Kentfield Fire Protection District

Mark Pomi
Fire Chief

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Basic Financial Statements
Fiscal Year Ended June 30, 2016

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KENTFIELD FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kentfield Fire Protection District
Kentfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Kentfield Fire Protection District (District), California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1 to the financial statements. This statement had no material effect on the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 23, 2016

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KENTFIELD FIRE DISTRICT

1004 Sir Francis Drake Boulevard, Kentfield, CA 94904

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it along with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The District's net position increased by $1,295,438 during 2016. District-wide revenues increased by $588,000 and total expenses decreased by $235,000.

Included in the required supplemental information section is a budgetary comparison schedule. As indicated in the budgetary comparison schedule on page 38, our revenues were higher than budgeted amounts by $114,000 and operating expenditures were less than budgeted amounts by $171,000.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information about the District's general fund. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances (they include capital assets and long-term liabilities). The fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in making an assessment of the District's health, such as changes in the economy, changes in the District's tax base and assessed valuations to assess the overall health of the District.

Changes in the District's Net Position (in thousands) were as follows:

	2016	2015	Increase (decrease)
Current assets	$ 3,586	$ 3,340	$ 246
Noncurrent assets	6,204	6,290	(86)
Total assets	9,790	9,630	160
Deferred outflows	1,462	1,275	187
Current liabilities	608	596	12
Noncurrent liabilities	6,309	7,492	(1,183)
Total liabilities	6,917	8,088	(1,171)
Deferred inflows	1,387	1,165	222
Net position:			
Net investment in capital assets	3,567	3,507	60
Unrestricted	(619)	(1,855)	1,236
Total net position	$ 2,948	$ 1,652	$ 1,296

The increase in current assets is primarily a result of normal changes in working capital. Note that Noncurrent Liabilities decreased dramatically due to the implementation of GASB 68 relative to CalPERS pension obligations, only slightly offset due to scheduled principal payments towards our fire station remodel and solar equipment leases.

Changes in the District's revenues (in thousands) were as follows:

	2016	2015	Increase (decrease)
General revenues			
Property taxes	$ 4,851	$ 4,570	$ 281
Use of money and property	163	147	16
Total general revenues	5,014	4,717	297
Program revenues			
Charges for services	524	233	291
Total program revenues	524	233	291
Total revenues	$ 5,538	$ 4,950	$ 588

Property tax revenue increased due to higher assessed valuations. Charges for services increased by approximately $291,000 primarily due to an increase in OES reimbursements for out of county incidents ($292,000).

Changes in the District's expenses and net position (in thousands) were as follows:

	2016	2015	Increase (decrease)
Personnel	$ 3,426	$ 3,672	$ (246)
Material and services	479	454	25
Depreciation	263	269	(6)
Interest	75	83	(8)
Total expenses	4,243	4,478	(235)
Less: Program revenues	524	233	291
Net expenses	3,719	4,245	(526)
General revenues	5,014	4,717	297
Change in net position	1,295	472	823
Beginning net position, as restated	1,652	1,180	472
Ending net position	$ 2,947	$ 1,652	$ 1,295

Personnel expense decrease by approximately $246,000 primarily due to negative pension expense of $997,000 offset by increase in overtime of approximately $297,000 and a onetime Cal PERS side fund contribution of $680,000 in 2015.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's general fund.

The fund financial statements provide a short-term view of the District's operations. They are reported using an accounting basis called modified accrual which reports cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

As shown on page 13, the fund balance of the general fund increased by $279,093. On page 14 there is reconciliation between the fund balance increase and the change in net position.

CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation is a systematic approach to allocate the cost of capital assets over their estimated useful lives. The District's accounting policies are disclosed in Note 1 and a summary of changes in capital assets is reported in Note 3.

Details about our debt are shown in Note 4 in the financial statements.

ECONOMIC OUTLOOK

The Kentfield Fire Protection District's financial position continues to be sufficient to maintain a continued high level of service to its constituents. The District's financial planning and fiscal forecast continues to be based on sound and conservative calculations of economic trends. Some assumptions can be made, relative to recent positive trends and increasing real property values, which continue to remain strong in Marin County. The District is currently maintaining a stronger recovery than other areas in the State due to the strength of the local real estate market.

Property tax revenue remains the District's most stable revenue source and modest increases are anticipated over the next several years. Adequate reserves are maintained for long range needs. With regards to other income sources, the revenue received on the District's investment account continues to earn minimal interest. Income received from the Marin General Hospital contract and cellular communication leases for site rental use continues to increase, at modest inflationary rates.

The District's CalPERS safety side-fund liability was retired in fiscal year 2015-2016 and future retiree benefit obligations continue to be aggressively funded. This strategy will enable the District to endure any volatile economy trends without having any service level reductions. The District's CalPERS contributions have stabilized. These actions, as adopted by the District Board of Directors will over time, significantly reduce the District's long-term fiscal liability and should result in a favorable retirement rate adjustment. The District has previously funded and should continue to fund the OPEB (Other Post Employment Benefit) Trust account with CalPERS.

The Kentfield Fire District will continue to rigorously manage Fire District expenses and plan conservatively while continuing to provide a high standard of fire protection, emergency medical service and preparedness training to our constituents in Greenbrae and Kentfield.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the address on our letterhead.

Respectfully submitted,

Mark Pomi
Mark Pomi, Fire Chief

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$3,507,855
Property taxes receivable	70,331
Accounts receivable	7,961
Total current assets	3,586,147
Noncurrent assets:	
Pre-funded OPEB obligation (Note 8)	570,534
Land and artwork (Note 3)	35,010
Depreciable capital assets, net (Note 3)	5,598,013
Total noncurrent assets	6,203,557
Total assets	9,789,704
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 7)	1,461,538
LIABILITIES	
Current liabilities	
Accounts payable	39,347
Accrued expense	60,548
Compensated absences payable (Note 4)	258,904
Capital lease obligations (Note 4)	248,931
Total current liabilities	607,730
Noncurrent liabilities	
Compensated absences payable (Note 4)	180,634
Capital lease obligations (Note 4)	1,817,440
Net pension liability (Note 7)	4,310,797
Total non-current liabilities	6,308,871
Total liabilities	6,916,601
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 7)	1,387,355
NET POSITION	
Net Investment in capital assets	3,566,652
Unrestricted	(619,366)
Total net position	$2,947,286

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

EXPENSES	
Public Safety:	
Salaries and benefits	$3,426,088
Material and services	479,306
Depreciation	262,515
Interest on debt	75,132
Total expenses	4,243,041
PROGRAM REVENUES	
Charges for services	524,146
Total program revenues	524,146
Net program expense	3,718,895
GENERAL REVENUES	
Property taxes	4,851,066
Use of money and property	147,564
Miscellaneous	15,703
Total general revenues	5,014,333
Change in net position	1,295,438
NET POSITION	
Beginning of year	1,651,848
End of year	$2,947,286

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2016

ASSETS	
Cash and cash equivalents (Note 2)	$3,507,855
Property taxes receivable	70,331
Accounts receivable	7,961
Total assets	$3,586,147
LIABILITIES	
Accounts payable	$39,347
Accrued expenses	60,548
Total liabilities	99,895
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	70,331
FUND BALANCE	
Assigned	2,609,568
Unassigned	806,353
Total fund balance	3,415,921
Total liabilities, deferred inflows of resources, and fund balance	$3,586,147

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Total governmental fund balance	$3,415,921
Amounts reported for *governmental activities* in the Statement of Net Position are different because:	
Property taxes receivable that are not available to pay current period expenditures and therefore are deferred in the fund balance sheet	70,331
Capital assets used in governmental activities are not financial resources and therefore are not reported in fund balance sheet	5,633,023
Some assets (liabilities) are not due and receivable (payable) in the current period and therefore are not reported as fund assets (liabilities)	
Net pension liability	(4,310,797)
Deferred outflows related to pension	1,461,538
Deferred inflows related to pension	(1,387,355)
Net OPEB asset	570,534
Capital lease obligations	(2,066,371)
Compensated absences	(439,538)
Net position of government activities	$2,947,286

See accompanying notes to basic financial statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES:	
Property taxes	$4,828,509
Intergovernmental	434,816
Use of money and property	147,564
Charges for services	111,638
Miscellaneous	15,703
Total revenues	5,538,230
EXPENDITURES:	
Current:	
Public Safety:	
Salaries and benefits	4,382,343
Material and services	453,749
Capital outlay	107,017
Debt Service :	
Principal	240,896
Interest	75,132
Total expenditures	5,259,137
NET CHANGE IN FUND BALANCE	279,093
FUND BALANCE	
Beginning of year	3,136,828
End of year	$3,415,921

See accompanying notes to basic financial statements

KENTFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balance	$279,093
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures, however in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset purchases capitalized	81,460
Depreciation expense	(262,515)
Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements (net change)	
Property taxes	249
Debt principal transactions reported in the governmental fund statement of revenue, expenditures and changes in fund balance are not considered an operating activity in the statement of activities (but only as changes in liabilities)	
Payment to reduce capital lease obligations	240,896
Expenditures reported in the modified accrual statement of revenues, expenditures and changes in fund balance are recognized in the period incurred if they are to be paid from current financial resources. Expenses reported in accrual basis statement of activities are recognized when incurred, regardless of the timing of the payment:	
Net pension liability, deferred inflows and outflows of resources	855,732
Other post employment benefits	94,288
Accrued compensated absences	6,235
Change in net position	$1,295,438

See accompanying notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Kentfield Fire Protection District (the District) is a separate governmental unit established as a special district of the State of California. The purpose of the District is to provide fire protection, emergency medical and related services to Kentfield and the surrounding area. A five-person Board of Directors, elected by the citizens, governs the District. The District's legal authority and responsibilities are contained in the State of California Health and Safety Code under the "Fire Protection District Law of 1987."

INTRODUCTION

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.).

The District presents its financial statements using the reporting model for special purpose governments engaged in a single government program. This model allows the government-wide and fund financial statements to be combined using a columnar format that displays reconciling items on the face of the financial statements rather than in separate schedules.

BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include all of the activities of the District. The District has no component units (other governments under the District's oversight or control). The statement of net position and the statement of activities display information about the reporting government as a whole. They display the District's activities on a full accrual accounting basis and economic resource measurement focus.

The statement of net position includes long-term assets as well as long-term debt and other obligations. The District's net position is reported in two parts: (1) invested in capital assets net of related debt and (2) unrestricted net position.

The activities of the District are supported primarily by general government revenues (property taxes and intergovernmental revenues). The statement of activities presents gross expenses (including depreciation) and deducts related program revenues, operating and capital grants to indicate the net cost of operations. Program revenues include (a) fees and charges paid by recipients for services and (b) operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital- specific grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE STATEMENTS (Continued)

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net Position resulting from the current year's activities.

FUND FINANCIAL STATEMENT STATEMENTS

The financial transactions of the government are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self- balancing accounts that comprise its assets, liabilities, assigned or unassigned resources, fund balance, revenues and expenditures.

The District uses the following fund types:

Governmental funds are focused on the determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

> **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS

Cash and cash equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with its fiscal agent (County of Marin).

Investments

Investments are stated at fair value (quoted market price).

Capital assets

Capital assets purchased or acquired with an original cost of $1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

• Buildings and improvements	40 years
• Fire apparatus	20- 25 years
• Other vehicles	10 years
• Furniture, fixtures and equipment	3-20 years

Artwork donated to the District is not expected to decline in value and, therefore, is not depreciated. The District owns no infrastructure assets meeting the criteria for capitalization.

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee.

In accordance with an agreement with the Kentfield Association of Professional Firefighters, the District is obligated to provide the following compensated absence benefits:

<u>Sick leave</u> Shift employees of the District earn sick leave at 12 hours per month (one-half shift) and may accumulate up to 2,880 hours. Management and administrative employees earn 8 hours per month. Effective for the year ended June 30, 2010 employees with 15 years of service receive at retirement or death a one-time payment equal to 50% of the value of accumulated sick leave.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacations Shift personnel earn vacation shifts at a rate of 6 to 13 shifts per year, depending on length of service. The District's two management and administrative employees earn from 10 to 25 days per year, depending on length of service. Vacations may be accumulated and carried forward from year to year subject to a maximum one year's allowance plus nine shifts (reduced by compensatory time accumulated) and two years' allowance (400 hours) for non- management administrative personnel.

Compensatory time-off All District personnel may accumulate accrued overtime pay at one and one-half times their basic pay rate. Accumulated compensatory time is limited to 9 shifts. Amounts in excess of 9 shifts are paid to the employee.

Fair Value Measurements

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

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

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

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

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

Property taxes

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Secured property taxes are due the following November 1 and March 1 and become delinquent April 10 and December 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

As provided by the California Revenue and Taxation Code, the County of Marin advances the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent property tax receivables and actual proceeds collected.

Special fire tax charges are assessed by the District Board of Directors before September 1 and adopted by resolution. These special tax charges are incorporated on property tax bills, and therefore are attached as an enforceable lien on real property located within the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Governmental accounting principles provide that fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned. The Fire Chief is authorized as the designee to assign amounts to a specific purpose. The District's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances are spent.

Nonspendable – This component includes amount that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The District does not have a nonspendable fund balance.

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. The District does not have a restricted fund balance.

Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority which includes ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts. The District does not have any resources that meet this component of fund balance.

Assigned – This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, Fire Chief or their designee as established in the District's fund balance policy.

Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The basic financial statements have been prepared in conformity to generally accepted accounting principles and therefore include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates.

Future GASB Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements that will take effect in the next few years.

Effective in fiscal year 2016-17:

GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB 74 –*Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB 77 – *Tax Abatement Disclosures*

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

NOTE 2 - CASH AND CASH EQUIVALENTS

The District maintains most of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. The District's position in the pool is the same as the value of the pool shares. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as "Cash and Cash Equivalents."

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

Cash and cash equivalents consist of the following:

Cash with County Treasurer	$3,327,332
Cash in banks	180,323
Petty cash	200
Total	$3,507,855

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

INTEREST RATE RISK

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2016, the County's investment pool had a weighted average maturity of 204 days.

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

CREDIT RISK

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Federal Agency obligations with a credit quality rating of "AAA."

CONCENTRATION OF CREDIT RISK

This is the risk of loss attributed to the concentration of the District's investment in a single issuer.

The following is a summary of the concentration of credit risk by investment type as a percentage of Marin County investment pool's fair value at June 30, 2016.

Marin County Investment Pool	Percent of portfolio
Federal agency - coupon	20%
Federal agency - discount	78%
Money market funds	2%
	100%

CUSTODIAL CREDIT RISK

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the District's name, and held by the counterparty. The District's investment securities are not exposed to custodial credit risk because all securities are held by the District's custodial bank in the District's name.

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

FAIR VALUE HIERARCHY

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

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

LOCAL AGENCY INVESTMENT FUND

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statue.

NOTE 3 – CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Dispositions	Balance June 30, 2016
Nondepreciable capital assets:				
Land	$10			$10
Artwork	35,000			35,000
Total nondepreciable capital assets	$35,010			$35,010
Capital assets being depreciated:				
Buildings and building improvements	$5,866,298	$40,998		$5,907,296
Fire apparatus	1,304,182			1,304,182
Vehicles	115,643	22,216	($31,807)	106,052
Equipment and furniture	848,703	18,246		866,949
Total capital assets being depreciated	8,134,826	81,460	(31,807)	8,184,479
Less accumulated depreciation for:				
Buildings and building improvements	1,041,461	145,198		1,186,659
Fire apparatus	754,293	54,054		808,347
Vehicles	62,241	11,066	(31,807)	41,500
Equipment and furniture	497,763	52,197		549,960
Total accumulated depreciation	2,355,758	262,515	(31,807)	2,586,466
Total depreciable assets	$5,779,068	($181,055)		$5,598,013

In addition to the fire apparatus listed above, the District utilizes a fire engine owned by the State of California to provide fire protection services.

NOTE 4 – NONCURRENT LIABILITIES

Compensated Absences Payable

Accrued compensated absences are not due and payable in the current period and therefore, are not considered liabilities of the general fund in the fund financial statements. The government-wide statement of net Position reports the liability, segregating the amount expected to be paid within one year as a current liability.

Balance as of June 30, 2015	$445,773
Increases during the year	252,669
Decreases during the year	258,904
Balance as of June 30, 2016	439,538
Less amount due within 1 year	258,904
Amount due after 1 year	$180,634

Capital Lease Obligations

The following is a schedule of changes in capital lease obligations during the year:

	Fire Station Modernization	Solar Equipment	Total
Balance as of June 30, 2015	$2,267,864	$39,403	$2,307,267
Decreases during the year	(234,329)	(6,567)	(240,896)
Balance as of June 30, 2016	$2,033,535	$32,836	$2,066,371

Solar Equipment Capital Lease

In December 2008, the District entered into a capital lease arrangement with Municipal Finance Corporation (MFC) pursuant to approval from the Internal Revenue Service for the issuance of Clean Renewable Energy Bonds in the principal amount of $153,845 for the purpose of obtaining zero interest financing to purchase solar equipment. The arrangement provided for a cash payment to the District (to be used to acquire the equipment) in consideration for a lease of that equipment to MFC. MFC then subleased the equipment to the District in exchange for a stream of annual payments. The District's lease payments to the Corporation are payable from any source of legally available funds. The transaction has been reported as a capital lease in these financial statements. During 2010-11, the District prepaid a portion of the lease by approximately $53,000.

Fire Station Modernization Capital Lease

In January 2009, the District also entered into a similar lease financing arrangement with Municipal Finance Corporation for the purpose of obtaining financing for the modernization of its fire station. The capital lease was for $4,030,000 and it also is payable from any source of legally available funds. During 2009-10, the District prepaid a portion of the lease by approximately $480,000.

NOTE 4 – NONCURRENT LIABILITIES (Continued)

In June 2014, the District amended the fire station lease agreement with a bank in the amount of $2,494,425. Interest rate is 3.40% per annum. Interest and principal payments are due each June 30 and December 30. Final payment is due December 30, 2023.

Following is a summary of the District's capital leases:

	Fire Station Modernization	Solar Equipment
Date of lease	June 30, 2014	December 2008
Semi-annual payment	$154,730	
Annual Payment		$6,567
Number of payments	19	13
Effective annual interest rate	3.40%	0.87%
Financing costs		$7,692
Cost of building/equipment	$4,934,000	$68,000
Accumulated amortization	$484,600	$3,400

Future debt service are as follow:

Year ending June 30	Fire Station Modernization	Solar Equipment	Total
2017	$309,461	$6,567	$316,028
2018	309,461	6,567	316,028
2019	309,461	6,567	316,028
2020	309,461	6,567	316,028
2021	309,461	6,568	316,029
2022-2024	773,653	0	773,653
Total payments	2,320,958	32,836	2,353,794
Less: Interest	287,423		287,423
Principal	2,033,535	32,836	2,066,371
Less: Amount due within one year	(242,364)	(6,567)	(248,931)
Amount due after one year	$1,791,171	$26,269	$1,817,440

NOTE 5 – FUND BALANCE

The following are assigned fund balances:

Apparatus replacement	$592,643
Building replacement	72,899
Compensated absences	130,973
Contingencies and emergencies	395,000
LDH (Hose)	30,000
Marin Emergency Radio Authority	37,580
PERS unfunded liability	800,490
OPEB	199,983
General insurance deductible	10,000
Health insurance	25,000
Hydrants and mains	10,000
Mapping and planning	30,000
Heavy rescue equipment	25,000
Debt service sinking fund	250,000
Total	$2,609,568

NOTE 6 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all permanent District employees, permits employees to defer a portion of their current salary until future years.

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

NOTE 7 – PENSION PLAN

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

NOTE 7 – PENSION PLAN (Continued)

A. General Information about the Pension Plans

The District's Miscellaneous and Safety Plan are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors two rate plans (other) within the miscellaneous risk pool and two rate plans (fire) within the safety risk pool.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous Tier 1	**Miscellaneous Tier 2**
Benefit formula	3% @ 60	2.5% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	60	55
Monthly benefits, as a % of eligible compensation	3%	2.5%
Required employee contribution rates	N/A	7.942%
Required employer contribution rates	N/A	9.067%

	Safety	**Safety PEPRA**
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	3%	2.7%
Required employee contribution rates	8.98%	12.25%
Required employer contribution rates	18.191%	11.923%

NOTE 7 – PENSION PLAN (Continued)

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

For the year ended June 30, 2016, the contributions to the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	$14,901	$937,085	$951,986

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous	$157,409
Safety	4,153,388
Total	$4,310,797

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2014	0.01078%	0.07976%
Proportion - June 30, 2015	0.00574%	0.10080%
Change - Increase (Decrease)	-0.01%	0.02%

NOTE 7 – PENSION PLAN (Continued)

For the year ended June 30, 2016, the District recognized a negative pension expense of $997,493 for the Plan on the Statement of Activities. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$951,986	
Differences between actual and expected experience	1,188	($74,892)
Changes in assumptions		(355,694)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	508,364	(776,563)
Net differences between projected and actual earnings on plan investments		(180,206)
Total	$1,461,538	($1,387,355)

The $1,093,747 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2015	($391,229)
2016	(386,646)
2017	(321,428)
2018	221,500

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	$239,567	$6,993,816
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$157,409	$4,153,388
1% Increase	8.65%	8.65%
Net Pension Liability	$89,578	$1,824,289

NOTE 7 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions in the June 30, 2014 valuation were based on the result of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a 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. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

NOTE 7 – PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 cash flows. Using historical returns of all the funds' asset classes, expected compound 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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

NOTE 8 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB)

Plan Description

In accordance with its agreement with the Kentfield Association of Professional Firefighters, the District provides post-retirement health care benefits to its retirees through the Kentfield Fire Protection District Retiree Health Plan (Plan).

GASB 45 requires public agencies to estimate their Other Post Employment Benefits (OPEBs) and account for the future liability. Rather than use the "pay as you go" system and account for retiree benefits as they are due, GASB 45 requires the agencies to account for the expenses as benefits are accrued for the employees. On June 2010, the District established an agreement with the California Public Employees' Retirement System (CalPERS) to set aside funds and deposit into the California Employer's Retiree Benefit Trust (CERBT) fund to accumulate, and distribute assets for the exclusive benefit of retirees and their beneficiaries. Plan assets are irrevocable and may not be used for any purpose other than funding post-retirement health care. The CERBT fund is an agent multiple employer plan and in order to ensure that the CERBT fund remains compliant with all reporting requirements, the CALPERS is responsible for publishing aggregate GASB 43 compliance Financial Statements, Notes, and Required Supplementary Information (RSI). The information may be found on CalPERS web site at www.calpers.ca.gov.

Payments are made on a pay-as-you-go basis. The District implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 effective prospectively for the 2009-10 fiscal year.

Funding Policy

The required contribution rate is based on the annual required contribution (ARC), and amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the District over a period not to exceed thirty years.

ANNUAL OPEB COST AND NET OPEB ASSET

For the year ended June 30, 2016, a pay-go contribution of $200,000 was made to the CalPERS Trust.

Annual required contribution	$195,606
Interest on net OPEB (asset)	(33,623)
Adjustment to annual required contribution	31,235
Annual OPEB cost (expense)	193,218
Contributions made to OPEB trust	(200,000)
Contributions made on behalf of retirees	(87,506)
Increase (decrease) in net OPEB (asset)	(94,288)
Net OPEB (asset) - beginning of the year	(476,246)
Net OPEB (asset) - ending of the year	($570,534)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2016 are as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	$193,718	$283,245	146%	($383,096)
2015	192,635	285,776	148%	(476,246)
2016	193,218	287,506	149%	(570,534)

FUNDING STATUS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date:	July 1, 2015
Funding Method:	Entry Age Normal Cost, level percent of p
Asset Valuation Method:	Market value of assets
Long Term Return on Assets:	6.73%
Discount Rate:	6.73%
Salary Increase:	3.25% per year
Assumed Increase for Amortization Payments:	3.00% per year where determined on a percent of pay basis
General Inflation Rate:	2.75% per year

Amortization payments are determined as a level percent of pay over a closed, 30 year period; the remaining amortization period used in developing the ARC for the fiscal year ending June 30, 2016 is 24 years.

The caps on medical premiums covered by the District are assumed to increase each July 1st, ranging from 4.50% to 7.50% per year.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District obtains insurance coverage.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the District's responsibility.

Fire Agencies Insurance Risk Authority

The District is insured for Comprehensive Liability and Automotive and Property Damage coverage as a member of the Fire Agencies Insurance Risk Authority (the Authority). The Authority is a public agency risk pool created pursuant to a joint powers agreement between the numerous member fire agencies. The Authority manages one pool for all member agencies. Each member pays an annual premium to the system based on numerous factors including the number of personnel, types and values of assets held. The following coverage limits and deductibles are listed as follows:

Coverage	Limit	Deductible
General Liability	$1,000,000	$0
Management	1,000,000	5,000
Automobile	1,000,000	0
Crime	1,000,000	1,000
Portable Equipment	Replacement Cost	1,000
Umbrella	10,000,000	0

Fire Districts Association of California – Fire Association Self Insurance System

Effective September 1993, the District became self-insured for Workers' Compensation coverage as a member of the Fire Districts Association of California – Fire Association Self- Insurance System (the System). The System is a public agency risk pool created pursuant to a joint powers agreement between the numerous member fire agencies. The System manages one pool for all member agencies. Each member pays an annual premium to the system based on the number of personnel, an estimated dollar amount of payroll and an experience factor. At fiscal year-end, when actual payroll expenditures are available, an adjustment to the year's annual premium is made. The System reinsures through the Local Agency Excess Workers' Compensation Authority (LAWCX), a joint powers authority, for claims in excess of $500,000 for each insured event.

NOTE 10 – JOINT VENTURE

The District entered into a Joint Powers Agreement in February 1998, establishing the Marin Emergency Radio Authority (the Authority). The Authority is responsible to acquire, construct, and improve a countywide emergency radio system. During the year ended June 30, 1999, the Authority issued Revenue Bonds to be used for the acquisition of the radio system. Of the $27 million in Revenue Bonds, the District's share was for 0.812%, or approximately $219,000. Each year through August 2020, approximately $14,000 annual debt services payments will be due to the Authority. Including interest and principal, it is anticipated the District's total obligation over 20 years will be approximately $288,000. In addition to making payments toward debt service, the District pays the Authority for operations and maintenance of MERA.

The financial statements of the Authority are available at the Authority's website: http://www.meraonline.org.

NOTE 11 – ARTICLE XIII OF THE STATE CONSTITUTION

The Constitution of the State of California allows local governments to increase appropriations annually by the rate of population increase and the rate of inflation (determined to be the lesser of the U.S. Consumer Price index or California per capita income). As provided by California Statute, the voters of the District voted by more than the two-thirds majority required, to increase the appropriations limit to the actual amount of taxes collected.

Appropriations Limit	$4,980,079
Annual subject appropriations	4,980,079
Amount (over) under the Appropriations limit	-

NOTE 12 – COMMITMENTS

The District has a memorandum of understanding (MOU) with the Kentfield Association of Professional Firefighters (the Union) that provides various terms of employment.

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REQUIRED SUPPLEMENTARY INFORMATION

KENTFIELD FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Property taxes	$4,737,200	$4,737,200	$4,828,509	$91,309
Intergovernmental revenue	282,500	447,500	434,816	(12,684)
Use of money and property	129,719	129,719	147,564	17,845
Charges for services	93,600	93,600	111,638	18,038
Other governmental aid		15,703	15,703	
Total Revenues	5,243,019	5,423,722	5,538,230	114,508
EXPENDITURES				
Current				
Salaries and employees benefits	3,776,774	4,471,854	4,382,343	89,511
Service and supplies	643,824	535,459	453,749	81,710
Total operating expenditures	4,420,598	5,007,313	4,836,092	171,221
Capital outlay	299,985	277,450	107,017	170,433
Debt service - principal	240,897	240,897	240,896	1
Debt service - interest	75,133	75,133	75,132	1
Total expenditures	5,036,613	5,600,793	5,259,137	341,656
Net change in fund balance	$206,406	($177,071)	279,093	$456,164
Fund balance at beginning of year			3,136,828	
Fund balance at end of year			$3,415,921	

Notes to Budgetary Comparison Schedule for General Fund

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Miscellaneous and Safety Plans

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

	6/30/2014		6/30/2015	
	Miscellaneous	Safety	Miscellaneous	Safety
Plan's proportion of the Net Pension Liability (Asset)	0.00385%	0.12583%	0.00574%	0.10080%
Plan's proportion share of the Net Pension Liability (Asset)	$239,545	$7,835,929	$157,409	$4,153,388
Plan's Covered Employee Payroll	$67,748	$8,508,073	$75,412	$2,283,704
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A	93.00%	208.73%	181.87%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	70.66%	83.03%	73.91%	79.95%

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

Cost-Sharing Multiple Employer Defined Benefit Pension Plan
Miscellaneous and Safety Plans For the Fiscal Year Ended June 30, 2016

Schedule of Contributions
Last 10 Years*

	2015		2016	
	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially determined contribution	$32,016	$631,094	$21,426	$1,072,321
Contributions in relation to the actuarially determined contributions	(32,016)	(631,094)	(21,426)	(1,072,321)
Contribution deficiency (excess)	$0	$0	$0	$0
Covered-employee payroll	$0	$1,593,532	$75,412	$2,283,704
Contributions as a percentage of covered-employee payroll		39.60%	28.41%	46.96%

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

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll (c)/(e)
7/1/2011	$2,392,071	$387,297	$2,004,774	16.2%	$1,280,984	156.5%
7/1/2013	2,329,746	789,594	1,540,152	33.9%	1,298,131	118.6%
7/1/2015	3,465,711	1,319,299	2,146,412	38.1%	1,418,642	151.3%

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Kentfield Fire Protection District
Kentfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Kentfield Fire Protection District (District), California, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 23, 2016. Our report includes an emphasis paragraph describing the implementation of new accounting principles.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated November 23, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze & Associates

Pleasant Hill, California
November 23, 2016