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FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2019

**DRAFT**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sleepy Hollow Fire Protection District

We have audited the accompanying financial statements of the Sleepy Hollow Fire Protection District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 entity'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 entity'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.

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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.

*Maher Accountancy*

June XX, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Sleepy Hollow Fire Protection District San Anselmo, CA 94960**

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it along with the District's financial statements, which begin on page 8.

#### **FINANCIAL HIGHLIGHTS**

The District's net position decreased by \$133,000 during 2019. Total revenues decreased by \$673,000 and total expenses increased by \$15,000 as compared to 2018.

Included in the required supplemental information is a comparison between budgeted and actual revenues and expenditures. That statement indicates that we had a net positive variance of approximately \$71,000 when comparing actual activity with amounts budgeted.

#### **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. 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 changes in the District's boundaries, etc. to assess the overall health of the District.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** **(Continued)**

Changes in the District's net position were as follows:

	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,962,925	\$ 4,500,226	\$ (537,301)
Prepaid expenses	1,979	1,979	-
Property taxes receivable	24,500	24,500	-
Note receivable	<u>133,456</u>	<u>-</u>	<u>133,456</u>
Total current assets	<u>4,122,860</u>	<u>4,526,705</u>	<u>(403,845)</u>
<b>Noncurrent assets:</b>			
Capital assets net of depreciation	25,214	26,631	(1,417)
Note receivable	<u>575,079</u>	<u>-</u>	<u>575,079</u>
Total noncurrent assets	<u>600,293</u>	<u>26,631</u>	<u>573,662</u>
Total assets	<u>4,723,153</u>	<u>4,553,336</u>	<u>169,817</u>
Current liabilities	73,828	66,618	7,210
<b>Noncurrent liabilities:</b>			
Obligation related to equity interest in Ross Valley Fire Department	<u>1,942,516</u>	<u>1,647,028</u>	<u>295,488</u>
Total liabilities	<u>2,016,344</u>	<u>1,713,646</u>	<u>302,698</u>
<b>Net position:</b>			
Invested in capital assets	25,214	26,631	(1,417)
Unrestricted	<u>2,681,595</u>	<u>2,813,059</u>	<u>(131,464)</u>
Total net position	<u><u>\$ 2,706,809</u></u>	<u><u>\$ 2,839,690</u></u>	<u><u>\$ (132,881)</u></u>

The most significant component of current assets consists of cash held at Bank of Marin and the County of Marin pooled investment fund. Cash decreased primarily due to a loan to Ross Valley Fire Department during the current fiscal year for the amount of \$708,535.

The equity interest in Ross Valley Fire Department relates to our share in their net assets and liabilities. Recognition of our share of RVPD's pension and OPEB liabilities account for the change in noncurrent liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

Changes in the District's revenues were as follows:

	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
<b>General revenues:</b>			
Property taxes	\$ 1,595,321	\$ 1,519,833	\$ 75,488
Intergovernmental:			
HOPTR	6,682	6,824	(142)
Investment earnings	<u>65,900</u>	<u>38,158</u>	<u>27,742</u>
Total general revenues	1,667,903	1,564,815	103,088
<b>Program revenues:</b>			
Charges for services	50,380	48,142	2,238
Ross Valley Fire Department			
equity interest increase (decrease)	(295,488)	454,102	(749,590)
Grants	<u>-</u>	<u>28,810</u>	<u>(28,810)</u>
Total revenues	<u>\$ 1,422,795</u>	<u>\$ 2,095,869</u>	<u>\$ (673,074)</u>

Property taxes increased primarily due to an increase in assessed property values. As a member of the Ross Valley Fire Department, we recognize a portion of RVFD's change in net assets, including changes in its obligations for post-retirement benefits. Investment income increased primarily due to the increase in available interest rates.

Changes in District's expenses and net position were as follows:

	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
<b>Public safety-fire protection:</b>			
Contract for fire protection	\$ 1,284,864	\$ 1,227,180	\$ 57,684
Other expenses	<u>270,812</u>	<u>313,652</u>	<u>(42,840)</u>
Total expenses	1,555,676	1,540,832	14,844
Less program revenues	<u>(245,108)</u>	<u>531,054</u>	<u>(776,162)</u>
Net expenses	1,800,784	1,009,778	791,006
General revenues	<u>1,667,903</u>	<u>1,564,815</u>	<u>103,088</u>
Change in net position	(132,881)	555,037	(687,918)
Beginning net position	<u>2,839,690</u>	<u>2,284,653</u>	<u>555,037</u>
Ending net position	<u>\$ 2,706,809</u>	<u>\$ 2,839,690</u>	<u>\$ (132,881)</u>

Our agreement with the Ross Valley Fire Department requires an annual contribution of 12.8% of their budgeted expenditures which increased over the prior year.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Continued)**

### **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 measures amounts using only 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.

A comparison of budgeted and actual revenues and expenditures indicates that we had a positive variance of \$71,000. The supplemental information section of this report provides detail on the budget variance.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

During the fiscal year ended June 30, 2005, we purchased twenty-two fire pumps and hoses at a cost of approximately \$47,000. During 2008-09, we purchased an additional ten fire pumps that cost approximately \$31,000. The District also owns several fire hydrants purchased in the 1950s, 1960s, and 1970s.

### **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,

*Rich Shortall*

Rich Shortall  
President

## **Basic Financial Statements**

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

**ASSETS**

Current assets:	
Cash	\$ 319,052
Investment in Marin County Investment Pool	3,643,873
Prepaid expenses	1,979
Receivables:	
Property taxes due from the County of Marin	24,500
Note receivable	<u>133,456</u>
Total current assets	4,122,860
Noncurrent assets:	
Capital assets, net of accumulated depreciation	25,214
Note receivable	<u>575,079</u>
Total noncurrent assets	<u>600,293</u>
Total assets	<u>4,723,153</u>

**LIABILITIES**

Current liabilities:	
Accrued expenses	73,828
Noncurrent liabilities:	
Obligation related to equity interest in the Ross Valley Fire Department	<u>1,942,516</u>
Total liabilities	<u>2,016,344</u>

**NET POSITION**

Invested in capital assets	25,214
Unrestricted	<u>2,681,595</u>
Total net position	<u>\$ 2,706,809</u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

**EXPENSES**

Public safety- fire protection:	
Contract for fire protection services	\$ 1,284,864
Tax collection fees	21,766
Insurance	3,012
Director and treasurer fees	8,100
Bookkeeper expenses	2,650
Audit and accounting	3,745
Legal	28,723
Community preparedness	183,743
Station 20 maintenance	10,000
Fire department training	257
Miscellaneous	7,399
Depreciation	<u>1,417</u>
Total expenses	1,555,676

**PROGRAM REVENUE**

Charges for services	50,380
Ross Valley Fire Department equity interest change	<u>(295,488)</u>
Net program expense	1,800,784

**GENERAL REVENUES**

Property taxes	1,595,321
Intergovernmental-state	6,682
Investment earnings	<u>65,900</u>
Total general revenues	<u>1,667,903</u>
Change in net position	(132,881)

**NET POSITION**

Beginning of year	<u>2,839,690</u>
End of year	<u>\$ 2,706,809</u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2019**

**ASSETS**

Cash	\$ 319,052
Investment in Marin County Investment Pool	3,643,873
Receivables:	
Property taxes due from the County of Marin	24,500
Note receivable	<u>708,535</u>
Total assets	<u><u>4,695,960</u></u>

**LIABILITIES**

Accrued expenses	<u>73,828</u>
Deferred property taxes	<u>24,500</u>

**FUND BALANCE**

Fund balance:	
Assigned	3,000,000
Unassigned	<u>1,597,632</u>
Total fund balance	<u>4,597,632</u>
Total liabilities, deferred inflows or resources, and fund balance	<u><u>\$ 4,695,960</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**AS OF JUNE 30, 2019**  
**(Continued)**

**Reconciliation of governmental fund balance to net position of  
governmental activities:**

Total governmental fund balance	\$4,597,632
Amounts reported for governmental activities in the statement of net assets are different because:	
Property taxes receivable that are not available to pay current period expenditures are deferred in the fund financial statements	24,500
Prepaid expenses are not available to pay current period expenditures and, therefore, are deferred in the funds	1,979
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements	25,214
Some assets (liabilities) are not available in the current period and therefore are not reported as fund assets: Investment in Ross Valley Fire Department joint venture	<u>(1,942,516)</u>
Net position of governmental activities	<u><u>\$2,706,809</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2019**

## **REVENUES**

Property taxes	\$ 1,499,390
Education Revenue Augmentation Fund	95,931
Homeowners' property tax reimbursement	6,682
Charges for services	50,380
Interest	<u>65,900</u>
 Total revenues	1,718,283

## **EXPENDITURES**

<b>Current</b>	
Contract for fire protection services	1,284,864
County tax collection administration	21,766
Meeting attendance fees	4,500
Treasurer fees	600
Bookkeeper fees	2,650
Commissioner stipends	3,000
Audit and accounting	3,745
Insurance	3,012
Legal fees	28,723
Community preparedness	183,743
Fire department training	257
Miscellaneous	17,399
<b>Total current</b>	<b>1,554,259</b>

### Net change in fund balance

164,024

### Fund balance at beginning of year

4,433,608

### Fund balance at end of year

\$ 4,597,632

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

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

Net change in fund balance	\$ 164,024
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Depreciation expense	(1,417)
Revenues in the statement of activities that do not provide current resources are not reported as revenue in the fund financial statements	
Ross Valley Fire Department equity interest increase (decrease)	(295,488)
Accrued property taxes-end of the year	24,500
Accrued property taxes-beginning of the year	<u>(24,500)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (132,881)</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Sleepy Hollow Fire Protection District (District) is an autonomous Special District of the State of California responsible for fire protection and emergency services in the unincorporated area of Sleepy Hollow in Marin County, California. The District receives these services as a member of the Ross Valley Fire Service.

The District, established on February 28, 1949, is governed by an elected board of directors. Most of the District's funding is derived from property taxes.

**INTRODUCTION**

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

**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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**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 STATEMENTS**

The financial transactions of the District 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 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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF ACCOUNTING (continued):**

**Accrual:**

The governmental activities in the governmental-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 government 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**

**Investment in Marin County Investment Pool:**

The District invests most of its cash in the Marin County Investment Pool managed by the Director of Finance of the County of Marin.

**Note receivable**

The note receivable is primarily to support the operations of the Ross Valley Fire Department and not to obtain income or profit.

**Equipment and infrastructure**

The equipment included on the balance sheet represents fire hydrants and fire pumps and hoses purchased directly by the District. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The fire hydrants are being depreciated over 25 years and fire pumps and hoses are being depreciated over a ten-year useful life.

Occasionally, the District will contribute toward the cost of equipment for the Ross Valley Fire Service. These costs are not included on the District's balance sheet but are shown as an expense in the statement of activities.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**EQUITY INTEREST IN THE ROSS VALLEY FIRE DEPARTMENT**

The District has entered into a joint powers agreement (JPA) with the Towns of Fairfax, Ross and San Anselmo to operate and maintain the Ross Valley Fire Department. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the District is considered to have an *ongoing financial interest* in the joint venture. As a result, the District's share of income or loss is shown in the program revenue section in the statement of activities and the District's share of liabilities is shown in the statement of net position.

Additionally, the District is responsible for a share of obligations incurred by the Fire Department before becoming a member of the JPA. The main obligation relates to other post-employment benefits (OPEB). The District's estimated share is shown in the statement of net position.

**DEFERRED PROPERTY TAXES**

Deferred revenue (in the fund financial statements) represents property taxes earned during this year or a prior year but not collected in time to be available to finance the current year's operations.

**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.

The District participates in an agreement (commonly known as the Teeter Plan) with the County of Marin. The Teeter Plan calls for the County to advance 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. The receivable on the balance sheet refers to unsecured property taxes.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROPERTY TAXES (CONTINUED)**

Paramedic tax charges are assessed by the District. 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 Board of Directors 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 considered to have been spent. Following is a description of the components applicable to the District:

**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 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 by management. Actual results could differ from those estimates.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The District maintains cash in a non-interest-bearing demand account at Bank of Marin. The District's deposits with Bank of Marin are subject to California Government Code Section 16521 which requires that Bank of Marin collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of \$250,000 by 110%. The District monitors its risk exposure to Bank of Marin on an ongoing basis.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

The District maintains most of its cash in the Marin County Investment Pool which was created and is operated to increase 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. The District is able to issue payments without restriction from its account through the agency of the County of Marin Department of Finance.

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

The Marin County 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, 2019, the latest available information, the County's investment pool had a weighted average maturity of 218 days.

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**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 Agency obligations with a credit quality rating of "AAA."

**CONCENTRATION OF CREDIT RISK**

The following is a summary of the concentration of credit risk by investment type as a percentage of the pool's fair value at June 30, 2019.

	Percent of portfolio
Investments in investment pool	
Federal agency - discount	76%
Federal agency - coupon	23%
Money market funds	<u>1%</u>
	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.

**LOCAL AGENCY INVESTMENT FUND**

The Marin County Investment 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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**FAIR VALUE MEASUREMENT**

The District categorized its fair value measurements within the fair value hierarchy established by general accepted accounting policies. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2019, the District held no individual investments. All funds are invested in the Marin County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of \$1, which is substantially equal to fair value. The District proportionate share of investments in the County Pool are not required to be categorized under fair value hierarchy.

**3. NOTE RECEIVABLE**

On February 22, 2019, the District entered into a loan agreement with the Ross Valley Fire Department in the amount of \$708,535, bearing an interest rate of 3.00%. The funds will be used by the Ross Valley Fire Department to finance a portion of two fire engines which are also collateral for this Note. Principal and interest payments are due annually commencing February 2020, maturing in February 2024.

As of June 30, 2019, the balance of the Note was \$708,535

**4. CHARGES FOR SERVICES**

The San Domenico School, a tax-exempt school within the boundaries of the District, has agreed to make payments to the District for services provided by the District.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**5. EQUIPMENT**

The District owns thirty-two portable fire pumps, hoses and related equipment located at various residences in the District and fire hydrants located throughout the District. Equipment activity for the year ended June 30, 2019, was as follows:

	<b>Beginning</b>		<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Balance</b>
Fire Hydrants	\$ 87,459	\$ -	\$ 87,459
Pumps and Hoses	77,666	-	77,666
Total property	165,125	-	165,125
Less: accumulated depreciation	(138,494)	(1,417)	(139,911)
Equipment, net	<u>\$ 26,631</u>	<u>\$ (1,417)</u>	<u>\$ 25,214</u>

**6. FUND BALANCE**

The District's fund balance is reported in classifications as described in Note 1. The following amounts are classified as assigned.

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

Underfunded Pension Liability	\$ 1,000,000
FireWise Program	1,000,000
Operational Reserve	1,000,000
	<u><u>\$ 3,000,000</u></u>

**7. APPROPRIATIONS LIMIT**

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).

The District's appropriations were greater than the limitation for the year ended June 30, 2019, as follows:

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**7. APPROPRIATIONS LIMIT (continued)**

Appropriations limit	\$ 1,266,417
Annual subject appropriations	<u>1,506,072</u>
Excess of appropriations over limit	<u>\$ 239,655</u>

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, the District purchased commercial general liability with a \$3,000,000 aggregate limit. The District is not aware of any pending or threatened litigation claims.

**9. JOINT VENTURE**

The District entered into a Joint Powers Agreement (JPA) on July 1, 2010, with the Towns of Fairfax and San Anselmo to become a member of the Ross Valley Fire Service (the Authority). The JPA was amended effective July 1, 2012, to include the Town of Ross. The Authority provides fire protection, emergency, and related services within the Fairfax-San Anselmo-Ross area. Pursuant to the JPA, the District makes monthly payments to the Authority based on its Percentage Share (12.8%) of the Authority's adopted budget for the fiscal year 2015-2016. After three years, the Percentage Share will be reviewed by the Board of Directors and adjusted if warranted by changes in the members' relative population sizes, number of structures, assessed values, service calls, or other relevant factors.

The Authority has pre-existing obligations for periods before July 1, 2010, under the defined benefit plans of the Ross Valley Fire Service and its predecessor fire departments relating to post-employment retirement, disability, and death benefits (collectively "Pre-2010 Retirement Benefit Obligations"). The Authority may have other pre-existing financial liabilities that arose without fault of the Authority in the regular course of business and that will have to be paid in the regular course of business ("Other Pre-Existing Financial Liabilities"). The JPA provides that the District's share of the Pre-2010 Retirement Benefit Obligations and Other Pre-Existing Financial Liabilities will be set in accordance with its Percentage Share.

Additionally, the District is required to contribute up to \$10,000 per fiscal year to the Town of San Anselmo to be utilized exclusively for the maintenance, repair, and replacement of Fire Station 20 at 150 Butterfield Road, San Anselmo.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**9. JOINT VENTURE (Continued)**

Financial statements for the Authority may be obtained by mailing a request to the Ross Valley Fire Service, 777 San Anselmo Avenue, San Anselmo, CA 94960. Condensed financial information for the Authority is presented below for the year ended June 30, 2019.

Total assets and deferred outflows of resources	\$ 9,963,700
Total liabilities and deferred inflows of resources	<u>21,847,160</u>
Net position	<u>(11,883,460)</u>
Total revenues	11,141,701
Less: Total expenses	<u>(10,994,083)</u>
Increase (decrease) in net position	<u>\$ 147,618</u>

**10. SUBSEQUENT EVENTS**

*Covid-19*

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19’s effect on the District’s operational and financial performance will depend on future developments, including the duration, spread, and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the District’s activities or funding. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the District’s activities, result of operations, financial condition, and cash flow.

## **Required Supplemental Information**

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over/(Under)</b>
<b>REVENUES</b>			
Property taxes	\$ 1,470,000	\$ 1,499,390	\$ 29,390
Education Revenue Augmentation Fund	75,000	95,931	20,931
Homeowners' property tax reimbursement	10,000	6,682	(3,318)
Interest	35,000	65,900	30,900
Services to San Domenico	50,380	50,380	-
Grants	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenues	1,645,380	1,718,283	72,903
<b>EXPENDITURES</b>			
Current			
Contract for fire protection services	1,284,864	1,284,864	-
County tax collection	23,000	21,766	1,234
LAFCO fee	1,100	1,121	(21)
Station 20 maintenance	10,000	10,000	-
Meeting attendance	5,000	4,500	500
Treasurer fees	600	600	-
Bookkeeper fees	4,000	2,650	1,350
Commissioner stipends	4,000	3,000	1,000
Accountant	10,000	3,745	6,255
Insurance	3,100	3,012	88
Professional fees	3,500	3,615	(115)
Technical services	5,000	-	5,000
Legal	20,000	28,723	(8,723)
Supplies	2,000	733	1,267
Community preparedness	175,000	183,743	(8,743)
Miscellaneous	1,500	1,930	(430)
FD training	<u>-</u>	<u>257</u>	<u>(257)</u>
Total current	<u>1,552,664</u>	<u>1,554,259</u>	<u>(1,595)</u>
Total expenditures	<u>1,552,664</u>	<u>1,554,259</u>	<u>(1,595)</u>
Excess of revenues over expenditures	<u>\$ 92,716</u>	<u>164,024</u>	<u>\$ 71,308</u>
Fund balance at beginning of year		<u>4,433,608</u>	
Fund balance at end of year		<u><u>\$ 4,597,632</u></u>	

See notes to required supplemental information

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2019**

**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.