Kentfield Fire Protection District

Paul D. Smith
Fire Chief

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Financial Statements

And

Report of Independent Auditors

Year Ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kentfield Fire Protection District

We have audited the accompanying basic financial statements of the Kentfield Fire Protection District (District) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentfield Fire Protection District as of June 30, 2009, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's discussion and analysis on pages 2 through 6 and the required supplemental information on pages 35 and 36 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Maher Accountancy

January 13, 2010

KENTFIELD FIRE PROTECTION 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, 2009. Please read it along with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The District's net assets increased by $631,000 during 2009. Total revenues increased by $78,000 and total expenses increased by $255,000.

Included in the required supplemental information section is a budgetary comparison schedule. That schedule indicates that we had a net positive variance of approximately $1,533,000 when comparing actual activity with amounts budgeted. Variance details are listed on the schedule on page 35.

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 assets 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 assets (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 assets (in thousands) were as follows:

	2009	2008	Increase (decrease)
Current assets	$ 5,984	$ 4,241	$ 1,743
Noncurrent assets	5,548	1,970	3,578
Total assets	11,532	6,211	5,321
Current liabilities	1,164	288	876
Noncurrent liabilities	3,948	134	3,814
Total liabilities	5,112	422	4,690
Net assets:			
Invested in capital assets	1,470	1,970	(500)
Unrestricted	4,805	3,819	986
Total net assets	$ 6,275	$ 5,789	$ 486

The increase in current assets is primarily attributed to unused lease proceeds that are in our cash accounts and will be spent during 09-10. The increase in noncurrent assets reflects capital assets acquired during the year (mainly the fire station remodel), less the annual charge for depreciation expense. Noncurrent liabilities increased as we entered into two leases regarding the fire station remodel and acquisition of solar equipment.

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

	2009	2008	Increase (decrease)
General revenues:			
Property taxes	$ 3,739	$ 3,614	$ 125
Intergovernmental	33	36	(3)
Use of money and property	145	231	(86)
Total general revenues	3,917	3,881	36
Program revenues:			
Charges for services	59	57	2
Operating grants	263	223	40
Miscellaneous	10	10	0
Total program revenues	332	290	42
Total revenue	$ 4,249	$ 4,171	$ 78

Property tax revenue increased as a result of appreciating asset values. Lower interest rates in the general economy accounted for the decrease in use of money and property. State of California revenue for mutual aid fire responses accounts for most of the increase in operating grants.

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

	2009	2008	Increase (decrease)
Public safety-fire protection:			
Personnel	$ 2,816	$ 2,719	$ 97
Material and services	611	533	78
Depreciation	111	111	0
Interest	80		80
Total expenses	3,618	3,363	255
Less program revenues	332	290	42
Net expenses	3,286	3,073	213
General revenues	3,917	3,881	36
Change in net assets	$ 631	$ 808	$ (177)

The increase in personnel costs, primarily attributed to a pay increase, accounts for most of the increase in total expenses. The material and services line increased primarily due to occupancy costs for temporary facilities during our building renovation. During 08-09, we entered into two leases, which accounts for the interest expense increase.

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 11, the fund balance of the general fund increased by $1,102,000. On page 12 there is a reconciliation between the fund balance increase and the change in net assets.

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 policies regarding depreciation are disclosed in Note 1 and a summary of changes in capital assets is reported in Note 3.

During the year, we entered into two leases to pay for our fire station remodel and to acquire solar equipment. The fire station remodel lease was for $4,030,000 and the solar equipment lease was for $153,845. Additional detail about our debt is shown in Note 4 in the financial statements.

ECONOMIC OUTLOOK

As a result of prudent fiscal management and planning, the Fire District's financial position continues to be sufficient to continue a high service level to its constituency. As discussed in last year's (2007-2008) financial statement, the State of California continues with serious budgeting issues. The State has enacted provisions of Proposition 1A which allows withholding of 8% of the District's property tax revenue during fiscal year 2009-2010. The District joined with other California public agencies participating in successfully selling the District's interest in the legislated revenue shift to investors. This action successfully prevented a revenue loss this year that would have been approximately $249,000.

The Fire District has estimated property tax revenue growth, again conservatively, for fiscal 2009-2010 at 4%. We are predicting a continued softening of the real estate market in the service area. Future property tax revenues will, in at least the short term, continue flat.

While the CalPERS retirement cost rates have leveled off, and will remain flat through 2010, employer health care costs continue an upward trend. While those costs have not realized double-digit annual increases typical of six to seven years ago, the District will realize a 7% increase this year.

With respect to recent (2007-2008) negative investment returns realized by CalPERS, the CalPERS Board of Directors has adopted a policy to amortize those dramatic losses over an extended period of at least 20 years. This action will assist CalPERS and local agencies economically by "smoothing" the fund value losses and prevent contribution rate spiking that would negatively affect local government under the current economic downturn. With the State of California recently reporting a $20 billion deficit, additional financial difficulties will continue to affect local government agencies, including the Fire District.

The Fire District has recently completed a modernization of its facility. Preliminary estimates project the project will be approximately $300K under the approved budget. Since the entire $4 million project fund was not expended, the Board will consider options to pay down the debt service obligation. The District's Board of Directors will consider that and other options after all project consultants' and contractors' final invoices have been satisfied.

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

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,

Paul D. Smith

Paul D. Smith, Fire Chief

Basic Financial Statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

ASSETS

Current assets:	
Cash and cash equivalents	$ 5,889,805
Accounts receivable	32,552
Property taxes receivable	61,967
Total current assets	5,984,324
Noncurrent assets:	
Deferred charge - debt issuance costs	36,371
Capital assets, net of accumulated depreciation	5,510,961
Total noncurrent assets	5,547,332
Total assets	11,531,656

LIABILITIES

Current liabilities:	
Accounts payable	404,345
Construction retainage	330,656
Insurance assessment payable	24,110
Capital lease obligations	207,233
Compensated absences payable	197,156
Total current liabilities	1,163,500
Noncurrent liabilities:	
Capital lease obligations	3,870,396
Compensated absences payable	77,894
Total noncurrent liabilities	3,948,290
Total liabilities	5,111,790

NET ASSETS

Invested in capital assets, net of related debt	1,469,703
Restricted for capital projects	145,169
Unrestricted	4,804,994
Total net assets	$ 6,419,866

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

EXPENSES	
Personnel	$ 2,815,737
Material and services	611,166
Depreciation	111,088
Interest on debt	79,922
Total expenses	3,617,913
PROGRAM REVENUES	
Charges for services	58,959
Operating grants	263,280
Miscellaneous	9,894
Total program revenues	332,133
Net program expense	3,285,780
GENERAL REVENUES	
Property taxes	3,738,424
Intergovernmental	33,398
Use of money and property	144,691
Total general revenues	3,916,513
Increase in net assets	630,733
NET ASSETS	
Beginning of year	5,789,133
End of year	$ 6,419,866

The accompanying notes are an integral part of these financial statements.

KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2009

ASSETS

Cash and cash equivalents	$	5,889,805
Accounts receivable		32,552
Property taxes receivable		61,967
Total assets	$	5,984,324

LIABILITIES

Accounts payable	$	404,345
Construction retainage		330,656
Deferred revenue		61,967
Total liabilities		796,968

FUND BALANCE

Fund balance		
Reserved for capital projects		145,169
Unreserved		
Designated		3,251,510
Undesignated		1,790,677
Total fund balance		5,187,356
Total liabilities and fund balance	$	5,984,324

KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2009
(Continued)

Reconciliation of governmental fund balance to net assets of governmental activities:

Total governmental fund balance	$	5,187,356
Amounts reported for *governmental activities* in the statement of net assets are different because:		
Property taxes receivable that are not available to pay current period expenditures and therefore are deferred in the balance sheet		61,967
Capital assets used in the government activities are not financial resources and therefore are not reported in the funds		5,510,961
Debt issuance costs are reported as as outflow in the funds, but are capitalized and amortized to expense in the statement of activities		36,371
Some liabilities do not require the use of current financial resources available in the current period and therefore are not reported in the balance sheet:		
Capital lease obligations		(4,077,629)
Workers' compensation insurance assessments obligation		(24,110)
Compensated absences		(275,050)
Net assets of governmental activities	$	6,419,866

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2009

REVENUES	
Property taxes	$ 3,728,717
Intergovernmental	296,678
Use of money and property	144,691
Fees for services	58,959
Miscellaneous	9,894
Total revenues	4,238,939
EXPENDITURES	
Current:	
Salaries and benefits	2,835,312
Material and services	607,071
Capital outlay	3,655,626
Debt service:	
Principal	106,216
Interest	116,293
Total expenditures	7,320,518
Excess (deficiency) of revenues over expenditures	(3,081,579)
OTHER FINANCING SOURCES (USES);	
Issuance of debt from capital lease transactions	4,183,845
Net change in fund balance	1,102,266
FUND BALANCE	
Beginning of year	4,085,090
End of year	$ 5,187,356

The accompanying notes are an integral part of these financial statements.

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUND
AS OF JUNE 30, 2009
(Continued)

Reconciliation of the change in fund balance-total governmental funds to the change in net assets of governmental activities:

Net change in fund balance	$ 1,102,266
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	3,651,531
Depreciation expense	(111,088)
Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements	
Property taxes	9,707
Debt principal transactions reported in the government 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)	
Issuance of debt from capital lease transactions	(4,183,845)
Payments to reduce capital lease obligations	106,216
Debt issuance costs are reported as a financial outflow in the fund statements, but are capitalized and amortized to expense in the statement of activities	36,371
Expenditures reported in the modified accrual basis 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:	
Accrued compensated absences	19,575
Change in net assets	$ 630,733

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
DEFERRED COMPENSATION PLAN
AS OF JUNE 30, 2009

ASSETS	
Cash and cash equivalents	$ 41,735
Investments in mutual funds	997,562
Net assets held in trust for benefits	$ 1,039,297

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DEFERRED COMPENSATION PLAN
YEAR ENDED JUNE 30, 2009

ADDITIONS	
Employee contributions	$ 133,653
Dividends	26,810
Net increase (decrease) in fair value of investments	(263,710)
Total additions	(103,247)
NET ASSETS HELD IN TRUST FOR BENEFITS	
Beginning of year	1,142,544
End of year	$ 1,039,297

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

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.

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 assets resulting from the current year's activities.

FUND FINANCIAL 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, reserves, 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.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not incorporated in the government-wide statements. The following is a description of the fiduciary fund of the District:

Deferred Compensation Trust Fund is used to account for assets held in the District's deferred compensation plan.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued):

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.

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).

Deferred charge – debt issuance costs

Debt issuance costs associated with the financing of the modernization of the District’s fire station are included as a deferred charge.

Investments

Investments, including deferred compensation funds, are stated at fair value (quoted market price).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

Capital assets

Capital assets purchased or acquired with an original cost of $5,000 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:

Sick leave 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. First effective for the year ended June 30, 2006 employees with 15 years of service receive at retirement or death a one-time payment equal to 25% of the value of accumulated sick leave.

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 25 days per year due to 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

Compensated absences (continued)

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.

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.

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.

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. 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.”

2. CASH AND CASH EQUIVALENTS (continued)

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.

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, 2009, the County's investment pool had a weighted average maturity of 174 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." The District's only non-cash investment is a U.S. Government mutual fund with Deutsche Bank in the amount of $145,169.

2. CASH AND CASH EQUIVALENTS (continued)

CONCENTRATION OF CREDIT RISK

This is the risk of loss attributed to the concentration of the District's investment in a single issuer. As previously mentioned, all the District's investments are concentrated in a mutual fund with Deutsche Bank.

The following is a summary of the concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2009.

	Percent of Portfolio
Investments in Investment Pool	
Federal agency - discount	73%
Federal agency - coupon	16%
Money market funds	11%
	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.

Cash held with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Except for the money market mutual fund below, all of the District's balances were insured by the FDIC

2. CASH AND CASH EQUIVALENTS (continued)

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.

BALANCES

Cash and cash equivalents consist of the following:

Cash with County Treasurer	$ 3,229,746
Cash in banks	33,985
Certificate of deposits	2,480,705
Money market mutual fund	145,169
Petty cash	200
Total	$ 5,889,805

The certificate of deposits and money market mutual fund are reserved for the fire station modernization project and acquisition of solar equipment.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Balance June 30, 2009
Capital assets not subject to depreciation:			
Land	$ 10		$ 10
Construction-in-progress	456,151	$ 3,614,595	4,070,746
Artwork	35,000		35,000
Subtotal	491,161	3,614,595	4,105,756
Capital assets subject to depreciation:			
Building and improvements	647,440		647,440
Fire apparatus	1,304,182		1,304,182
Vehicles	69,459		69,459
Equipment and furniture	383,689	36,936	420,625
Subtotal	2,404,770	36,936	2,441,706
Total assets	2,895,931	3,651,531	6,547,462
Less: Accumulated depreciation	925,413	111,088	1,036,501
Capital assets, net	$ 1,970,518	$ 3,540,443	$ 5,510,961

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.

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 assets record the liability, segregating the amount expected to be paid within one year as a current liability.

Balance as of June 30, 2008	$ 294,625
Increases during the year	177,581
Decreases during the year	(197,156)
Balance as of June 30, 2009	275,050
Less amount due within 1 year	(197,156)
Amount due after 1 year	$ 77,894

Insurance Assessment Payable

The District is a member of the Fire Agencies Self Insurance System (FASIS) as described in Note 10. Under its agreement with FASIS, the District is obligated to honor a special assessment by FASIS intended to provide for its accumulated deficit. The outstanding amount as of June 30, 2009 is $24,110, which is scheduled to be paid in fiscal 2009-10.

4. NONCURRENT LIABILITIES (Continued)

Capital Lease Obligations

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 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.

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.

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

	Fire Station Modernization	Solar Equipment
Date of lease	January 2009	December 2008
Semi-annual payment	$ 188,079	
Annual payment		$ 11,834
Number of payments	30	13
Effective interest rate	4.65%	0.87%
Prepaid financing costs	$ 30,000	$ 7,692
Cost of building/equipment	In-progress	In-progress
Accumulated amortization	In-progress	In-progress

4. NONCURRENT LIABILITIES (Continued)

The following is a summary of the District's future annual obligations:

Year ending June 30	Fire Station Modernization	Solar Equipment	Total
2010	$ 376,158	$ 11,834	$ 387,992
2011	376,158	11,834	387,992
2012	376,158	11,834	387,992
2013	376,158	11,834	387,992
2014	376,158	11,835	387,993
2015-2019	1,880,790	59,170	1,939,960
2020-2024	1,692,711	23,670	1,716,381
Total payments	5,454,291	142,011	5,596,302
Less: Interest	(1,518,673)	-	(1,518,673)
Net	3,935,618	142,011	4,077,629
Less: Amount due within 1 year	(195,399)	(11,834)	(207,233)
Amount due after 1 year	$ 3,740,219	$ 130,177	$ 3,870,396

4. NONCURRENT LIABILITIES (Continued)

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, 2008	-	-	-
Increases during the year	$ 4,030,000	$ 153,845	4,183,845
Decreases during the year	(94,382)	(11,834)	(106,216)
Balance as of June 30, 2009	$ 3,935,618	$ 142,011	$ 4,077,629

5. NET ASSETS AND FUND BALANCE

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Fund balance consists of reserved and unreserved amounts. Reservations of fund balance indicate that portion of fund balance not available for appropriation for expenditures or amount legally segregated for a specific future use.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. These plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

5. NET ASSETS AND FUND BALANCE (Continued)

The following are the unreserved fund balance designations made by the District's Board of Directors as of June 30, 2009:

Apparatus	$ 431,089
Building replacement	1,378,070
Compensated absences	235,784
Contingencies and emergencies	295,000
LDH (Hose)	41,696
Marin Emergency Radio Authority	69,125
PERS unfunded liability	594,098
SCBA	36,048
General insurance deductible	26,000
Health insurance	25,000
Hydrants and mains	53,000
Mapping and planning	60,000
Heavy rescue equipment	6,600
	$ 3,251,510

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. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District's position that it has no liability for investment losses under the plan, but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Financial statements of the deferred compensation plan are shown on page 13.

7. DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

The District contributes to the California Public Employees' Retirement System (CalPERS); an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of CalPERS' annual financial report may be obtained from its Executive Office – 400 P Street, Sacramento, CA 95817.

FUNDING POLICY

The District makes the contributions required of District employees on their behalf and for their account. The safety employee rate is 9% of pay, excluding overtime pay and the miscellaneous employee rate is 8% of pay, excluding overtime pay, as determined by CalPERS. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year ended June 30, 2009 was 31.763% for safety employees and 31.293% for miscellaneous employees.

ANNUAL PENSION COST

For the year ended June 30, 2009, the District's required and actual pension costs were approximately $630,000. The required contribution was determined as part of the July 1, 2006, actuarial valuation.

7. DEFINED BENEFIT PENSION PLAN (continued)

The most recent actuarial valuation was performed as of June 30, 2008 under the following methods and assumptions:

Actuarial cost method:	Entry age
Amortization method:	Level percent of payroll
Average remaining period:	15 years safety, 16 years miscellaneous, as of the valuation date
Asset valuation method:	15 year smoothed market
Investment rate of return:	7.75% (net of administrative expenses)
Projected salary increases:	3.25% to 14.45% depending on age, service and type of employment
Inflation:	3.00%
Payroll growth:	3.25%
Individual salary growth	Merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

THREE-YEAR TREND INFORMATION FOR THE DISTRICT

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obiligation
2006	$ 543,000	100%	$0
2007	564,000	100%	0
2008	625,000	100%	0

7. DEFINED BENEFIT PENSION PLAN (continued)

REQUIRED SUPPLEMENTARY INFORMATION

Following is a schedule of funding progress for CalPERS Safety (dollars in millions):

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a) / (b)	(e) Covered Payroll	(f) UAAL as a % of Covered Payroll (c) / (e)
6/30/2006	$ 1,252	$ 1,473	$ 221	85.0%	$ 177	125%
6/30/2007	1,422	1,648	226	86.3%	201	112%
6/30/2008	1,518	1,756	238	86.4%	211	113%

Following is a schedule of funding progress for CalPERS Miscellaneous (dollars in millions):

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a) / (b)	(e) Covered Payroll	(f) UAAL as a % of Covered Payroll (c) / (e)
6/30/2006	$ 502	$ 620	$ 118	81.0%	$ 126	94%
6/30/2007	576	700	124	82.3%	139	89%
6/30/2008	641	776	135	82.6%	155	87%

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District provides health care benefits for retirees and dependents based on negotiated employee bargaining unit contracts. Substantially all of the District's employees that reach normal retirement age and have vested with the California Public Employees' Retirement System are eligible for the benefit. On average, the District pays 50% of the cost of the benefit.

The amount of post-retirement health benefit expenditures paid during the year was approximately $59,000, and is funded on a "pay-as-you-go" basis. There are 9 participants eligible to receive benefits.

9. 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.

The District's appropriations were greater than the limitation for the year ended June 30, 2009, as follows:

Appropriations limit	3,864,214
Annual subject appropriations	3,864,214
Amount (over) under the appropriation limit	-

10. 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.

10. RISK MANAGEMENT (continued)

Fire Agencies Insurance Risk Authority

The District is insured for Comprehensive Liability 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. Each member is insured for $6,000,000 and may elect to purchase umbrella coverage up to an additional $5,000,000. The Authority is not a component entity of the District for purposes of GASB Statement No. 14.

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. The System is not a component entity of the District for purposes of GASB Statement No. 14.

The System is authorized under the agreement with its members to charge special assessments to its members. See Note 4 regarding the District's obligation for a prior year assessment.

11. 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 County of Marin office. Condensed financial information for the Authority is presented below for the year ended June 30, 2009:

Total assets	$28,100,121
Total liabilities	22,745,229
Net assets	$ 5,354,892
Total revenues	$ 4,239,496
Total expenses	4,499,538
Net income (loss)	$ (260,042)

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 through June 30, 2009. The agreement provides for an annual pay increase of 5.00% for the fiscal year ending June 30, 2009.

In May 2009, the District and Union agreed upon an MOU for 2009-10. The agreement provides for an increase in salary of 4%, plus an additional sick leave payment at retirement. As of June 30, 2009, the additional sick leave equals approximately $110,000.

12. COMMITMENTS (continued)

The District has entered into agreements to renovate its firehouse. In conjunction with the renovation, listed below is a summary of various obligations as of June 30, 2009:

	Initial contract	Outstanding obligation
Building contractor	$ 4,330,138	$ 984,289
Architect	349,805	-
Construction management	203,000	30,485
	$ 4,882,943	$ 1,014,774

13. NEW ACCOUNTING PRONOUNCEMENT

The Government Accounting Standards Board (GASB) recently released several new accounting and financial reporting standards. One of the new standards, GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, may have a significant impact on the District's financial reporting process.

GASB Statement No. 45 establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB No. 45 will be effective for the 2009-2010 fiscal year.

Required Supplemental Information

KENTFIELD FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative
REVENUES				
Property taxes and assessments	$ 3,403,632	$ 3,403,632	$ 3,502,007	$ 98,375
Governmental agencies	222,505	222,505	248,556	26,051
Use of revenue / money & property	265,216	445,216	488,376	43,160
Financed revenues	4,000,000	4,000,000	4,183,845	183,845
Total revenues	7,891,353	8,071,353	8,422,784	351,431
EXPENDITURES				
Current				
Salaries and employee benefits	2,720,133	2,898,823	2,835,312	63,511
Service and supplies	474,441	480,691	451,804	28,887
Total operating expenditures	3,194,574	3,379,514	3,287,116	92,398
Capital outlay	5,026,972	5,122,972	4,033,402	1,089,570
Total expenditures	8,221,546	8,502,486	7,320,518	1,181,968
Excess of revenues over expenditures	$ (330,193)	$ (431,133)	1,102,266	$ 1,533,399
Fund balance at beginning of year			4,085,090	
Fund balance at end of year			$ 5,187,356	

KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2009

1. BUDGETARY BASIS OF PRESENTATION

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.