Kentfield Fire Protection District

Paul D. Smith
Fire Chief

1004 Sir Francis Drake Boulevard
Kentfield, CA 94904

Phone : (415) 453-7464
Fax : (415) 453-4578

Basic Financial Statements
Fiscal Year Ended June 30, 2014

This Page Left Intentionally Blank

KENTFIELD FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

Table of Contents

This Page Left Intentionally Blank

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Kentfield Fire Protection District (District), California, as of and for the year ended June 30, 2014, 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. 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6, the net position of the Fiduciary Fund was restated from $1,980,981 to $0 at July 1, 2013.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison 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 December 3, 2014, 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
December 3, 2014

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, 2014. Please read it along with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The District's net position increased by $351,000 during 2014. Total revenues increased by $494,000 and total expenses increased by $384,000.

Included in the required supplemental information section is a budgetary comparison schedule. As indicated in the budgetary comparison schedule on page 34, our revenues were higher than budgeted amounts by $147,000 and operating expenditures were below amounts budgeted by $177,000.

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:

	2014	2013	Increase (decrease)
Current assets	$ 3,398	$ 3,301	$ 97
Noncurrent assets	6,378	6,353	25
Total assets	9,776	9,654	122
Current liabilities	525	456	69
Noncurrent liabilities	2,454	2,752	(298)
Total liabilities	2,979	3,208	(229)
Net position:			
Net investment in capital assets	3,455	3,271	184
Unrestricted	3,342	3,175	167
Total net position	$ 6,797	$ 6,446	$ 351

The increase in current assets is primarily a result of normal changes in working capital. The increase in noncurrent assets was primarily due to the acquisition of self-contained breathing apparatus equipment offset by depreciation expense. Noncurrent liabilities decreased due to scheduled principal payments towards our fire station remodel and solar equipment leases.

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

	2014	2013	Increase (decrease)
General revenues			
Property taxes	$ 4,227	$ 3,931	$ 296
Use of money and property	119	88	31
Total general revenues	4,346	4,019	327
Program revenues			
Charges for services	234	227	7
Operating grants and contributions	182	22	160
Total program revenues	416	249	167
Total revenues	$ 4,762	$ 4,268	$ 494

Property tax revenue increased due to higher assessed valuations. New contracts with cellular carriers resulted in increase in use of money and property. Operating grants and contributions increased primarily due to a FEMA grant for self-contained breathing apparatus.

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

	2014	2013	Increase (decrease)
Personnel	$ 3,485	$ 3,226	$ 259
Material and services	521	407	114
Depreciation	257	259	(2)
Interest	148	135	13
Total expenses	4,411	4,027	384
Less: Program revenues	416	227	189
Net expenses	3,995	3,800	195
General revenues	4,346	4,041	305
Change in net position	$ 351	$ 241	$ 110

Personnel expense increase primarily due to new labor agreement and payoff of prior miscellaneous retirement plan. Material and services increased primarily due to Measure G consulting fees and significant apparatus repair expense. Interest expense increased due to pre-payment premium associated with the refunding of Fire Station Modernization debt.

FUND FINANCIAL STATEMENTS

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

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

As shown on page 13, the fund balance of the general fund increased by $76,000. On page 14 there is reconciliation between the fund balance increase and the change in net position.

CAPITAL ASSET AND DEBT ADMINISTRATION

Depreciation is a systematic approach to allocate the cost of capital assets over their estimated useful lives. The District's policies regarding depreciation 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 District's financial position continues to be sufficient to maintain a continued high level of service to its constituents. The District's financial planning and fiscal forecast continues to be based on sound and conservative calculations of economic trends. Some assumptions, relative to recent trends in local real property values and State economic forecasts, predict a slow recovery out of the recessionary period that has stressed local agency budgets for several reporting periods. Property tax revenue remains the District's most stable and principal revenue source. Modest increases are anticipated over the next several years until the economy fully recovers. The District is currently experiencing a moderate recovery due to the strength of the local real estate market. Predictably, a slight growth in property tax revenue is expected. The Kentfield Fire District remains stable and continues to provide a high level of service to the community in spite of continuing budget problems that persist with some local and regional agencies. Adequate resources are being maintained for long range needs, but future major purchases must be approached with increased deliberation. During these times of economic recovery, vigilance must be maintained to ensure outside sources such as local and state governments do not negatively impact the Mission and Strategic Goals of the District.

Additionally, the District residents recently voted overwhelmingly to support an increase in the current special fire assessment. This assessment that previously allowed a ceiling of six cents per square foot finished space has been increased to seven cents for fiscal year 2014-2015 and now includes all building square foot area, with an annual inflation computation. This adds a modest increase in revenue coupled with an increase in property tax valuations.

With regard to other income sources, the revenue received on the District's investment account continues to earn minimal interest, estimated at one half of one percent. Income received from the Marin General Hospital contract and cellular communication leases for site rental use continues to increase, but only at very modest inflationary rates. However, a new contract was recently negotiated with one of the providers, positively affecting that revenue category.

The District's CalPERS contributions have stabilized somewhat. Although there have been adjustments of "Classic" members safety plan due to revisions of actuarial assumptions, some savings is evidenced with two new members covered under a less costly CalPERS PEPRA plan . The District's CalPERS Safety Plan side-fund liability continues to decrease as contributions are made. Additionally, future retiree medical insurance benefit obligations continue to be aggressively funded through the OPEB (Other Post Employment Benefit) Trust account with CalPERS. The District will continue identifying methods to reduce these liabilities. During fiscal year 2013-2014 the District prudently retired an outstanding liability relative to the CalPERS Tier One, Miscellaneous Plan. These strategies have enabled the District to endure the volatile economy in recent years without service level reductions and will, over time, significantly reduce the District's long-term fiscal liability resulting in a favorable retirement rate adjustment.

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

REQUESTS FOR INFORMATION

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

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

Respectfully submitted,

Paul D. Smith

Paul D. Smith, Fire Chief

This Page Left Intentionally Blank

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents	$3,112,499
Accounts receivable	218,258
Property taxes receivable	66,952
Total current assets	3,397,709
Noncurrent assets:	
Pre-funded OPEB obligation	383,105
Land and artwork	35,010
Depreciable capital assets, net	5,960,262
Total noncurrent assets	6,378,377
Total assets	9,776,086
LIABILITIES	
Current liabilities	
Accounts payable	30,126
Accrued expense	57,998
Capital lease obligations	233,128
Compensated absences payable	204,215
Total current liabilities	525,467
Noncurrent liabilities	
Compensated absences payable	146,437
Capital lease obligations	2,307,267
Total non-current liabilities	2,453,704
Total liabilities	2,979,171
NET POSITION	
Net Investment in capital assets	3,454,877
Unrestricted	3,342,038
Total net position	$6,796,915

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXPENSES	
Salaries and benefits	$3,485,399
Material and services	520,534
Depreciation	256,613
Interest on debt	148,100
Total expenses	4,410,646
PROGRAM REVENUES	
Charges for services	233,438
Operating grants and contributions	182,062
Total program revenues	415,500
Net program expense	3,995,146
GENERAL REVENUES	
Property taxes	4,227,181
Use of money and property	118,968
Miscellaneous	185
Total general revenues	4,346,334
Change in net position	351,188
NET POSITION	
Beginning of year	6,445,727
End of year	$6,796,915

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2014

ASSETS	
Cash and cash equivalents	$3,112,499
Accounts receivable	218,258
Property taxes receivable	66,952
Total assets	$3,397,709
LIABILITIES	
Accounts payable	$30,126
Accrued expenses	57,998
Total liabilities	88,124
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	66,952
FUND BALANCE	
Assigned	2,895,481
Unassigned	347,152
Total fund balance	3,242,633
Total liabilities, deferred inflows of resources, and fund balance	$3,397,709

See accompanying notes to financial statements

KENTFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Total governmental fund balance	$3,242,633
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	66,952
Capital assets used in governmental activities are not financial resources and therefore are not reported in fund balance sheet	5,995,272
Some assets (liabilities) are not due and receivable (payable) in the current period and therefore are not reported as fund assets (liabilities)	
Net OPEB asset	383,105
Capital lease obligations	(2,540,395)
Compensated absences	(350,652)
Net position of government activities	$6,796,915

See accompanying notes to basic financial statements

KENTFIELD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES:	
Property taxes	$4,204,019
Intergovernmental	317,175
Use of money and property	118,968
Charges for services	120,493
Miscellaneous	185
Total revenues	4,760,840
EXPENDITURES:	
Current:	
Salaries and benefits	3,584,902
Material and services	502,245
Capital outlay	238,191
Debt Service :	
Principal	2,705,652
Interest	148,100
Total expenditures	7,179,090
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,418,250)
OTHER FINANCING SOURCES (USES)	
Issuance of debt	2,494,426
NET CHANGE IN FUND BALANCE	76,176
FUND BALANCE	
Beginning of year	3,166,457
End of year	$3,242,633

See accompanying notes to basic financial statements

KENTFIELD FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balance	$76,176
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	219,902
Depreciation expense	(256,613)
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	994
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	211,226
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	(25,807)
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:	
Other post employment benefits	89,527
Accrued compensated absences	35,783
Change in net position	$351,188

See accompanying notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

INTRODUCTION

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

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

BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE STATEMENTS

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE STATEMENTS (Continued)

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

FUND FINANCIAL STATEMENT STATEMENTS

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

The District uses the following fund types:

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

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

BASIS OF ACCOUNTING

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

Accrual

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued):

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).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance

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

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

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

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

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

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

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 2 - CASH AND CASH EQUIVALENTS

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

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

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

Cash and cash equivalents consist of the following:

Cash with County Treasurer	$3,005,997
Cash in banks	106,302
Petty cash	200
Total	$3,112,499

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, 2014, the County's investment pool had a weighted average maturity of 264 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 each pool's fair value at June 30, 2014.

Investments in investment pool	Percent of portfolio
Federal agency - coupon	24%
Federal agency - discount	73%
Money market funds	3%
	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.

LOCAL AGENCY INVESTMENT FUND

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

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Balance June 30, 2014
Nondepreciable capital assets:			
Land	$10		$10
Artwork	35,000		35,000
Total nondepreciable capital assets	$35,010		$35,010
Capital assets being depreciated:			
Buildings and building improvements	$5,866,298		$5,866,298
Fire apparatus	1,304,182		1,304,182
Vehicles	69,459		69,459
Equipment and furniture	586,961	$219,902	806,863
Total capital assets being depreciated	7,826,900	219,902	8,046,802
Less accumulated depreciation for:			
Buildings and building improvements	753,115	144,173	897,288
Fire apparatus	633,411	60,441	693,852
Vehicles	54,711	3,765	58,476
Equipment and furniture	388,690	48,234	436,924
Total accumulated depreciation	1,829,927	256,613	2,086,540
Total depreciable assets	$5,996,973	($36,711)	$5,960,262

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, 2013	$386,435
Increases during the year	179,232
Decreases during the year	215,015
Balance as of June 30, 2014	350,652
Less amount due within 1 year	204,215
Amount due after 1 year	$146,437

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.

NOTE 4 – NONCURRENT LIABILITIES (Continued)

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

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

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

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

Year ending June 30	Fire Station Modernization	Solar Equipment	Total
2015	$309,461	$6,567	$316,028
2016	309,461	6,567	316,028
2017	309,461	6,567	316,028
2018	309,461	6,567	316,028
2019	309,461	6,567	316,028
2020 - 2024	1,392,575	13,134	1,405,709
Total payments	2,939,880	45,969	2,985,849
Less: Interest	445,454		445,454
Net	2,494,426	45,969	2,540,395
Less: Amount due within 1 year	(226,561)	(6,567)	(233,128)
Amount due after 1 year	$2,267,865	$39,402	$2,307,267

NOTE 4 – NONCURRENT LIABILITIES (Continued)

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

	Fire Station Modernization	Solar Equipment	Total
Balance as of June 30, 2013	$2,699,084	$52,537	$2,751,621
Decreases during the year	(204,659)	(6,567)	(211,226)
Balance as of June 30, 2014	$2,494,425	$45,970	$2,540,395

NOTE 5 – FUND BALANCE

The following are assigned fund balances:

Apparatus	$652,643
Building replacement	72,899
Compensated absences	130,973
Contingencies and emergencies	395,000
LDH (Hose)	30,000
Marin Emergency Radio Authority	37,580
PERS unfunded liability	800,490
OPEB	199,983
General insurance deductible	10,000
Health insurance	25,000
Hydrants and mains	10,000
Mapping and planning	30,000
Heavy rescue equipment	25,000
Debt service sinking fund	250,000
Equity	225,913
Total	$2,895,481

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. As a result, the net position of the District's Fiduciary Fund was restated from $1,980,981 to $0 at July 1, 2013.

NOTE 7 – PENSION PLAN

The District contributes to the California Public Employees' Retirement System (CalPERS); a cost-sharing 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. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from its Executive Office – 400 P Street, Sacramento, CA 95817.

FUNDING POLICY

The District makes the contributions required of plan members on their behalf and for their account. The safety plan member rate is 9.0 percent of their annual covered salary and the miscellaneous plan member rate 8.0 percent of their covered salary. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for fiscal year ended June 30, 2014 was 35.79% for safety plan members and 14.083% for miscellaneous plan members. The contribution requirements of plan members and the District are established and may be amended by the CalPERS Board of Administration. The District's contributions to CalPERS for the year ending June 30, 2014, 2013, and 2012 were approximately $640,419, 719,000, and 706,000, respectively, equal to the required contributions for each year.

NOTE 7 – PENSION PLAN (Continued)

ANNUAL PENSION COST

The annual pension cost of $640,419 equaled the District's required contribution. The required contributions were determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses) and (b) projected annual salary increases of 3.30%. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of the assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period but within an 80%/120% corridor (smoothed market value). The District's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on an open basis over 20 years.

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$706,000	100%	$0
2013	719,000	100%	0
2014	640,419	100%	0

NOTE 8 – OTHER POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB)

Plan Description

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

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

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

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

Funding Policy

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

ANNUAL OPEB COST AND NET OPEB ASSET

For the year ended June 30, 2014, a pay-go contribution of $83,343 was paid and a pre-funding contribution of $170,000 was made to the CalPERS Trust.

Annual required contribution	$196,235
Interest on net OPEB (asset)	(21,772)
Adjustment to annual required contribution	19,255
Annual OPEB cost (expense)	193,718
Contributions made	(283,245)
Increase (decrease) in net OPEB (asset)	(89,527)
Net OPEB (asset) - beginning of the year	(293,578)
Net OPEB (asset) - ending of the year	($383,105)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2014 are as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2012	$166,211	$243,148	146%	($204,967)
2013	164,741	253,343	154%	(293,578)
2014	193,718	283,245	146%	(383,105)

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

FUNDING STATUS

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

Valuation Date:	July 1, 2013
Funding Method:	Entry Age Normal Cost, level percent of pay
Asset Valuation Method:	Market value of assets
Long Term Return on Assets:	7.06%
Discount Rate:	7.06%
Salary Increase:	3.25% per year
Assumed Increase for Amortization Payments:	3.25% per year where determined on a percent of pay basis
General Inflation Rate:	3.0% per year

Amortization payments are determined as a level percent of pay over a closed, 30 year period; the remaining amortization period used in developing the ARC for the fiscal year ending June 30, 2014 is 26 years.

The caps on medical premiums covered by the District are assumed to increase each July 1st, ranging from 4.50% to 8.50% per year.

NOTE 9 – RISK MANAGEMENT

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

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

Fire Agencies Insurance Risk Authority

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

Coverage	Limit	Deductible
General Liability	$2,000,000	$0
Management	1,000,000	5,000
Automobile	1,000,000	0
Crime	1,000,000	5,000
Portable Equipment	Replacement Cost	1,000
Umbrella	10,000,000	0

Fire Districts Association of California – Fire Association Self Insurance System

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

NOTE 10 – JOINT VENTURE

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

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

NOTE 11 – ARTICLE XIII OF THE STATE CONSTITUTION

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

Appropriations Limit	$4,303,896
Annual subject appropriations	4,303,896
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.

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

KENTFIELD FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Property taxes	$4,050,100	$4,050,100	$4,204,019	$153,919
Special assessments	364,309	364,309	317,175	(47,134)
Supplemental assessment	82,260	82,260	118,968	36,708
Excess ERAF	116,600	116,600	120,493	3,893
Other governmental aid		185	185	
Total Revenues	4,613,269	4,613,454	4,760,840	147,386
EXPENDITURES				
Current				
Salaries and employees benefits	3,483,033	3,756,425	3,584,902	171,523
Service and supplies	601,975	507,813	502,245	5,568
Total operating expenditures	4,085,008	4,264,238	4,087,147	177,091
Capital outlay	284,730	268,500	238,191	30,309
Debt service - principal	211,228	211,228	2,705,652	(2,494,424)
Debt service - interest	123,156	148,101	148,100	1
Total expenditures	4,704,122	4,892,067	7,179,090	(2,287,023)
Excess of revenues over expenditures	(90,853)	(278,613)	(2,418,250)	(2,139,637)
Other financing sources (uses)				
Proceeds from debt			2,494,426	2,494,426
Net change in fund balance	($90,853)	($278,613)	76,176	$354,789
Fund balance at beginning of year			3,166,457	
Fund balance at end of year			$3,242,633	

KENTFIELD FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUND PROGRESS - PENSION

Safety Plan:

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL)	(b) Market Value of Assets (MVA)	(c) Funded (Unfunded) AAL (UAAL) (b)-(a)	(d) Funded Ratio (b)/(a)	(e) Covered Payroll	(f) UAAL as a percentage of Covered Payroll (c)/(e)
6/30/2011	$17,775,813	$12,997,297	($4,778,516)	73.1%	$1,553,001	(307.7%)
6/30/2012	18,177,298	12,639,032	(5,538,266)	69.53%	1,584,205	(349.6%)
6/30//2013	18,162,916	13,515,382	(4,647,534)	74.41%	1,593,532	(291.6%)

PEPRA Safety Fire

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Market Value of Assets (MVA)	Funded (Unfunded) AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll (c)/(e)
6/30/2013	$184	$270	$86	146.7%	$79,712	0.1%

Miscellaneous 1st Tier:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Market Value of Assets (MVA)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll (c)/(e)
6/30/2011	$625,673	$401,480	($224,193)	64.2%	$95,877	(233.8%)
6/30/2012	717,597	454,853	(262,744)	63.4%	-	-
6/30//2013	710,912	458,399	(252,513)	64.5%	-	-

Miscellaneous 2nd Tier:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Market Value of Assets (MVA)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll (c)/(e)
6/30/2012	$7,712	$5,550	($2,162)	72.0%	$60,226	(3.6%)
6/30/2013	23,702	18,059	(5,643)	76.2%	65,774	(8.6%)

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll (c)/(e)
7/1/2010	$1,984,568	$169,093	$1,815,475	8.5%	$1,293,127	140.4%
7/1/2011	2,392,071	387,297	2,004,774	16.2%	1,280,984	156.5%
7/1/2013	2,102,193	789,594	1,312,599	37.6%	1,291,131	101.7%

KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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.

MAZE
& ASSOCIATES

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, 2014, and have issued our report thereon dated December 3, 2014.

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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 December 3, 2014 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
December 3, 2014