Kentfield Fire Protection District

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Fire Chief

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Basic Financial Statements
Fiscal Year Ended June 30, 2019

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KENTFIELD FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S 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, California (District), as of and for the year ended June 30, 2019 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2019.

> Governmental Accounting Standards Board Statement 88 – *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*. See Note 4 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification of our opinion.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 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 12, 2019

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, 2019. Please read it along with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The District's net position increased by $1,154,000 during 2019. District-wide revenues increased by $57,000 and total expenses decreased by $925,000 due to the implementation of GASB Statement 75 in 2018.

Included in the required supplemental information section is a budgetary comparison schedule. As indicated in the budgetary comparison schedule on page 36, our revenues were higher than budgeted amounts by $456,000 and operating expenditures were less than budgeted amounts by $463,000.

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:

	2019	2018	Increase (decrease)
Current assets	$ 6,419	$ 5,235	$ 1,184
Noncurrent assets	5,655	5,867	(212)
Total assets	12,074	11,102	972
Deferred outflows	2,741	2,861	(120)
Current liabilities	597	584	13
Noncurrent liabilities	9,368	9,478	(110)
Total liabilities	9,965	10,062	(97)
Deferred inflows	704	910	(206)
Net position:			
Net investment in capital assets	4,360	4,307	53
Unrestricted	(215)	(1,316)	1,101
Total net position	$ 4,145	$ 2,991	$ 1,154

The increase in current assets is primarily a result of normal changes in working capital. The decrease in liabilities and deferred inflows were primarily due to the decreases in pension liabilities.

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

	2019	2018	Increase (decrease)
General revenues			
Property taxes	$ 5,721	$ 5,403	$ 318
Use of money and property	231	210	21
Total general revenues	5,952	5,613	339
Program revenues			
Charges for services	581	863	(282)
Total program revenues	581	863	(282)
Total revenues	$ 6,533	$ 6,476	$ 57

Property tax revenue increased due to higher assessed valuations. Charges for services decreased by approximately $282,000 primarily due to a decrease in the OES reimbursements for out of county incidents.

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

	2019	2018	Increase (decrease)
Personnel	$ 4,503	$ 5,459	$ (956)
Material and services	550	534	16
Depreciation	276	252	24
Interest	50	59	(9)
Total expenses	5,379	6,304	(925)
Less: Program revenues	581	863	(282)
Net expenses	4,798	5,441	(643)
General revenues	5,952	5,613	339
Change in net position	1,154	172	982
Beginning net position	2,991	2,819	172
Ending net position	$ 4,145	$ 2,991	$ 1,154

The decrease in personnel costs were primarily due to the decrease in pension liability.

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 $1,153,000. On page 12 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 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.

Property tax revenue remains the District's most stable revenue source. Real estate valuations in Marin County have stabilized with minimal growth. The District is projecting that it will experience modest and slower revenue growth in 2019 through 2020. This assumption is based upon recent trends in real property values that have continued to increase, but not as robust as in prior years.

Although the District believes that it can still maintain a high level of service to our community, it will continue to review all areas where it can reduce cost. The District still has appropriate reserves to ensure equipment and apparatus replacement in addition to a commitment to reduce the unfunded retiree health care liability.

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality services to the citizens of the area.

REQUESTS FOR INFORMATION

This basic financial statement is to provide citizens, taxpayers, and creditors with a general overview of the District's finances.

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, 2019

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$6,304,295
Property taxes receivable	77,583
Accounts receivable	37,145
Total current assets	6,419,023
Noncurrent assets:	
Land, artwork and construction in progress (Note 3)	35,010
Depreciable capital assets, net (Note 3)	5,619,775
Total noncurrent assets	5,654,785
Total assets	12,073,808
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 7)	1,823,194
Related to OPEB (Note 8)	917,985
Total deferred outflows of resources	2,741,179
LIABILITIES	
Current liabilities:	
Accounts payable	34,160
Accrued payroll	100,772
Compensated absences payable (Note 4)	187,736
Capital lease obligations (Note 4)	274,726
Total current liabilities	597,394
Noncurrent liabilities:	
Compensated absences payable (Note 4)	339,949
Capital lease obligations (Note 4)	1,019,634
Net pension liability (Note 7)	5,964,411
Net OPEB liability (Note 8)	2,044,012
Total non-current liabilities	9,368,006
Total liabilities	9,965,400
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 7)	431,931
Related to OPEB (Note 8)	271,900
Total deferred inflows of resources	703,831
NET POSITION	
Net Investment in capital assets	4,360,425
Unrestricted	(214,669)
Total net position	$4,145,756

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES	
Public Safety:	
Salaries and benefits	$4,502,267
Material and services	550,134
Depreciation (Note 3)	276,166
Interest on debt	50,192
Total expenses	5,378,759
PROGRAM REVENUES	
Charges for services	581,039
Total program revenues	581,039
Net program expense	4,797,720
GENERAL REVENUES	
Property taxes	5,721,452
Use of money and property	230,645
Miscellaneous	100
Total general revenues	5,952,197
Change in net position	1,154,477
NET POSITION	
Beginning of year	2,991,279
End of year	$4,145,756

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GENERAL FUND
AS OF JUNE 30, 2019

ASSETS	
Cash and cash equivalents (Note 2)	$6,304,295
Property taxes receivable	77,583
Accounts receivable	37,145
Total assets	$6,419,023
LIABILITIES	
Accounts payable	$34,160
Accrued payroll	100,772
Total liabilities	134,932
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	77,583
FUND BALANCE	
Assigned (Note 5)	3,805,203
Unassigned	2,401,305
Total fund balance	6,206,508
Total liabilities, deferred inflows of resources, and fund balance	$6,419,023

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
OF GENERAL FUND TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total governmental fund balance	$6,206,508
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	77,583
Capital assets used in governmental activities are not financial resources and therefore are not reported in fund balance sheet	5,654,785
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	(5,964,411)
Deferred outflows related to pension	1,823,194
Deferred inflows related to pension	(431,931)
Deferred outflows related to OPEB	917,985
Deferred inflows related to OPEB	(271,900)
Net OPEB liability	(2,044,012)
Capital lease obligations	(1,294,360)
Compensated absences	(527,685)
Net position of government activities	$4,145,756

See accompanying notes to basic financial statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES:	
Property taxes	$5,722,104
Intergovernmental	479,382
Use of money and property	230,645
Charges for services	101,657
Miscellaneous	100
Total revenues	6,533,888
EXPENDITURES:	
Current:	
Public Safety:	
Salaries and benefits	4,450,891
Material and services	518,342
Capital outlay	95,599
Debt Service:	
Principal	265,837
Interest	50,192
Total expenditures	5,380,861
NET CHANGE IN FUND BALANCE	1,153,027
FUND BALANCE	
Beginning of year	5,053,481
End of year	$6,206,508

See accompanying notes to basic financial statements

KENTFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GENERAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balance	$1,153,027
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 expenditures capitalized	63,807
Depreciation expense	(276,166)
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	(652)
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	265,837
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, and related deferred inflows and outflows of resources	(359,131)
Net OPEB liability, and related deferred inflows and outflows of resources	375,263
Accrued compensated absences	(67,508)
Change in net position	$1,154,477

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) net investment in capital assets 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, deferred outflows of resources, liabilities, deferred inflows of resource, 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.

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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. Effective 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District'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.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust (CERBT). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements that were effective in fiscal year 2018-19:

Governmental Accounting Standards Board (GASB) Statement No. 83 - *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asserts retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement had no effect on the District's financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the District's fiscal year ending June 30, 2019. See Note 4 for relevant disclosures.

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.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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	$6,164,191
Cash in banks	139,904
Petty cash	200
Total	$6,304,295

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, 2019, the County's investment pool had a weighted average maturity of 218 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."

NOTE 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.

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, 2019.

Marin County Investment Pool	Percent of portfolio
Federal agency - coupon	23%
Federal agency - discount	75%
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.

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.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

LOCAL AGENCY INVESTMENT FUND

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The book value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2019 was $24.6 billion. LAIF is a part of the California Pooled Money Investment Act (PMIA), which at June 30, 2019 had a portfolio balance of $105.7 billion. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. The average maturity of PMIA investments was 173 days as of June 30, 2019.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Dispositions	Transfers	Balance June 30, 2019
Nondepreciable capital assets:					
Land	$10				$10
Artwork	35,000				35,000
Construction in progress	662,071			($662,071)	
Total nondepreciable capital assets	$697,081			($662,071)	$35,010
Capital assets being depreciated:					
Buildings and building improvements	$5,907,296				$5,907,296
Fire apparatus	1,304,182		($242,527)	$662,071	1,723,726
Vehicles	114,139	$36,785			150,924
Equipment and furniture	929,905	27,022	(25,659)		931,268
Total capital assets being depreciated	8,255,522	63,807	(268,186)	662,071	8,713,214
Less accumulated depreciation for:					
Buildings and building improvements	1,483,205	148,273			1,631,478
Fire apparatus	899,193	64,695	(242,527)		721,361
Vehicles	64,692	11,598			76,290
Equipment and furniture	638,369	51,600	(25,659)		664,310
Total accumulated depreciation	3,085,459	276,166	(268,186)		3,093,439
Total depreciable assets	$5,170,063	($212,359)		$662,071	$5,619,775

NOTE 3 – CAPITAL ASSETS (Continued)

In February 2017, the District purchased a 2017 Pierce Enforcer replacement fire engine. The Enforcer replacement fire engine was placed in service on November 15, 2018. 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, 2018	$460,177
Increases during the year	255,244
Decreases during the year	(187,736)
Balance as of June 30, 2019	527,685
Less amount due within 1 year	187,736
Amount due after 1 year	$339,949

Direct Borrowings - 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, 2018	$1,540,495	$19,702	$1,560,197
Decreases during the year	(259,270)	(6,567)	(265,837)
Balance as of June 30, 2019	$1,281,225	$13,135	$1,294,360

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 fiscal year 2010-11, the District made additional lease repayments of approximately $53,000.

NOTE 4 – NONCURRENT LIABILITIES (Continued)

The capital lease is secured by the solar equipment financed by this lease. The outstanding lease amount contains a provision that in an event of default, MFC retakes possession of the solar equipment to resell, lease, or sublease the items with the net amount of proceeds received by MFC to be applied to the District's outstanding obligations as defined by the agreement.

Fire Station Modernization Capital Lease

In January 2009, the District also entered into a similar lease financing arrangement with Municipal Finance Corporation (MFC) 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 made additional lease repayments of approximately $480,000.

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.

The capital lease is secured by the fire station at 1004 Sir Francis Drake Boulevard, Kentfield, California. The outstanding lease amount contains a provision that in an event of default, MFC may terminate the lease, re-lease all or any portion of the Leased Property or enforce payments without termination of the lease holding the District liable for the payment of all lease payments.

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

NOTE 4 – NONCURRENT LIABILITIES (Continued)

Future debt service are as follows:

	Direct Borrowings		
Year ending June 30	Fire Station Modernization	Solar Equipment	Total
2020	$309,461	$6,567	$316,028
2021	309,461	6,568	316,029
2022	309,461		309,461
2023	309,461		309,461
2024	154,731		154,731
Total payments	1,392,575	13,135	1,405,710
Less: Interest	111,350		111,350
Principal	1,281,225	13,135	1,294,360
Less: Amount due within one year	(268,159)	(6,567)	(274,726)
Amount due after one year	$1,013,066	$6,568	$1,019,634

NOTE 5 – FUND BALANCE

The following are assigned fund balances:

Assigned for:	
Apparatus replacement	$725,572
Building replacement	547,899
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	357,689
General insurance deductible	10,000
Health insurance	25,000
Hydrants and mains	10,000
Mapping and planning	60,000
Heavy rescue equipment	50,000
Debt service sinking fund	625,000
Total	$3,805,203

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.

General Information about the Pension Plan

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 1959 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.

NOTE 7 – PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2019, 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	7.948%
Required employer contribution rates	N/A	10.022%

	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	8.984%	12.750%
Required employer contribution rates	20.416%	12.965%

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, 2019, the contributions to the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	$35,793	$623,856	$659,649

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

As of June 30, 2019, 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	$206,771
Safety	5,757,640
Total	$5,964,411

NOTE 7 – PENSION PLAN (Continued)

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2017	0.00531%	0.09508%
Proportion - June 30, 2018	0.00549%	0.09813%
Change - Increase (Decrease)	0.00018%	0.00305%

For the year ended June 30, 2019, the District recognized a pension expense of $359,131 for the Plan on the Statement of Activities. At June 30, 2019, 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	$659,649	
Differences between actual and expected experience	131,645	($3,169)
Changes in assumptions	588,498	(81,995)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	403,398	(346,767)
Net differences between projected and actual earnings on plan investments	40,004	
Total	$1,823,194	($431,931)

The $659,649 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 next fiscal year 2020. 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
2020	$558,950
2021	336,256
2022	(121,852)
2023	(41,740)

NOTE 7 – PENSION PLAN (Continued)

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	6.15%	6.15%
Net Pension Liability	$294,740	$9,260,913
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$206,771	$5,757,640
1% Increase	8.15%	8.15%
Net Pension Liability	$134,155	$2,887,335

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power Protection Allowance Floor on Purchasing applies, 2.50 % thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

***Change of Assumptions* –** For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

Long-term Expected Rate of Return – 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.

NOTE 7 – PENSION PLAN (Continued)

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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses.

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[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(1) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities;
Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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)

A. General Information about the District's Other Post Employment Benefit (OPEB) Plan

Plan Description – The District's Post Employment Benefit Plan is an agent-multiple employer defined benefit OPEB plan. Provisions of retiree benefits are as follows:

OPEB provided: The District reported the following OPEB: medical, dental, and vision plan coverage. However, only retiree medical premiums are subsidized by the District.

Access to coverage*:* Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement warrant within 120 days of terminating employment with the District to be eligible to continue medical coverage through the District and be entitled to the employer subsidy described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided: The District currently pays 100% of the monthly medical premium for ***active employees***, their spouses and other eligible dependents up to the PERS Choice Basic premium rates (i.e., the pre-Medicare premium rates) for the Bay Area region. The maximum amounts paid by the District vary are equal to the Basic (pre-Medicare) PERS Choice rate for the coverage level selected (i.e., single, two party or family).

Board members: To be eligible for subsidized retiree medical benefits, members of the Board of Directors (who are not also retired employees) must serve at least two, four-year terms on the Board. For retired Board members completing this service, the District contributes 100% of employee only premiums, not to exceed the PERS Choice premium for employee only coverage.

For the year ended June 30, 2019, the District's contributions to the Plan were $555,934.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2019:

Active employees	21
Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	1
Total	34

NOTE 8 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The District's net OPEB liability was measured and determined based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level percent of pay
Actuarial Assumptions:	
Asset Valuation Method	Market value of assets
Discount Rate	6.45%
Salary Increase	3.25%
Assumed Wage Inflation	3.00%
General Inflation Rate	2.75%
Mortality Rate	MacLeod Watts Scale 2017 applied generationally[1]
Healthcare Trend Rates	8% decrease to 5% for 2025 and after

[1] The MacLeod Watts Scale 2017 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

The District has been and continues to prefund its OPEB liability, consistently contributing 100% or more of the Actuarially Determined Contributions each year. With the District's approval, the discount rate used in this valuation is 6.45%, reflecting the current expectation of the long term return on trust assets.

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Mortality rates used were the CalPERS published rates, adjusted to back out 20 years of Scale BB to central year 2008.

NOTE 8 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at 6/30/2017	$4,010,438	$1,961,944	$2,048,494
Changes Recognized for the Measurement Period:			
Service cost	184,205		184,205
Interest on the total OPEB liability	277,065		277,065
Changes of benefit terms			
Differences between expected and actual experience			
Plan Experience			
Administrative Expenses		(1,106)	1,106
Other Expenses		(2,597)	2,597
Changes of assumptions	156,157		156,157
Contributions from the employer		500,559	(500,559)
Benefit payments	(155,559)	(155,559)	
Net Expected Investment Income		125,053	(125,053)
Net changes	461,868	466,350	(4,482)
Balance at 6/30/2018 (Measurement Date)	$4,472,306	$2,428,294	$2,044,012

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.45%)	Current Discount Rate (6.45%)	Discount Rate +1% (7.45%)
$2,634,416	$2,044,012	$1,556,085

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (8% decreasing to 5%):

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
$1,557,720	$2,044,012	$2,702,996

NOTE 8 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $375,263. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$555,934	
Differences between actual and expected experience		($271,900)
Net difference between projected and actual earnings on investments	10,877	
Changes of assumptions	351,174	
Total	$917,985	($271,900)

$555,934 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2020	$14,780
2021	14,780
2022	14,781
2023	16,080
2024	18,833
Thereafter	10,897
Total	$90,151

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.

NOTE 9 – RISK MANAGEMENT (Continued)

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	Blanket	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 $750,000 for each insured event. The District's claims did not exceed coverage over the last 3 fiscal years.

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 would 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	$5,943,006
Annual subject appropriations	5,943,006
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

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KENTFIELD FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Property taxes	$5,251,144	$5,481,790	$5,722,104	$240,314
Intergovernmental revenue	221,500	346,500	479,382	132,882
Use of money and property	140,660	150,077	230,645	80,568
Charges for services	97,700	99,881	101,657	1,776
Other governmental aid		100	100	
Total Revenues	5,711,004	6,078,348	6,533,888	455,540
EXPENDITURES				
Current				
Salaries and employees benefits	4,211,019	4,822,997	4,450,891	372,106
Service and supplies	735,997	609,265	518,342	90,923
Total operating expenditures	4,947,016	5,432,262	4,969,233	463,029
Capital outlay	359,543	325,550	95,599	229,951
Debt service - principal	257,243	265,838	265,837	1
Debt service - interest	58,787	50,192	50,192	
Total expenditures	5,622,589	6,073,842	5,380,861	692,981
Net change in fund balance	$88,415	$4,506	1,153,027	$1,148,521
Fund balance at beginning of year			5,053,481	
Fund balance at end of year			$6,206,508	

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*

Measurement period ending	6/30/2014		6/30/2015		6/30/2016	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Plan's proportion of the Net Pension Liability (Asset)	0.00385%	0.12583%	0.00574%	0.10080%	0.00529%	0.09756%
Plan's proportion share of the Net Pension Liability (Asset)	$239,545	$7,835,929	$157,409	$4,153,388	$183,688	$5,052,911
Covered Payroll	$67,748	$1,453,650	$67,748	$1,723,441	$75,412	$1,653,629
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	N/A	539.05%	232.34%	240.99%	243.58%	305.56%
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%	69.98%	76.60%

* 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, 2019

Schedule of Contributions Last 10 Years*

Fiscal Year	2015		2016		2017	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially determined contribution	$32,016	$631,094	$21,426	$1,072,321	$15,946	$571,642
Contributions in relation to the actuarially determined contributions	(32,016)	(631,094)	(21,426)	(1,072,321)	(15,946)	(571,642)
Contribution deficiency (excess)						
Covered payroll	$67,748	$1,723,441	$75,412	$1,653,629	$77,362	$1,643,685
Contributions as a percentage of covered payroll	47.26%	36.62%	28.41%	64.85%	20.61%	34.78%

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

6/30/2017		6/30/2018	
Miscellaneous	Safety	Miscellaneous	Safety
0.00531%	0.09508%	0.00549%	0.09813%
$209,133	$5,681,087	$206,771	$5,757,640
$77,362	$1,643,685	$79,667	$1,741,565
270.33%	345.63%	259.54%	330.60%
68.00%	76.61%	68.20%	77.34%

2018		2019	
Miscellaneous	Safety	Miscellaneous	Safety
$25,958	$548,898	$35,793	$623,856
(25,958)	(548,898)	(35,793)	(623,856)
$79,667	$1,741,565	$81,847	$1,835,689
32.58%	31.52%	43.73%	33.98%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Schedule of Changes in the City's Net OPEB Liability and Related Ratios
For the measurement year ending June 30
Last 10 fiscal years*

Measurement Date - June 30,	2017	2018
Total OPEB Liability		
Service Cost	$181,363	$184,205
Interest	260,866	277,065
Changes in benefit terms		
Differences between expected and actual experience	(393,980)	
Changes of assumptions	317,659	156,157
Benefit payments	(100,539)	(155,559)
Net change in total OPEB liability	265,369	461,868
Total OPEB liability - beginning	3,745,069	4,010,438
Total OPEB liability - ending (a)	$4,010,438	$4,472,306
Plan fiduciary net position		
Contributions - employer	$375,539	$500,559
Contributions - employee		
Net investment income	121,132	125,053
Benefit payments	(100,539)	(155,559)
Administrative expenses		(1,106)
Other expenses		(2,597)
Net change in plan fiduciary net position	396,132	466,350
Plan fiduciary net position - beginning	1,565,812	1,961,944
Plan fiduciary net position - ending (b)	$1,961,944	$2,428,294
Net OPEB liability - ending (a)-(b)	$2,048,494	$2,044,012
Plan fiduciary net position as a percentage of the total OPEB liability	48.92%	54.30%
Covered-employee payroll	$1,721,047	$1,821,232
Net OPEB liability as a percentage of covered-employee payroll	119.03%	112.23%

Notes to schedule:

Changes in assumptions:

Discount rate and long term return on trust assets decreased from 6.73% as of June 30, 2017 to 6.45% as of June 30, 2018, based on updated information from CalPERS regarding the assumed rate of return for CERBT Strategy 2 and the District's projected benefit cashflows.

* Fiscal year 2018 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

CERBT Agent Multiple-Employer Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2019
Actuarially determined contribution	$345,459	$356,323
Contributions in relation to the actuarially determined contribution	345,459	555,934
Contribution deficiency (excess)		($199,611)
Covered-employee payroll	$1,821,232	$1,917,536
Contributions as a percentage of covered-employee payroll	18.97%	28.99%
Notes to Schedule:		
Valuation date:	6/30/2017	6/30/2017

Methods and assumptions used to determine contribution rates:

Valuation Date Used to Determine ADC	7/1/2015
Actuarial Assumptions:	
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay; 30 yrs closed
Amortization period	21 Years remain and 22 Years remain
Asset valuation method	Market Value
Inflation	2.75%
Healthcare cost trend rates	7.5% in 2017 to 4.5% in steps of 0.5%
Salary increases	3.25%
Investment rate of return	6.73%
Retirement age	from 50 to 75
Mortality	CalPERS 2014 Experience Study
Mortality improvement	MW Scale 2014 generationally

* Fiscal year 2018 was the first year of implementation.

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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, 2019, and have issued our report thereon dated November 12, 2019.

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 12, 2019 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 12, 2019