCES</b>										
Operating transfers in	-	-	-	-	-	141,493	-	644,191	-	785,684
Operating transfers (out)	(812,059)	-	-	-	-	-	-	-	(644,191)	(1,456,250)
Total Other Sources (Uses)	<u>(812,059)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,493</u>	<u>-</u>	<u>644,191</u>	<u>(644,191)</u>	<u>(670,566)</u>
<b>CHANGE IN FUND BALANCES</b>										
	3,069,757	2,113,943	445,913	(108,825)	(41)	-	(210,521)	(21,838)	-	5,288,388
Fund Balances - Beginning	3,561,547	7,475,576	473,285	687,744	41	451	863,594	(1,939,591)	-	11,122,647
Fund Balances - End of Year	<u>\$ 6,631,304</u>	<u>\$ 9,589,519</u>	<u>\$ 919,198</u>	<u>\$ 578,919</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 653,073</u>	<u>\$ (1,961,429)</u>	<u>\$ -</u>	<u>\$ 16,411,035</u>

**TOWN OF CORTE MADERA  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2019**

	Gas Tax	Westside Park in-lieu	Traffic Improvement	Village Traffic Imp.	Affordable Housing	Capital Improvement	Measure A Parks	Storms Drains	TAM Ridge Traffic	SB 1 Road Maintenance	Traffic Congestion	TOTAL NONMAJOR FUNDS
<b>ASSETS</b>												
Cash & investments	\$ 223,511	\$ 222,030	\$ 347,846	\$ 754,000	\$ 544,003	\$ 112,884	\$ 253,303	\$ 75,000	\$ 250,351	\$ (17,259)	\$ 22,105	\$ 2,787,774
Receivables	1,123	-	-	-	-	84,718	37,938	-	-	-	-	123,779
Prepaid expense	-	-	-	-	-	-	-	-	-	17,259	-	17,259
Totals	<u>\$ 224,634</u>	<u>\$ 222,030</u>	<u>\$ 347,846</u>	<u>\$ 754,000</u>	<u>\$ 544,003</u>	<u>\$ 197,602</u>	<u>\$ 291,241</u>	<u>\$ 75,000</u>	<u>\$ 250,351</u>	<u>\$ -</u>	<u>\$ 22,105</u>	<u>\$ 2,928,812</u>
<b>LIABILITIES</b>												
Accounts payable	\$ 39,828	\$ -	\$ -	\$ -	\$ -	\$ 12,528	\$ -	\$ -	\$ 127	\$ -	\$ -	\$ 52,483
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>39,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,528</u>	<u>-</u>	<u>-</u>	<u>127</u>	<u>-</u>	<u>-</u>	<u>52,483</u>
<b>FUND BALANCES</b>												
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	184,806	222,030	347,846	754,000	544,003	185,074	291,241	75,000	250,224	-	22,105	2,876,329
Committed	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>184,806</u>	<u>222,030</u>	<u>347,846</u>	<u>754,000</u>	<u>544,003</u>	<u>185,074</u>	<u>291,241</u>	<u>75,000</u>	<u>250,224</u>	<u>-</u>	<u>22,105</u>	<u>2,876,329</u>
Total Liabilities & Fund Balances	<u>\$ 224,634</u>	<u>\$ 222,030</u>	<u>\$ 347,846</u>	<u>\$ 754,000</u>	<u>\$ 544,003</u>	<u>\$ 197,602</u>	<u>\$ 291,241</u>	<u>\$ 75,000</u>	<u>\$ 250,351</u>	<u>\$ -</u>	<u>\$ 22,105</u>	<u>\$ 2,928,812</u>

**TOWN OF CORTE MADERA**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Year Ended June 30, 2019**

	Gas Tax	Westside Park in-lieu	Traffic Improvement	Village Traffic Imp.	Affordable Housing	Capital Improvement	Measure A Parks	Storms Drains	TAM Ridge Traffic	SB 1 Road Maintenance	Traffic Congestion	TOTAL NONMAJOR FUNDS
<b>REVENUE</b>												
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Business licenses	-	-	-	-	-	-	-	-	-	-	-	-
Paramedic tax	-	-	-	-	-	-	-	-	-	-	-	-
Transient Occupancy tax	-	-	-	-	-	-	-	-	-	-	-	-
Franchise fees	-	-	-	-	-	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	203,076	-	334,334	621,000	285,202	237,092	113,803	-	8,000	168,318	11,321	1,982,146
Charge for services	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	6,732	416	28	249	381	383	4,714	644	468	322	-	14,337
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>209,808</b>	<b>416</b>	<b>334,362</b>	<b>621,249</b>	<b>285,583</b>	<b>237,475</b>	<b>118,517</b>	<b>644</b>	<b>8,468</b>	<b>168,640</b>	<b>11,321</b>	<b>1,996,483</b>
<b>EXPENDITURES</b>												
Capital projects & equipment	293,898	-	1,300	-	-	234,392	-	284,761	7,776	224,224	-	1,046,351
<b>Total Expenditures</b>	<b>293,898</b>	<b>-</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>234,392</b>	<b>-</b>	<b>284,761</b>	<b>7,776</b>	<b>224,224</b>	<b>-</b>	<b>1,046,351</b>
Excess Revenue over (under) Expenditures	(84,090)	416	333,062	621,249	285,583	3,083	118,517	(284,117)	692	(55,584)	11,321	950,132
<b>OTHER FINANCING SOURCES</b>												
Operating transfers in	-	-	1,300	-	-	-	-	-	-	-	-	1,300
Operating transfers (out)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,300</b>
<b>CHANGE IN FUND BALANCES</b>	<b>(84,090)</b>	<b>416</b>	<b>334,362</b>	<b>621,249</b>	<b>285,583</b>	<b>3,083</b>	<b>118,517</b>	<b>(284,117)</b>	<b>692</b>	<b>(55,584)</b>	<b>11,321</b>	<b>951,432</b>
Fund Balances - Beginning	268,896	221,614	13,484	132,751	258,420	181,991	172,724	359,117	249,532	55,584	10,784	1,924,897
<b>Fund Balances - End of Year</b>	<b>\$ 184,806</b>	<b>\$ 222,030</b>	<b>\$ 347,846</b>	<b>\$ 754,000</b>	<b>\$ 544,003</b>	<b>\$ 185,074</b>	<b>\$ 291,241</b>	<b>\$ 75,000</b>	<b>\$ 250,224</b>	<b>\$ -</b>	<b>\$ 22,105</b>	<b>\$ 2,876,329</b>

**TOWN OF CORTE MADERA**  
**Enterprise Fund**  
**Combining Statement of Net Position**  
**June 30, 2019**

Page 1 of 2

	SD <u>Operating</u>	SD Capital <u>Maintenance</u>	SD Connection <u>Fees</u>	SD Sausalito <u>Sewer</u>	TOTAL ENTERPRISE <u>FUND</u>
<b>ASSETS</b>					
Cash & investments	\$ 13,790,108	\$ 102,356	\$ 9,062	\$ -	\$ 13,901,526
Receivables	128,658	-	-	-	128,658
Capital assets, net	<u>15,256,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,256,374</u>
Totals	<u><u>\$ 29,175,140</u></u>	<u><u>\$ 102,356</u></u>	<u><u>\$ 9,062</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,286,558</u></u>
<b>LIABILITIES</b>					
Accounts payable	<u>\$ 127,090</u>	<u>\$ 102,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,446</u>
Totals	<u>127,090</u>	<u>102,356</u>	<u>-</u>	<u>-</u>	<u>229,446</u>
<b>NET POSITION</b>					
Net investment in capital assets	15,256,374	-	-	-	15,256,374
Unrestricted	<u>13,791,676</u>	<u>-</u>	<u>9,062</u>	<u>-</u>	<u>13,800,738</u>
Totals	<u><u>29,048,050</u></u>	<u><u>-</u></u>	<u><u>9,062</u></u>	<u><u>-</u></u>	<u><u>29,057,112</u></u>

**TOWN OF CORTE MADERA**  
**Enterprise Fund**  
**Combining Statement of Revenue, Expenses, and Change in Net Position**  
**Year Ended June 30, 2019**

Page 2 of 2

	SD	SD Capital	SD Connection	SD Sausalito	TOTAL
	Operating	Maintenance	Fees	Sewer	ENTERPRISE
					FUND
<b>OPERATING REVENUE</b>					
Charge for services	\$ 3,050,716	\$ -	\$ -	\$ -	\$ 3,050,716
Permits and fees	78,008	-	9,062	-	87,070
Total Revenue	<u>3,128,724</u>	<u>-</u>	<u>9,062</u>	<u>-</u>	<u>3,137,786</u>
<b>OPERATING EXPENSES</b>					
Sewage treatment and disposal	972,624	-	-	-	972,624
Sewage collection maintenance and repairs	360,420	-	-	-	360,420
Sewage pump station maintenance	290,332	-	-	-	290,332
Contract services	530,284	-	-	-	530,284
Utilities	127,660	-	-	-	127,660
General and administrative	68,173	-	-	-	68,173
Depreciation	<u>1,127,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,127,580</u>
Total Expenditures	<u>3,477,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,477,073</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(348,349)</u>	<u>-</u>	<u>9,062</u>	<u>-</u>	<u>(339,287)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>					
Property tax assessments	3,410,344	-	-	-	3,410,344
CMSA debt service commitment	(581,163)	-	-	-	(581,163)
Investment earnings	299,309	-	-	-	299,309
Other revenue (expense)	<u>7,522</u>	<u>(1,452)</u>	<u>-</u>	<u>-</u>	<u>6,070</u>
Total nonoperating revenue	<u>3,136,012</u>	<u>(1,452)</u>	<u>-</u>	<u>-</u>	<u>3,134,560</u>
<b>CHANGE IN NET POSITION</b>	2,787,663	(1,452)	9,062	-	2,795,273
Net Position - beginning	<u>26,260,387</u>	<u>1,452</u>	<u>-</u>	<u>-</u>	<u>26,261,839</u>
Net Position - end of year	<u>\$ 29,048,050</u>	<u>\$ -</u>	<u>\$ 9,062</u>	<u>\$ -</u>	<u>\$ 29,057,112</u>

