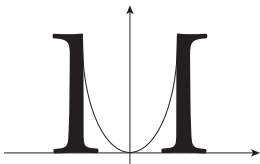




**Financial Statements
And
Report of Independent Auditors
Year Ended June 30, 2012**

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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, 2012, 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 6 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.

Maher Accountancy

December 5, 2012



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, 2012. Please read it along with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$105,000 during 2012. Total revenues increased by \$69,000 and total expenses decreased by \$217,000.

Included in the required supplemental information section is a budgetary comparison schedule. As indicated in the budgetary comparison schedule on page 35, our revenues and expenditures were below amounts budgeted by \$66,000 and \$105,000, respectively.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
Current assets	\$ 3,082	\$ 3,031	\$ 51
Noncurrent assets	<u>6,521</u>	<u>6,720</u>	<u>(199)</u>
Total assets	<u>9,603</u>	<u>9,751</u>	<u>(148)</u>
Current liabilities	545	472	73
Noncurrent liabilities	<u>2,853</u>	<u>3,179</u>	<u>(326)</u>
Total liabilities	<u>3,398</u>	<u>3,651</u>	<u>(253)</u>
Net assets:			
Invested in capital assets, net of debt	3,362	3,432	(70)
Unrestricted	<u>2,843</u>	<u>2,668</u>	<u>175</u>
Total net assets	<u>\$ 6,205</u>	<u>\$ 6,100</u>	<u>\$ 105</u>

Depreciation expense was greater than capital equipment acquisitions, resulting in a decrease in noncurrent assets. Noncurrent liabilities decreased due to scheduled principal payments towards our fire station remodel and solar equipment leases and a reduction in the long-term portion of compensated absences payable.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
General revenues:			
Property taxes	\$ 3,831	\$ 3,774	\$ 57
Operating grants and contributions	22	22	0
Use of money and property	78	85	(7)
Total general revenues	<u>3,931</u>	<u>3,881</u>	<u>50</u>
Program revenues:			
Charges for services	101	82	19
Miscellaneous	<u>9</u>	<u>9</u>	<u>0</u>
Total program revenues	<u>110</u>	<u>91</u>	<u>19</u>
Total revenue	<u>\$ 4,041</u>	<u>\$ 3,972</u>	<u>\$ 69</u>

Property tax revenue remained stable as a result of consistent assessed property values. Effective July 2011, we began a program to review building plans and inspections, as the County no longer provided this service, resulting in an increase in charges for services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
Public safety-fire protection:			
Personnel	\$ 3,103	\$ 3,295	\$ (192)
Material and services	427	440	(13)
Depreciation	262	266	(4)
Interest	144	152	(8)
Total expenses	<u>3,936</u>	<u>4,153</u>	<u>(217)</u>
Less program revenues	<u>110</u>	<u>91</u>	<u>19</u>
Net expenses	<u>3,826</u>	<u>4,062</u>	<u>(236)</u>
General revenues	<u>3,931</u>	<u>3,881</u>	<u>50</u>
Change in net assets	<u>\$ 105</u>	<u>\$ (181)</u>	<u>\$ 286</u>

In 2011 we paid a \$250,000 "side fund" pension payment to CalPERS, reducing the District's pension liability. This payment was not required in 2012, which accounts for most of the change in personnel expense. Other expenses are relatively close to the prior year. Various reclassifications were made to the 2011 expenses.

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 \$56,000. On page 12 there is reconciliation between the fund balance increase and the change in net assets. Fund balance increased during the year due to various changes in revenues and expenditures. The largest change related to the reduction in pension expense as indicated above.

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.

Detail about our debt is shown in Note 4 in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC OUTLOOK

As discussed in the District financial statements the past few years, the State of California continues to experience a severe budget crisis. Due to the economic downturn, property tax revenues have remained relatively flat the last three years. Property tax revenue remains the District's principal revenue source. Economic recovery continues to be gradual, with some experts predicting only moderate improvement by 2015.

We have again experienced a very slightly positive upturn of the real estate market in the service area. Future property tax revenues will, in at least the short term, continue flat. Additionally, the income received on the District's investment account continues to earn minimal interest, estimated at approximately one half of one percent. Income relative to the Marin General Hospital Service contract and site leases for telecommunication equipment continues to increase but only at the contracted inflationary rate, which continues to be very modest. Plan check fees, an indicator of future growth of property tax valuations, has outpaced expectations significantly.

The District's CalPERS retirement rates continue to increase, but not at proportions previously experienced. To date the Fire District paid down approximately \$250k of the CalPERS side fund obligation which has resulted in smaller than predicted retirement cost escalation. The CalPERS fund losses experienced in 2008 have rebounded significantly and CalPERS investment earnings during the period have done well. Unfortunately, CalPERS investment earnings during the current audit year are not predicted to maintain the previously experienced growth rate. The District has annually funded an OPEB (Other Post Employment Benefits) Trust account with CalPERS at the full rate prescribed by an actuarial study completed by Bickmore Risk. This action will, over time, significantly reduce the District's unfunded liability to retired employee benefits while meeting GASB 45 compliance. That investment trust continues a positive earnings trend.

The District is scheduled to replace all the self-contained breathing apparatus (SCBA) equipment in fiscal year 2012-13. This is a significant capital investment estimated to be approximately \$180,000. The District has a fully funded reserve account specifically allocated for this planned expense.

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. No layoffs or reductions of service are anticipated at this time in spite of flat revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 3,016,147
Accounts receivable	2,185
Property taxes receivable	64,182
Total current assets	3,082,514
Noncurrent assets:	
Overfunded other post employment benefit obligations	204,967
Capital assets, net of accumulated depreciation	6,287,172
Deferred charge - debt issuance costs	28,448
Total noncurrent assets	6,520,587
Total assets	9,603,101

LIABILITIES

Current liabilities:	
Accounts payable	29,795
Accrued expenses	47,992
Capital lease obligations	202,031
Compensated absences payable	265,245
Total current liabilities	545,063
Noncurrent liabilities:	
Compensated absences payable	101,376
Capital lease obligations	2,751,622
Total noncurrent liabilities	2,852,998
Total liabilities	3,398,061

NET ASSETS

Invested in capital assets, net of related debt	3,361,967
Unrestricted	2,843,073
Total net assets	\$ 6,205,040

**KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

EXPENSES

Personnel	\$ 3,103,364
Material and services	426,809
Depreciation	261,847
Interest on debt	<u>143,773</u>
Total expenses	3,935,793

PROGRAM REVENUES

Charges for services	101,174
Miscellaneous	<u>8,526</u>
Total program revenues	<u>109,700</u>
Net program expense	3,826,093

GENERAL REVENUES

Property taxes	3,830,842
Operating grants and contributions	22,124
Use of money and property	<u>78,051</u>
Total general revenues	<u>3,931,017</u>
Change in net assets	104,924

NET ASSETS

Beginning of year	<u>6,100,116</u>
End of year	<u><u>\$ 6,205,040</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2012**

ASSETS

Cash and cash equivalents	\$	3,016,147
Accounts receivable		2,185
Property taxes receivable		64,182
		64,182
Total assets	\$	3,082,514

LIABILITIES

Accounts payable	\$	29,795
Accrued expenses		47,992
Deferred revenue		64,182
		64,182
Total liabilities		141,969

FUND BALANCE

Fund balance		
Assigned		2,849,568
Unassigned		90,977
		90,977
Total fund balance		2,940,545
Total liabilities and fund balance	\$	3,082,514

**KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2012
(Continued)**

Total governmental fund balance	\$ 2,940,545
Amounts reported for <i>governmental activities</i> 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 fund balance sheet	64,182
Capital assets used in the government activities are not financial resources and therefore are not reported in the fund balance sheet	6,287,172
Debt issuance costs are reported as an outflow in the funds, but are capitalized and amortized to expense in the statement of activities	28,448
Some assets (liabilities) are not due and receivable (payable) in the current period and therefore are not reported as fund assets (liabilities)	
Other post employment benefit asset	204,967
Capital lease obligations	(2,953,653)
Compensated absences	(366,621)
Net assets of governmental activities	\$ 6,205,040

**KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2012**

REVENUES

Property taxes	\$ 3,826,412
Intergovernmental	33,631
Use of money and property	78,051
Charges for services	89,667
Miscellaneous	<u>8,526</u>
Total revenues	<u>4,036,287</u>

EXPENDITURES

Current:	
Salaries and benefits	3,219,678
Material and services	423,784
Capital outlay	4,273
Debt service:	
Principal	193,250
Interest	<u>141,132</u>
Total expenditures	<u>3,982,117</u>
Net change in fund balance	54,170

FUND BALANCE

Beginning of year	<u>2,886,375</u>
End of year	<u><u>\$ 2,940,545</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUND
AS OF JUNE 30, 2012
(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	\$	54,170
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		1,248
Depreciation expense		(261,847)
Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements		
Property taxes		4,430
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)		
Payments to reduce capital lease obligations		193,250
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		
		(2,641)
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:		
Other post employment benefits		76,937
Accrued compensated absences		39,377
Change in net assets	\$	104,924

**KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
DEFERRED COMPENSATION PLAN
AS OF JUNE 30, 2012**

ASSETS

Contributions receivable	\$ 33,835
Investments in mutual funds	<u>1,596,597</u>
Net assets held in trust for benefits	<u><u>\$ 1,630,432</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DEFERRED COMPENSATION PLAN
YEAR ENDED JUNE 30, 2012**

ADDITIONS

Employee contributions	\$ 128,634
Dividends	21,355
Net increase (decrease) in fair value of investments	<u>(69,920)</u>
Total additions	80,069

DEDUCTIONS

Benefits	<u>84,649</u>
Net increase (decrease)	(4,580)

NET ASSETS HELD IN TRUST FOR BENEFITS

Beginning of year	<u>1,635,012</u>
End of year	<u><u>\$ 1,630,432</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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).

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

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 for the year ended June 30, 2010 employees with 15 years of service receive at retirement or death a one-time payment equal to 50% of the value of accumulated sick leave.

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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.

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 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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS (continued)

Fund balance (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 reserves 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.

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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.”

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, 2012, the County’s investment pool had a weighted average maturity of 243 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.”

**KENTFIELD FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012**

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 each pool’s fair value at June 30, 2012.

Investments in Investment Pool	<u>Percent of Portfolio</u>
Federal agency - discount	73%
Federal agency - coupon	25%
Money market funds	<u>2%</u>
	<u><u>100%</u></u>

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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 statute.

BALANCES

Cash and cash equivalents consist of the following:

Cash with County Treasurer	\$ 2,879,694
Cash in banks	136,253
Petty cash	<u>200</u>
Total	<u><u>\$ 3,016,147</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance			Balance
	June 30, 2011	Additions	Dispositions	June 30, 2012
Capital assets not subject to depreciation:				
Land	\$ 10			\$ 10
Artwork	35,000			35,000
Subtotal	<u>35,010</u>	<u>-</u>	<u>-</u>	<u>35,010</u>
Capital assets subject to depreciation:				
Building and improvements	5,866,298			5,866,298
Fire apparatus	1,304,182			1,304,182
Vehicles	69,459			69,459
Equipment and furniture	581,454	\$ 1,248		582,702
Subtotal	<u>7,821,393</u>	<u>1,248</u>	<u>-</u>	<u>7,822,641</u>
Total assets	7,856,403	1,248	-	7,857,651
Less: Accumulated depreciation	<u>1,308,632</u>	<u>261,847</u>		<u>1,570,479</u>
Capital assets, net	<u>\$ 6,547,771</u>	<u>\$ (260,599)</u>	<u>\$ -</u>	<u>\$ 6,287,172</u>

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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

Balance as of June 30, 2011	\$ 405,998
Increases during the year	251,159
Decreases during the year	<u>(290,536)</u>
Balance as of June 30, 2012	366,621
Less amount due within 1 year	<u>(265,245)</u>
Amount due after 1 year	<u><u>\$ 101,376</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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 for a stream of annual payments. The District's lease payments to the Corporation are payable from any source of legally available funds. The transaction has been reported as a capital lease in these financial statements. During 2010-11, the District prepaid a portion of the lease by approximately \$53,000.

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

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

	<u>Fire Station Modernization</u>	<u>Solar Equipment</u>
Date of lease	January 2009	December 2008
Semi-annual payment	\$ 163,907	
Annual payment		\$ 6,567
Number of payments	30	13
Effective interest rate	4.65%	0.87%
Prepaid financing costs	\$ 30,000	\$ 7,692
Cost of building/equipment	4,934,000	68,000
Accumulated amortization	235,600	3,400

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

4. NONCURRENT LIABILITIES (Continued)

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

<u>Year ending June 30</u>	<u>Fire Station Modernization</u>	<u>Solar Equipment</u>	<u>Total</u>
2013	\$ 327,815	\$ 6,567	\$ 334,382
2014	327,815	6,567	334,382
2015	327,815	6,567	334,382
2016	327,815	6,567	334,382
2017	327,815	6,567	334,382
2018-2022	1,639,075	26,269	1,665,344
2023-2024	491,721	-	491,721
Total payments	3,769,871	59,104	3,828,975
Less: Interest	(875,322)	-	(875,322)
Net	2,894,549	59,104	2,953,653
Less: Amount due within 1 year	(195,464)	(6,567)	(202,031)
Amount due after 1 year	<u>\$ 2,699,085</u>	<u>\$ 52,537</u>	<u>\$ 2,751,622</u>

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

	<u>Fire Station Modernization</u>	<u>Solar Equipment</u>	<u>Total</u>
Balance as of June 30, 2011	\$ 3,081,232	\$ 65,671	\$ 3,146,903
Decreases during the year	(186,683)	(6,567)	(193,250)
Balance as of June 30, 2012	<u>\$ 2,894,549</u>	<u>\$ 59,104</u>	<u>\$ 2,953,653</u>

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

5. FUND BALANCE

The following are assigned fund balances as of the balance sheet date:

Apparatus	\$ 552,643
Building replacement	272,899
Compensated absences	407,973
Contingencies and emergencies	295,000
LDH (Hose)	30,000
Marin Emergency Radio Authority	72,580
PERS unfunded liability	427,390
OPEB	199,983
SCBA	180,000
General insurance deductible	23,100
Health insurance	25,000
Hydrants and mains	30,000
Mapping and planning	58,000
Heavy rescue equipment	25,000
Debt service sinking fund	250,000
	<hr/>
	\$ 2,849,568
	<hr/> <hr/>

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.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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, 2012 was 35.059% for safety employees and 31.425% for miscellaneous employees.

ANNUAL PENSION COST

For the year ended June 30, 2012, the District's required and actual pension costs were approximately \$706,000. The required contribution was determined as part of the July 1, 2009, actuarial valuation.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

7. DEFINED BENEFIT PENSION PLAN (continued)

The most recent actuarial valuation was performed as of June 30, 2010 under the following methods and assumptions:

Actuarial cost method:	Entry age
Amortization method:	Level percent of payroll
Average remaining period:	17 years, 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:	3.55% to 14.45% depending on age, service and type of employment
Inflation:	3.00%
Payroll growth:	3.25%
Individual salary growth	A 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
2010	\$ 658,000	100%	\$0
2011	697,000	100%	0
2012	706,000	100%	0

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

PLAN DESCRIPTION

In accordance with its agreement with the Kentfield Association of Professional Firefighters, the District provides post-retirement health care benefits to its retirees through the Kentfield Fire Protection District Retiree Health Plan (Plan). The Plan is a single-employer plan for which audited financial statements are not available.

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

FUNDING POLICY

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

During the year ended June 30, 2010, the District began partial pre-funding of the retiree health care liabilities. For the year ended June 30, 2012, a pay-go contribution of \$73,148 was paid and a pre-funding contribution of \$170,000 was made to the CalPERS Trust.

Annual required contribution/Annual OPEB cost (expense)	\$ 168,657
Interest on net OPEB obligation	(9,922)
Adjustment to annual required contribution	7,476
Annual OPEB Cost (expense)	<u>166,211</u>
Contributions made	<u>(243,148)</u>
Increase (decrease) in net OPEB obligation	(76,937)
Net OPEB obligation (asset) - beginning of the year	<u>(128,030)</u>
Net OPEB obligation (asset) - end of the year	<u><u>\$ (204,967)</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2010	\$169,967	\$232,405	137%	\$ (62,438)
2011	168,774	234,366	139%	(128,030)
2012	166,211	243,148	146%	(204,967)

FUNDING STATUS

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

In the July 1, 2011 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions include a 7.06% investment rate of return and a general inflation rate of 3.25%. The UAAL were amortized using a 30-year level-percent of payroll amortization period.

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

9. RISK MANAGEMENT

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

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

Fire Agencies Insurance Risk Authority

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

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

10. 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, 2012, as follows:

Appropriations limit	3,920,091
Annual subject appropriations	<u>3,920,091</u>
Amount (over) under the appropriation limit	<u><u>-</u></u>

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, 2012:

Total assets	\$ 24,364,708
Total liabilities	<u>19,966,993</u>
Net assets	<u><u>\$ 4,397,715</u></u>
Total revenues	\$ 3,878,767
Total expenses	<u>4,103,003</u>
Net income (loss)	<u><u>\$ (224,236)</u></u>

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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, 2013. The agreement provides for no increase in annual pay salaries for the fiscal year ending June 30, 2013.

13. NEW ACCOUNTING PRONOUNCEMENT

In June 2011, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in the statement of financial position. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2012, GASB issued Statement of Governmental Accounting Standards No. 68, *Accounting and Financial Reporting for Pensions*. This Statement revives and establishes new financial reporting requirements for governments that provide their employees with pension benefits. The provisions of the Statement are effective for financial statements starting with the fiscal year ending June 30, 2015.

Required Supplemental Information

**KENTFIELD FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Property taxes	\$ 3,196,353	\$3,196,353	\$ 3,163,804	\$ (32,549)
Special assessments	396,000	396,000	400,779	4,779
Supplemental assessment	23,125	23,125	36,073	12,948
Excess ERAF	238,575	238,575	225,756	(12,819)
Other governmental aid	22,000	22,000	22,124	124
Use revenue / money & property	226,068	226,068	187,751	(38,317)
Total revenues	4,102,121	4,102,121	4,036,287	(65,834)
EXPENDITURES				
Current				
Salaries and employee benefits	3,157,768	3,159,868	3,100,578	59,290
Service and supplies	548,370	548,370	526,665	21,705
Total operating expenditures	3,706,138	3,708,238	3,627,243	80,995
Capital outlay	44,010	44,010	20,492	23,518
Debt service	334,415	334,415	334,382	33
Total expenditures	4,084,563	4,086,663	3,982,117	104,546
Excess of revenues over expenditures	<u>\$ 17,558</u>	<u>\$ 15,458</u>	54,170	<u>\$ 38,712</u>
Fund balance at beginning of year			<u>2,886,375</u>	
Fund balance at end of year			<u>\$ 2,940,545</u>	

**KENTFIELD FIRE PROTECTION DISTRICT
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2012**

DEFINED BENEFIT PENSION PLAN

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

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll	UAAL as a % of Covered Payroll (c) / (e)
6/30/2008	\$ 1,518	\$ 1,756	\$ 238	86.4%	\$ 211	113%
6/30/2009	1,520	1,803	283	84.3%	222	127%
6/30/2010	1,629	1,915	286	85.1%	225	127%

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

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll	a % of Covered Payroll (c) / (e)
6/30/2008	\$ 641	\$ 776	\$ 135	82.6%	\$ 155	87%
6/30/2009	694	883	189	78.6%	162	117%
6/30/2010	755	945	190	79.9%	159	119%

**KENTFIELD FIRE PROTECTION DISTRICT
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2012**

POSTEMPLOYMENT HEALTHCARE PLAN

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/ (b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c)/(e)
7/1/2008	\$ -	\$ 1,904,321	\$ 1,904,321	0%	1,158,833	164%
7/1/2010	169,093	1,984,568	1,815,475	9%	1,293,127	140%
7/1/2011	387,297	2,392,071	2,004,774	16%	1,280,984	157%

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2012**

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.

2. POST EMPLOYMENT HEALTHCARE PLAN

The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.