

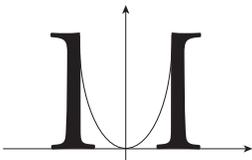
SLEEPY HOLLOW FIRE PROTECTION DISTRICT

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FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2012

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## INDEPENDENT AUDITORS' REPORT

To the Directors  
Sleepy Hollow Fire Protection District

We have audited the accompanying basic financial statements of the Sleepy Hollow Fire Protection District (the District) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sleepy Hollow Fire Protection District as of June 30, 2012, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6 and the required supplemental information on pages 23 through 24 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

*Maher Accountancy*

June 25, 2013



**Sleepy Hollow Fire Protection District  
70 Crane Drive  
San Anselmo, CA 94960**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it along with the District's financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

The District's net assets are \$3,924,000, an increase of \$102,000. Total revenues increased by \$23,000 and total expenses increased by \$80,000 in 2012.

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 \$63,000 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 assets and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances. The fund financial statements present a short-term view of the District's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

**THE DISTRICT AS A WHOLE**

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in making an assessment of the District's health, such as changes in the economy, changes in the District's tax base, and changes in the District's boundaries, etc. to assess the overall health of the District.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
Current assets:			
Cash	\$ 3,496,637	\$ 3,379,976	\$ 116,661
Prepaid expense-fire protection services	81,030		81,030
San Anselmo reimbursement receivable		87,997	(87,997)
Property taxes receivable	22,240	20,500	1,740
Total current assets	<u>3,599,907</u>	<u>3,488,473</u>	<u>111,434</u>
Noncurrent assets:			
Prepaid expenses-rent and insurance	11,979	15,979	(4,000)
Property taxes receivable	78,742	78,742	-
Equity interest in Ross Valley Fire	192,572	198,268	(5,696)
Capital assets net of depreciation	48,752	57,274	(8,522)
Total noncurrent assets	<u>332,045</u>	<u>350,263</u>	<u>(18,218)</u>
Total assets	3,931,952	3,838,736	93,216
Current liabilities	7,500	16,475	(8,975)
Net assets:			
Invested in capital assets	48,752	57,274	(8,522)
Unrestricted	3,875,700	3,764,987	110,713
Total net assets	<u>\$ 3,924,452</u>	<u>\$ 3,822,261</u>	<u>\$ 102,191</u>

Cash and current assets steadily increased due to revenues exceeding expenses during the year. We paid our July contribution to Ross Valley Fire in June, which accounts for the increase in prepaid expense. The equity interest in Ross Valley Fire Department relates to our share of their net assets. The removal of San Anselmo receivable is the result of the District becoming part of the RVFD JPA.

Changes in the District's revenues were as follows:

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
General revenues:			
Property taxes	\$ 1,082,143	\$ 1,056,693	\$ 25,450
Intergovernmental:			
HOPTR	6,975	6,848	127
Other revenue		5,000	
Investment earnings	7,460	15,877	(8,417)
Total general revenues	<u>1,096,578</u>	<u>1,084,418</u>	<u>17,160</u>
Program revenues:			
Charges for services	36,821	37,045	(224)
Ross Valley Fire equity			-
interest increase (decrease)	(5,696)	(11,347)	5,651
Total revenues	<u>\$ 1,127,703</u>	<u>\$ 1,110,116</u>	<u>\$ 22,587</u>

Property taxes increased primarily due to a slight gain in property values. A continuing trend of low interest rates in the general economy accounted for our decrease in investment earnings.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
Public safety-fire protection:			
Contract for fire protection	\$954,096	\$ 851,299	\$ 102,797
Other expenses	71,416	93,805	(22,389)
Total expenses	<u>1,025,512</u>	<u>945,104</u>	<u>80,408</u>
Less program revenues	31,125	25,698	5,427
Net expenses	994,387	919,406	74,981
General revenues	1,096,578	1,084,418	12,160
Special item	-	116,115	(116,115)
Increase in net assets	<u>\$ 102,191</u>	<u>\$ 281,127</u>	<u>\$ (178,936)</u>

Our monthly payments for fire protection did not change from the prior year. However, 2011 expense included a one-time downward timing adjustment related to the now superseded San Anselmo Contract. This resulted in an increase in overall fire protection expenses. The special item related to our share of Ross Valley Fire Department's net assets as of July 1, 2010, the first day we became a member of the Authority. This was a one-time item that did not recur in 2012.

## **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 \$63,000. The main reason for the negative variance is that we earned less property tax and interest revenue than budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

During fiscal year ending 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. During 2008-09, we purchased and installed 3 new fire hydrants that cost approximately \$19,000. The fire hydrants are being depreciated over twenty-five years and the fire pumps are being depreciated over ten years.

## 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,

A handwritten signature in black ink that reads "Frank Berto". The signature is written in a cursive style and is positioned above a solid horizontal line that spans the width of the signature.

Frank Berto  
President

## **Basic Financial Statements**

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

**ASSETS**

Current assets:	
Cash in County treasury:	
Operating account	\$ 1,095,120
Investment account	2,401,517
Prepaid expense-fire protection services	81,030
Receivables:	
Property taxes due from the State of California	78,742
Property taxes due from the County of Marin	<u>22,240</u>
Total current assets	3,678,649
Noncurrent assets:	
Prepaid expenses-rent and insurance	11,979
Equity interest in Ross Valley Fire Department	192,572
Capital assets, net of accumulated depreciation	<u>48,752</u>
Total noncurrent assets	<u>253,303</u>
Total assets	<u><u>3,931,952</u></u>

**LIABILITIES**

Current liabilities:	
Accrued expenses	<u>7,500</u>

**NET ASSETS**

Invested in capital assets	48,752
Unrestricted	<u>3,875,700</u>
Total net assets	<u><u>\$ 3,924,452</u></u>

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

**EXPENSES**

Public safety- fire protection:	
Contract for fire protection services	\$954,096
Tax collection fees	15,244
Insurance	2,639
Director and treasurer fees	5,300
Bookkeeper expenses	2,160
Audit and accounting	8,250
Legal	1,407
Community preparedness	18,458
Miscellaneous	8,837
Fire engine lease reimbursement	599
Depreciation	8,522
	<hr/>
Total expenses	1,025,512

**PROGRAM REVENUE**

Charges for services	36,821
Ross Valley Fire Department equity interest increase (decrease)	(5,696)
	<hr/>
Net program expense	994,387

**GENERAL REVENUES**

Property taxes	1,082,143
Grants not restricted to specific programs	6,975
Investment earnings	7,460
	<hr/>
Total general revenues	1,096,578
	<hr/>
Increase in net assets	102,191

<b>NET ASSETS-BEGINNING OF THE YEAR</b>	<hr/> <b>3,822,261</b>
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<b>NET ASSETS-END OF THE YEAR</b>	<hr/> <b>\$ 3,924,452</b> <hr/>
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**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2012**

**ASSETS**

Cash in county treasury:	
Operating	\$ 1,095,120
Investments	2,401,517
Prepaid expense-fire protection services	81,030
Receivables:	
Property taxes due from the State of California	78,742
Property taxes due from the County of Marin	<u>22,240</u>
Total assets	<u><u>\$ 3,678,649</u></u>

**LIABILITIES**

Accrued expenses	\$ 7,500
Deferred revenue	<u>100,982</u>
Total liabilities	<u><u>108,482</u></u>

**FUND BALANCE**

Fund balance:	
Assigned	2,300,000
Unassigned	<u>1,270,167</u>
Total fund balance	<u><u>3,570,167</u></u>
Total liabilities and fund balance	<u><u>\$ 3,678,649</u></u>

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

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

Total governmental fund balance	\$ 3,570,167
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 balance sheet	100,982
Prepaid expenses are not available to pay current period expenditures and, therefore, are deferred in the funds	11,979
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	48,752
Some assets are not receivable in the current period and therefore are not reported as fund assets:	
Investment in Ross Valley Fire Department joint venture	<u>192,572</u>
Net assets of governmental activities	<u><u>\$3,924,452</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2012**

**REVENUES**

Property taxes	\$ 1,009,173
Education Revenue Augmentation Fund	71,230
Homeowners' property tax reimbursement	6,975
Interest	7,460
Charges for services	<u>36,821</u>
Total revenues	1,131,659

**EXPENDITURES**

Current	
Contract for fire protection services	954,096
County tax collection administration	15,244
Meeting attendance	2,450
Treasurer fees	600
Bookkeeper fees	2,160
Commissioner stipends	2,250
Audit and accounting	8,250
Insurance	2,639
Professional fees	1,407
Community preparedness	18,458
Miscellaneous	<u>4,837</u>
Total current	<u>1,012,391</u>
Capital outlay	<u>599</u>
Total expenditures	<u>1,012,990</u>
Excess of revenues over expenditures	118,669
Fund balance at beginning of year	<u>3,451,498</u>
Fund balance at end of year	<u><u>\$ 3,570,167</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2012  
(Continued)**

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

Net change in fund balance	\$ 118,669
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Prepaid expenses	(4,000)
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	(8,522)
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)	(5,696)
Accrued property taxes-end of the year	100,982
Accrued property taxes-beginning of the year	<u>(99,242)</u>
 Change in Net Assets of Governmental Activities	 <u><u>\$ 102,191</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**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.). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE STATEMENTS**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

In the government-wide Statement of Net Assets, the District's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts: (1) invested in capital assets, and (2) unrestricted net assets. Currently, the District has no debt; therefore, only unrestricted assets are shown.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

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

The government-wide Statement of Activities reports both the gross and net cost of the District's activity. The activity is supported by general government revenues (property taxes, intergovernmental revenues, charges for services, and investment income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues.

The net costs are covered by general revenue (property taxes and intergovernmental revenues).

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

**FUND FINANCIAL STATEMENTS**

The financial transactions of the 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, reserves, fund equity, revenues and expenditures.

The District uses the following fund types:

**Governmental funds:**

The focus of the governmental funds measurement (in the fund statements) is upon 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, 2012**

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

**Cash and cash equivalents:**

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with fiscal agent (County of Marin).

**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. There were no such equipment purchases during the year.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

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

The District is considered a “Phase 3” government under GASB No. 34, and accordingly, is required to account for infrastructure assets acquired after June 30, 2003.

**DEFERRED REVENUE**

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.

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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

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

**FUND BALANCE**

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

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**2. CASH (continued)**

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

**INTEREST RATE RISK**

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2012, the latest available information, the County's investment pool had a weighted average maturity of 243 days.

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

**CREDIT RISK**

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA."

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**2. CASH (continued)**

**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, 2012.

	Percent of portfolio
Investments in investment pool	
Federal agency - discount	73%
Federal agency - coupon	25%
Money market funds	2%
	100%

**CUSTODIAL CREDIT RISK**

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

**LOCAL AGENCY INVESTMENT FUND**

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

**3. 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, 2012**

**4. 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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Fire Hydrants	\$ 70,932		\$ 70,932
Pumps and Hoses	77,666		77,666
Total property	148,598	-	148,598
Less: accumulated depreciation	<u>(91,324)</u>	<u>(8,522)</u>	<u>(99,846)</u>
Equipment, net	<u>\$ 57,274</u>	<u>\$ (8,522)</u>	<u>\$ 48,752</u>

**5. 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:

Fire house acquisition	\$1,300,000
Fire equipment acquisition	600,000
Operation start-up expenses	400,000
	<u>\$2,300,000</u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**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, 2012, as follows:

Appropriations limit	\$ 958,689
Annual subject appropriations	<u>1,016,148</u>
Excess of appropriations over limit	<u><u>\$ 57,459</u></u>

**7. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA**

Under the provisions of Proposition 1A and as part of the fiscal year budget package passed by the California State Legislature on June 28, 2009, the State of California borrowed 8% of property tax revenue apportioned to the District. The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing was approximately \$79,000 and is reported as property tax receivable in the statement of net assets and balance sheet.

**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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**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 Authority provides fire protection, emergency and related services within the Fairfax-San Anselmo area. Pursuant to the JPA, the District makes monthly payments to the Authority based on its Percentage Share (16.7% for the fiscal year 2011-2012) of the Authority's adopted budget. This percentage will be reviewed not more frequently than every three years, beginning in fiscal year 2013-2014.

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.

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, 2012.

Total assets	\$ 5,017,524
Total liabilities	<u>3,864,393</u>
Net assets	<u><u>\$ 1,153,131</u></u>
Total revenues	\$ 6,188,573
Less: Total expenses	<u>(6,222,678)</u>
Increase (decrease) in net assets	<u><u>\$ (34,105)</u></u>

## **Required Supplemental Information**

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 975,000	\$ 1,009,173	\$ 34,173
Education Revenue Augmentation Fund	70,000	71,230	1,230
Homeowners' property tax reimbursement	6,500	6,975	475
Interest	15,000	7,460	(7,540)
Services to San Domenico	36,831	36,821	(10)
Total revenues	1,103,331	1,131,659	28,328
<b>EXPENDITURES</b>			
Current			
Contract for fire protection services	939,336	939,336	-
RVPA debt service	14,760	14,760	-
County tax collection administration	18,500	14,708	3,792
LAFCO fee	550	536	14
Station 20 maintenance	20,000	-	20,000
Meeting attendance	2,500	2,450	50
Treasurer fees	600	600	-
Bookkeeper fees	2,000	2,160	(160)
Commissioner stipends	1,800	2,250	(450)
Accountant	7,500	8,250	(750)
Insurance	2,750	2,639	111
Professional fees (legal)	1,500	1,407	93
Supplies	500	95	405
Community preparedness	20,000	18,458	1,542
Miscellaneous	5,000	4,742	258
Total current	1,037,296	1,012,391	24,905
Capital outlay	10,000	599	9,401
Total expenditures	1,047,296	1,012,990	34,306
Excess of revenues over expenditures	\$ 56,035	118,669	\$ 62,634
Fund balance at beginning of year		3,451,498	
Fund balance at end of year		\$ 3,570,167	

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2012**

**1. BUDGETARY BASIS OF PRESENTATION**

The budget included in these financial statements represents the original budget approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting. There were no amendments to the budget this year.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.