



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022



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Sleepy Hollow Fire Protection District

Marin County

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**FINANCIAL
SECTION**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sleepy Hollow Fire Protection District
San Anselmo, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sleepy Hollow Fire Protection District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAGAS)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

During the year, the District implemented GASB Statement No. 87, *Leases*. As a result, the District recorded a right of use asset and offsetting lease liability of \$903,718. Our opinion was not modified for these matters.

Responsibilities of Management for the Financial Statements

District 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.



In preparing the financial statements management is required to evaluate whether there are conditions or events, considered in the aggregate, that arise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope of timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2023, 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.

C & A LLP

October 14, 2023
Morgan Hill, California

Management's Discussion and Analysis

Sleepy Hollow Fire Protection District

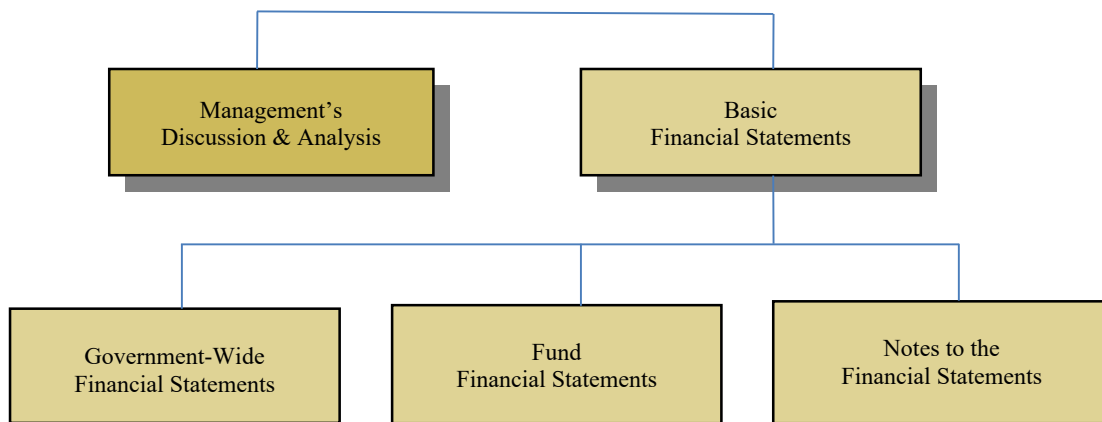
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2022, were as follows:

- Total net position was \$5,299,131, which included an unrestricted net position of \$5,283,077.
- General revenues were \$1,976,724, which was 97% of all revenues. Program specific revenues in the form of charges for services accounted for \$56,035, or 3%, of total revenues of \$2,032,759.
- The District had \$1,748,966 in expenses, which was directly supported by program specific revenues as noted above.
- Total fund balances of governmental funds totaled \$5,283,077.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements

Sleepy Hollow Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2021 - 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where the District's programs and services are reported. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's fund financial statements begins with the governmental fund balance sheet. Fund financial reports provide detailed information about the District's General Fund, the District's one and only fund.

Sleepy Hollow Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Governmental Funds

The General Fund is a governmental fund type and is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance fire protection programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022:

Table 1 - Summary Statement of Net Position

	2022	2021	Change	Percentage Change
Current assets:				
Cash and investments	\$ 4,894,394	\$ 4,532,339	\$ 362,055	7.99%
Prepaid items	119,092	-	119,092	100.00%
Accounts receivable	16,489	90,765	(74,276)	-81.83%
Note receivable	145,831	154,712	(8,881)	-5.74%
Total current assets	<u>5,175,806</u>	<u>4,777,816</u>	<u>397,990</u>	<u>8.33%</u>
Noncurrent assets:				
Capital assets, net of depreciation	899,716	22,380	877,336	3920.18%
Note receivable	150,205	282,908	(132,703)	-46.91%
Total noncurrent assets	<u>1,049,921</u>	<u>305,288</u>	<u>744,633</u>	<u>243.91%</u>
Total Assets	<u>\$ 6,225,727</u>	<u>\$ 5,083,104</u>	<u>\$ 1,142,623</u>	<u>22.48%</u>
Liabilities				
Current Liabilities	\$ 42,934	\$ 67,766	\$ (24,832)	-36.64%
Noncurrent Liabilities	883,662	-	883,662	100.00%
Total Liabilities	<u>\$ 926,596</u>	<u>\$ 67,766</u>	<u>\$ 858,830</u>	<u>1267.35%</u>
Net Position				
Net Investment in Capital Assets	\$ 16,054	\$ 22,380	\$ (6,326)	-28.27%
Unrestricted	5,283,077	4,992,958	290,119	5.81%
Total Net Position	<u>\$ 5,299,131</u>	<u>\$ 5,015,338</u>	<u>\$ 283,793</u>	<u>5.66%</u>

Accounts receivable decreased by \$74,276 mostly due to reimbursements owed to the District for goat grazing services in 2020-21. Cash and investments increased by \$362,055 mostly due to an increase in property taxes and a decrease to community preparedness and hazardous vegetation program expenses.

Sleepy Hollow Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Table 2 shows the changes in net position for fiscal year 2022.

Table 2 - Summary of Changes in Statement of Activities				
	2022	2021	Change	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 56,035	\$ 53,961	\$ 2,074	3.84%
General revenues:				
Property taxes	1,862,816	1,721,228	141,588	8.23%
MWPA defensible space parcel tax allocation	91,438	90,093	1,345	1.49%
Homeowners' property tax reimbursement	6,596	6,569	27	0.41%
Investment earnings	15,874	44,821	(28,947)	-64.58%
Total Revenues	2,032,759	1,916,672	116,087	6.06%
Program Expenses				
Public safety - fire protection	1,748,966	1,814,042	(65,076)	-3.59%
Total Expenses	1,748,966	1,814,042	(65,076)	-3.59%
Change in Net Position	283,793	102,630	181,163	176.52%
Beginning Net Position	5,015,338	3,267,583	1,747,755	53.49%
Prior Period Adjustments	-	1,645,125	(1,645,125)	-100.00%
Ending Net Position	\$ 5,299,131	\$ 5,015,338	\$ 283,793	5.66%

During the year, property taxes increased by \$141,588, mostly because of increases in property values. Program expenses decreased by \$65,076, mostly due to a decrease in the District's hazardous vegetation program and community preparedness expenses.

THE DISTRICT'S FUND BALANCE

Table 3 provides an analysis of the District's fund balances and the total change in fund balance from the prior year.

Table 3 - Summary of Fund Balance				
	2022	2021	Change	Percentage Change
Nonspendable for prepaid items	\$ 119,092	\$ -	\$ 119,092	100%
Assigned for FireWise Program	1,000,000	1,000,000	-	0.00%
Assigned for Operational Reserve	1,000,000	1,000,000	-	0.00%
Unassigned	3,163,985	2,992,958	171,027	5.71%
Total Fund Balance	\$ 5,283,077	\$ 4,992,958	\$ 290,119	5.81%

Sleepy Hollow Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and using the modified accrual basis of accounting.

The original and final revised budgets for the General Fund are presented as Required Supplementary Information. During the course of the 2021-22 fiscal year, the District's original budgeted revenue was \$1,970,292 and final budgeted revenue did not change. The District's original budgeted expenditures were \$1,834,924 and the final budgeted expenditures did not change.

CAPITAL ASSETS

Table 4 shows June 30, 2022 capital asset balances as compared to June 30, 2021.

Table 4 - Summary of Capital Assets Net of Depreciation				
	2022	2021	Change	Percentage Change
Right of Use Assets - Buildings, Net	\$ 878,753	\$ -	\$ 878,753	100.00%
Equipment, Net	20,963	22,380	(1,417)	-6.33%
Total Capital Assets - Net	<u>\$ 899,716</u>	<u>\$ 22,380</u>	<u>\$ 877,336</u>	3920.18%

NONCURRENT LIABILITIES

Table 5 shows June 30, 2022 lease payable balances as compared to June 30, 2021.

Table 5 - Summary of Noncurrent Liabilities				
	2022	2021	Change	Percentage Change
Lease Payable	\$ 883,662	\$ -	\$ 883,662	100.00%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District continues to closely monitor its financial and operational performance to ensure constant reliable service to the community at a reasonable cost. The District continues to commit and meet its reserve requirements and maximize the District's infrastructure and service goals during the periods of high inflationary pressure.

While the most pressing issues of the COVID-19 pandemic appear to have subsided, supply chain shortages and inflationary costs have accelerated. Increased cost impacts to date have been contained but could still possibly present a challenge to the District's future reserves and costs of operations.

The District has seen increases in property tax payments over the last decade. Since a significant portion of the District's revenue is derived from property taxes, projected flat or even declining property tax revenues are challenging as an operational driver.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money

Sleepy Hollow Fire Protection District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1317 Butterfield Road, San Anselmo, CA, 94960.

Basic Financial Statements

Sleepy Hollow Fire Protection District

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 4,894,394
Prepaid items	119,092
Accounts receivable	16,489
Note receivable	145,831
Total current assets	<u>5,175,806</u>
Noncurrent assets:	
Capital assets, net of depreciation	899,716
Note receivable	150,205
Total noncurrent assets	<u>1,049,921</u>
Total Assets	<u><u>\$ 6,225,727</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 42,934
Total current liabilities	<u>42,934</u>
Noncurrent liabilities:	
Lease payable:	
Due within one year	39,172
Due after one year	844,490
Total noncurrent liabilities	<u>883,662</u>
Total Liabilities	<u><u>\$ 926,596</u></u>
Net Position	
Net Investment in Capital Assets	\$ 16,054
Unrestricted	5,283,077
Total Net Position	<u><u>\$ 5,299,131</u></u>

The notes to the financial statements are an integral part of this statement.

Sleepy Hollow Fire Protection District

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Public safety - fire protection:				
Contract for fire protection services	\$ 1,409,042	\$ 56,035		\$ (1,353,007)
Community preparedness	118,595	-		(118,595)
Hazardous vegetation program	49,717	-		(49,717)
Other services and supplies	127,786	-		(127,786)
Depreciation and amortization	26,382	-		(26,382)
Interest	17,444	-		(17,444)
Total governmental activities	\$ 1,748,966	\$ 56,035		(1,692,931)
General revenues:				
Property taxes				1,862,816
MWPA defensible space parcel tax allocation				91,438
Homeowners' property tax reimbursement				6,596
Investment earnings				15,874
Total general revenues and special items				1,976,724
Change in net position				283,793
Net position beginning				5,015,338
Net position ending				\$ 5,299,131

The notes to the financial statements are an integral part of this statement.

Sleepy Hollow Fire Protection District

Governmental Funds

Balance Sheet

June 30, 2022

	General Fund
Assets	
Cash and investments	\$ 4,894,394
Prepaid items	119,092
Accounts receivable	16,489
Note receivable	296,036
Total Assets	<u>\$ 5,326,011</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 42,934
Total Liabilities	<u>42,934</u>
Fund balance:	
Nonspendable:	
Prepaid items	119,092
Assigned for:	
FireWise Program	1,000,000
Operation Reserve	1,000,000
Unassigned	3,163,985
Total Fund Balance	<u>5,283,077</u>
Total Liabilities and Fund Balance	<u>\$ 5,326,011</u>

The notes to the financial statements are an integral part of this statement.

Sleepy Hollow Fire Protection District
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2022

Total fund balance - governmental funds \$ 5,283,077

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	1,068,843	
Accumulated depreciation and amortization	(169,127)	899,716

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

Lease payable	(883,662)
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Total net position - governmental activities	\$ 5,299,131
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Sleepy Hollow Fire Protection District
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2022

	General Fund
Revenues:	
Property taxes	\$ 1,730,134
Education Revenue Augmentation Fund	132,682
MWPA defensible space parcel tax allocation	91,438
Homeowners' property tax reimbursement	6,596
Charges for services	56,035
Investment earnings	15,874
Total revenues	2,032,759
Expenditures:	
Current	
Contract for fire protection services	1,429,098
County tax collection administration	21,359
Meeting attendance fees	6,150
Treasurer fees	150
Bookkeeper fees	4,420
Commissioner stipends	600
Professional fees	18,368
Insurance	3,012
LAFCO fee	994
Community preparedness	118,595
Hazardous vegetation program	49,717
Rent	50,000
Other services and supplies	2,677
Capital outlay (right of use assets, GASB 87)	903,718
Debt service:	
Principal	20,056
Interest	17,444
Total expenditures	2,646,358
Excess (deficiency) of revenues over (under) expenditures	(613,599)
Other financing sources (uses):	
Leases (GASB 87)	903,718
Net changes in fund balance	290,119
Fund balance beginning	4,992,958
Fund balance ending	\$ 5,283,077

The notes to the financial statements are an integral part of this statement.

Sleepy Hollow Fire Protection District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2022

Total net change in fund balance - governmental funds \$ 290,119

Capital outlays are reported in governmental funds 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 additions	903,718
Depreciation expense	(1,417)
Amortization expense	(24,965)

In the Statement of Activities, obligations from GASB 87 leases are reported as liabilities at the net present value of the lease payments over time. In the funds, the lease principal is reported as other financing sources in the year issued. Subsequent principal and interest payments are reported as expenditures in the funds, while principal reduces the liabilities in the Statement of Net Position.

Leases issued	(903,718)
Lease principal paid	20,056

Changes in net position of governmental activities \$ 283,793

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sleepy Hollow Fire Protection District (the 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 provides 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.

Accounting Principles

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service or program, and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for the fund statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

Unearned Revenue

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Unavailable Revenue

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The District's accounts are organized into one General Fund:

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

Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The District maintains its operating cash in a non-interest-bearing account at the Bank of Marin and in the County of Marin (the County) which provides finance and treasury functions for the District. The County pools the cash and investments and interest earned is allocated and apportioned quarterly to the District based on the average daily balance for each quarter.

All District investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Receivables

All receivables are reported net of estimated uncollectible amounts when applicable.

Prepaid Items

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

Note Receivable

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

Capital Assets

Capital assets, which include fire hydrants, fire pumps and hoses purchased directly by the District, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by donation, in which case they recorded at fair value. The fire hydrants are depreciated over 25 years and fire pumps and hoses are depreciated over ten years. Occasionally, the District will contribute toward the cost of equipment for the Ross Valley Fire Service. These costs are expensed as incurred in the statement of activities. Right of use assets are reported at the present value of minimum lease payments and amortized over the life of the lease.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the Statement of Net Position.

Lease Liabilities

The District is a lessee for a noncancellable lease. The District recognizes a lease liability and an intangible right-to-use lease asset (capital asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported separately with capital assets as right of use assets and lease liabilities are reported with long-term liabilities in the statement of net position.

Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of directors.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered 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* fund balance includes positive amounts within the general fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

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.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Risk Management

The District is exposed to various risks including loss or damage to property, general liability, and injuries to employees. 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.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

Implementation of New Accounting Pronouncements

GASB Statement No. 87, "Leases." Issued in June 2017, this statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It provides guidance on accounting treatment of lease assets, lease liability, short-term leases, certain regulated leases, measurement for leases other than short-term leases and contracts that transfer ownership, subleases, lease-leaseback transactions, intra-entity leases, and leases between related parties. As of June 30, 2022, the District recognized a \$878,753 right to use asset, net of accumulated amortization, and a \$883,662 lease liability as required by GASB 87.

Upcoming Accounting Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements." Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning with the fiscal year 2022-23.

GASB Statement No. 100, "Accounting Changes and Error Corrections"—an amendment of GASB Statement No. 62. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, "Compensated Absences." This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2022, is as follows:

Cash and Investments	Available for Operations	Fair Value June 30, 2022
Cash on Hand and in Banks	\$ 393,842	\$ 393,842
Investments	4,500,552	4,458,800
Total Cash and investments	<u>\$ 4,894,394</u>	<u>\$ 4,852,642</u>

Cash in Banks

Cash balances in banks are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The District’s accounts are held with Bank of Marin. As of June 30, 2022, the District’s bank

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

balances totaled \$309,5861 which exceeded FDIC coverage by \$59,586. 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.

Cash in the Marin County Investment Pool

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 by 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 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.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

As of June 30, 2022 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's proportionate share of investments in the County Pool is not required to be categorized under fair value hierarchy.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, custodial credit risk and concentration of credit risk are described below:

a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. In accordance with the County's Investment Policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 1.5 years or less. At June 30, 2022, the investment pool had a weighted average maturity of 236 days.

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County Investment Pool is governed by the County's general investment policy. 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."

c) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a counterparty failure, the District's deposits may not be returned. California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. At year-end, the County's investment pool had no securities exposed to custodial credit risk.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

d) Concentration of Credit Risk

For cash pooled with the County, the District relies on the County's investment policy which contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. In addition, investments that are in either an external investment pool or mutual funds are exempt from government code and disclosure requirements.

The District's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the District is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual District funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. All of the District's investments were held in the County pool, which is exempt from disclosure.

NOTE 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%. The funds were 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 and commenced in February 2020. The note matures in February 2024. As of June 30, 2022, the balance of the Note was \$296,036.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

The following schedule summarizes capital asset activity for the year ended June 30, 2022:

Capital Assets	Balance July 01, 2021	Additions	Deletions/ Adjustments	Balance June 30, 2022
Amortizable Right of Use Assets:				
Building	\$ -	\$ 903,718	\$ -	\$ 903,718
Total Right of Use Assets	-	903,718	-	903,718
Depreciable Equipment:				
Fire Hydrants	87,459	-	-	87,459
Pumps and Hoses	77,666	-	-	77,666
Total Depreciable	165,125	-	-	165,125
Less Accumulated Depreciation and Amortization for:				
Buildings	-	24,965	-	24,965
Equipment	142,745	1,417	-	144,162
Total Accumulated Dep. & Amort.	142,745	26,382	-	169,127
Net Depreciable and Amortizable	22,380	877,336	-	899,716
Total Capital Assets - Net	\$ 22,380	\$ 877,336	\$ -	\$ 899,716

Depreciation and amortization expense charged to fire protection was \$26,382.

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 5 - NONCURRENT LIABILITIES

Changes in Long-term Liabilities

The following summarizes the District's changes in long-term liabilities:

Long-term Liabilities	Balance			Balance June 30, 2022	Due Within One Year
	July 01, 2021	Additions	Deductions		
Leases Payable	\$ -	\$ 903,718	\$ 20,056	\$ 883,662	\$ 39,172

Leases Payable

The District leases a building in San Anselmo with annual rent at \$7,500. The lease was initiated on February 1, 2022, and ends on February 1, 2037. The initial net present value of the lease was \$903,718 with the lease liability as of June 30, 2022 of \$883,662 and the net right of use asset reported in capital assets of \$878,753.

The following summarizes the future lease payments:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 39,172	\$ 50,828	\$ 90,000
2024	41,534	48,466	90,000
2025	44,039	45,961	90,000
2026	46,694	43,306	90,000
2027	49,510	40,490	90,000
2028-2032	290,427	152,073	442,500
2033-2037	372,286	55,214	427,500
Totals	\$ 883,662	\$ 436,338	\$ 1,320,000

NOTE 6 - 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, 2022, as follows:

Appropriation limit	\$ 1,432,798
Annual subject appropriations	<u>(1,745,000)</u>
Excess of appropriations over limit	<u>\$ (312,202)</u>

Sleepy Hollow Fire Protection District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 7 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

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. Periodically, 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 is governed by an eight-voting member Board of Directors, consisting of two Council Members from each of the member municipalities. Furthermore, the Authority is administered by an Executive Committee comprising of the Town Manager from each member agency and shall rotate every two years.

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.

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.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Sleepy Hollow Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,660,000	\$ 1,660,000	\$ 1,730,134	\$ 70,134
Education Revenue Augmentation Fund	75,000	75,000	132,682	57,682
MWPA defensible space parcel tax allocation	89,182	89,182	91,438	2,256
Homeowners' property tax reimbursement	10,000	10,000	6,596	(3,404)
Charges for services	56,110	56,110	56,035	(75)
Investment earnings	80,000	80,000	15,874	(64,126)
Total revenues	<u>1,970,292</u>	<u>1,970,292</u>	<u>2,032,759</u>	<u>62,467</u>
Expenditures:				
Current				
Contract for fire protection services	1,431,026	1,431,026	1,429,098	1,928
County tax collection administration	25,000	25,000	21,359	3,641
Meeting attendance fees	7,000	7,000	6,150	850
Treasurer fees	600	600	150	450
Bookkeeper fees	4,000	4,000	4,420	(420)
Commissioner stipends	2,500	2,500	600	1,900
Professional fees	19,000	19,000	18,368	632
Insurance	3,200	3,200	3,012	188
LAFCO fee	1,200	1,200	994	206
Community preparedness	205,900	205,900	118,595	87,305
Hazardous vegetation program	120,000	120,000	49,717	70,283
Rent	-	-	50,000	(50,000)
Other services and supplies	15,500	15,500	2,677	12,823
Capital outlay (right of use assets, GASB 87)	-	-	903,718	(903,718)
Debt service:				
Principal	-	-	20,056	(20,056)
Interest	-	-	17,444	(17,444)
Total expenditures	<u>1,834,926</u>	<u>1,834,926</u>	<u>2,646,358</u>	<u>(811,432)</u>
Excess (deficiency) of revenues over (under) expenditures	135,366	135,366	(613,599)	(748,965)
Other financing sources (uses):				
Leases (GASB 87)	-	-	903,718	903,718
Net change in fund balance	135,366	135,366	290,119	154,753
Fund balance beginning	4,992,958	4,992,958	4,992,958	-
Fund balance ending	<u>\$ 5,128,324</u>	<u>\$ 5,128,324</u>	<u>\$ 5,283,077</u>	<u>\$ 154,753</u>

The budgetary control level is by fund on the modified accrual basis per U.S. GAAP. Expenditures cannot legally exceed appropriations by fund. In fiscal year 2022, the District implemented GASB 87 which required that new leases be reported as capital outlay and other financing sources. The District is not required to budget for this expenditure which is offset by other financing sources. The District's expenditures were under budget when removing GASB 87 related capital outlay.

**OTHER INDEPENDENT
AUDITOR'S REPORTS**



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

Board of Directors
Sleepy Hollow Fire Protection District
San Anselmo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sleepy Hollow Fire Protection District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2023.

Report on 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) as a basis for designing 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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 financial statements. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 14, 2023
Morgan Hill, California