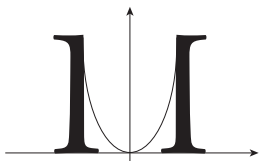




FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet-Governmental Fund	10
Statement of Revenues, Expenditures And Changes in Fund Balance	12
Notes to the Basic Financial Statements	14
Required Supplemental Information:	
Budgetary Comparison Schedule	24
Notes to the Required Supplemental Information	25



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sleepy Hollow Fire Protection District

We have audited the accompanying financial statements of the Sleepy Hollow Fire Protection District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Accountancy

July 15, 2016

**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, 2015. Please read it along with the District’s financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The District’s net position increased by \$67,000 during 2015, excluding the restatement as described in Note 9 to the financial statements. Total revenues increased by \$4,000 during the year and total expenses increased by \$62,000.

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 \$66,000 when comparing actual activity with amounts budgeted.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information about the District’s general fund. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District’s finances. The fund financial statements present a short-term view of the District’s activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

THE DISTRICT AS A WHOLE

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

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

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

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
Current assets:			
Cash	\$ 3,946,255	\$ 3,851,932	\$ 94,323
Prepaid expenses	1,979	12,002	(10,023)
Property taxes receivable	22,240	22,240	-
Total current assets	<u>3,970,474</u>	<u>3,886,174</u>	<u>84,300</u>
Noncurrent assets:			
Equity interest in Ross Valley Fire		215,403	(215,403)
Capital assets net of depreciation	40,038	31,708	8,330
Total noncurrent assets	<u>40,038</u>	<u>247,111</u>	<u>(207,073)</u>
Total assets	<u>4,010,512</u>	<u>4,133,285</u>	<u>(122,773)</u>
Current liabilities	6,992	25,268	(18,276)
Noncurrent liabilities-equity interest			
Ross Valley Fire Department	2,115,813		2,115,813
Total liabilities	<u>2,122,805</u>	<u>25,268</u>	<u>2,097,537</u>
Net position:			
Invested in capital assets	40,038	31,708	8,330
Unrestricted	1,847,669	4,076,309	(2,228,640)
Change to recognize liability to RVFD		(2,287,147)	2,287,147
Total net position	<u>\$ 1,887,707</u>	<u>\$ 1,820,870</u>	<u>\$ 66,837</u>

Cash steadily increased due to revenues exceeding expenses during the year. The equity interest in Ross Valley Fire Department relates to our share of their net assets and liabilities. The 2015 financial statements have been revised to include our share of Ross Valley Fire Department's pension liability and post-employment benefits (OPEB) liability. Recognition of the pension and OPEB liabilities accounts for the increase in noncurrent liabilities and related decrease in noncurrent assets. As a result of recognizing the aforementioned liabilities, prior-year net position was reduced by \$2,287,147 (\$1,546,790 for the pension liability and \$740,357 for OPEB).

Changes in the District's revenues were as follows:

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
General revenues:			
Property taxes	\$ 1,280,538	\$ 1,210,030	\$ 70,508
Intergovernmental:			
HOPTR	7,043	7,055	(12)
Investment earnings	6,472	4,482	1,990
Total general revenues	<u>1,294,053</u>	<u>1,221,567</u>	<u>72,486</u>
Program revenues:			
Charges for services	40,642	38,843	1,799
Ross Valley Fire equity			-
interest increase (decrease)	(44,069)	28,078	(72,147)
Fire Safe grant	1,500	-	1,500
Total revenues	<u>\$ 1,292,126</u>	<u>\$ 1,288,488</u>	<u>\$ 3,638</u>

Property taxes increased primarily due to an increase in assessed property values. Ross Valley Fire reported a positive change in net position in 2014 (\$219,000) and a negative change in net position in 2015 (\$325,000). Our proportionate share is shown above.

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

	<u>2015</u>	<u>2014</u>	<u>Increase (decrease)</u>
Public safety-fire protection:			
Contract for fire protection	\$1,036,517	\$ 990,648	\$ 45,869
Other expenses	188,772	172,900	15,872
Total expenses	<u>1,225,289</u>	<u>1,163,548</u>	<u>61,741</u>
Less program revenues	<u>(1,927)</u>	<u>66,921</u>	<u>(68,848)</u>
Net expenses	<u>1,227,216</u>	<u>1,096,627</u>	<u>130,589</u>
General revenues	<u>1,294,053</u>	<u>1,221,567</u>	<u>72,486</u>
Change in net position	66,837	124,940	(58,103)
Beginning net position	1,820,870	3,983,077	(2,162,207)
Change to recognize liability to RVFD		<u>(2,287,147)</u>	<u>(2,287,147)</u>
Ending net position	<u>\$ 1,887,707</u>	<u>\$ 1,820,870</u>	<u>\$ 66,837</u>

Our agreement with the Ross Valley Fire Department requires an annual contribution of 12.8% of their budget, and our costs increased in the same ratio along with their budget. Legal fees regarding our proposed contribution to the Sleepy Hollow Homes Association to renovate the club house caused "other expenses" to increase over the prior year. The change to recognize liability to RVFD is discussed on the previous page.

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 \$66,000. The supplemental information section of this report provides detail on the budget variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

During fiscal year ended June 30, 2005, we purchased twenty-two fire pumps and hoses at a cost of approximately \$47,000. During 2008-09, we purchased an additional ten fire pumps that cost approximately \$31,000. The District also owns several fire hydrants purchased in the 1950s, 1960s, and 1970s. During 2014-15, we purchased and installed a new fire hydrant that cost approximately \$17,000. The fire hydrants are being depreciated over twenty-five years and the fire pumps are being depreciated over ten years.

ECONOMIC OUTLOOK

Property tax revenue remains the District's most stable revenue source. The District has approved a planning project to obtain certification as a FireWise community. The initial planning is estimated to cost \$75,000, and the cost of implementation will depend on the plan recommendations and a prioritization of projects.

REQUESTS FOR INFORMATION

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

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

Respectfully submitted,

Rich Shortall

Rich Shortall
President

Basic Financial Statements

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

ASSETS

Current assets:	
Cash and cash equivalents:	
Operating accounts	\$ 1,534,548
Investment account	2,411,707
Prepaid expenses	1,979
Receivables:	
Property taxes due from the County of Marin	<u>22,240</u>
Total current assets	3,970,474
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>40,038</u>
Total assets	<u><u>4,010,512</u></u>

LIABILITIES

Current liabilities:	
Accrued expenses	6,992
Noncurrent liabilities:	
Obligation related to equity interest in the Ross Valley Fire Department	<u>2,115,813</u>
Total liabilities	<u><u>2,122,805</u></u>

NET POSITION

Invested in capital assets	40,038
Unrestricted	<u>1,847,669</u>
Total net position	<u><u>\$ 1,887,707</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

EXPENSES

Public safety- fire protection:	
Contract for fire protection services	\$1,036,517
Tax collection fees	18,006
Insurance	2,847
Director and treasurer fees	5,550
Bookkeeper expenses	3,203
Audit and accounting	7,175
Legal	55,893
Community preparedness	41,231
Station 20 maintenance	18,869
Fire department training	16,153
Miscellaneous	11,648
Depreciation	8,197
	<hr/>
Total expenses	1,225,289

PROGRAM REVENUE

Charges for services	40,642
Ross Valley Fire Department equity interest increase (decrease)	(44,069)
Fire Safe grant	1,500
	<hr/>
Net program expense	1,227,216

GENERAL REVENUES

Property taxes	1,280,538
Intergovernmental-state	7,043
Investment earnings	6,472
	<hr/>
Total general revenues	1,294,053
	<hr/>
Change in net position	66,837

NET POSITION

Beginning of year - restated	1,820,870
	<hr/>
End of year	\$ 1,887,707
	<hr/> <hr/>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2015**

ASSETS

Cash and cash equivalents:	
Operating accounts	\$ 1,534,548
Investment account	2,411,707
Receivables:	
Property taxes due from the County of Marin	<u>22,240</u>
Total assets	<u><u>\$ 3,968,495</u></u>

LIABILITIES

Accrued expenses	<u>\$ 6,992</u>
------------------	-----------------

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	<u>22,240</u>
-------------------------	---------------

FUND BALANCE

Fund balance:	
Assigned	2,300,000
Unassigned	<u>1,639,263</u>
Total fund balance	<u><u>3,939,263</u></u>
Total liabilities, deferred inflows or resources, and fund balance	<u><u>\$ 3,968,495</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
BALANCE SHEET (continued)
GOVERNMENTAL FUND
AS OF JUNE 30, 2015
(Continued)**

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

Total governmental fund balance	\$ 3,939,263
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	22,240
Prepaid expenses are not available to pay current period expenditures and, therefore, are deferred in the funds	1,979
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	40,038
Some assets (liabilities) are not available in the current period and therefore are not reported as fund assets:	
Investment in Ross Valley Fire Department joint venture	<u>(2,115,813)</u>
Net position of governmental activities	<u><u>\$1,887,707</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2015**

REVENUES

Property taxes	\$ 1,203,775
Education Revenue Augmentation Fund	76,763
Homeowners' property tax reimbursement	7,043
Interest	6,472
Fire Safe grant	1,500
Charges for services	40,642
	<hr/>
Total revenues	1,336,195

EXPENDITURES

Current

Contract for fire protection services	1,036,517
County tax collection administration	18,006
Meeting attendance fees	1,350
Treasurer fees	600
Bookkeeper fees	3,203
Commissioner stipends	3,600
Audit and accounting	7,175
Insurance	2,847
Legal fees	55,893
Community preparedness	41,231
Fire department training	16,153
Miscellaneous	28,517
	<hr/>

Total current

1,215,092

Capital outlay

16,527

Total expenditures

1,231,619

Net change in fund balance 104,576

Fund balance at beginning of year

3,834,687

Fund balance at end of year

\$ 3,939,263

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Continued)**

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

Net change in fund balance	\$ 104,576
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	(2,000)
Fire protection services	0
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases	16,527
Depreciation expense	(8,197)
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)	(44,069)
Accrued property taxes-end of the year	22,240
Accrued property taxes-beginning of the year	(22,240)
Change in Net Position of Governmental Activities	\$ 66,837

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

INTRODUCTION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

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

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

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE STATEMENTS (continued)

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

FUND FINANCIAL STATEMENTS

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

The District uses the following fund types:

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

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

BASIS OF ACCOUNTING

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued):

Accrual:

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

Modified accrual:

The government funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

FINANCIAL STATEMENT AMOUNTS

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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY INTEREST IN THE ROSS VALLEY FIRE DEPARTMENT

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

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

DEFERRED PROPERTY TAXES

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

PROPERTY TAXES

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Secured property taxes are due the following November 1 and March 1 and become delinquent April 10 and December 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

The District participates in an agreement (commonly known as the Teeter Plan) with the County of Marin. The Teeter Plan calls for the County to advance the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent property tax receivables and actual proceeds collected. The receivable on the balance sheet refers to unsecured property taxes.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY TAXES (CONTINUED)

Paramedic tax charges are assessed by the District. These special tax charges are incorporated on property tax bills, and therefore are attached as an enforceable lien on real property located within the District.

FUND BALANCE

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

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

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

USE OF ESTIMATES

The basic financial statements have been prepared in conformity to generally accepted accounting principles and therefore include amounts based on informed estimates and judgments by management. Actual results could differ from those estimates.

2. CASH

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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, 2015, the latest available information, the County's investment pool had a weighted average maturity of 176 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, 2015**

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, 2015.

	Percent of portfolio
Investments in investment pool	
Federal agency - discount	85%
Federal agency - coupon	13%
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, 2015**

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, 2015, was as follows:

	Beginning Balance	Additions	Ending Balance
Fire Hydrants	\$ 70,932	\$ 16,527	\$ 87,459
Pumps and Hoses	77,666		77,666
Total property	148,598	16,527	165,125
Less: accumulated depreciation	(116,890)	(8,197)	(125,087)
Equipment, net	\$ 31,708	\$ 8,330	\$ 40,038

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
	\$2,300,000

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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, 2015, as follows:

Appropriations limit	\$ 1,062,467
Annual subject appropriations	<u>1,210,818</u>
Excess of appropriations over limit	<u><u>\$ 148,351</u></u>

7. 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.

8. JOINT VENTURE

The District entered into a Joint Powers Agreement (JPA) on July 1, 2010 with the Towns of Fairfax and San Anselmo to become a member of the Ross Valley Fire Service (the Authority). The JPA was amended effective July 1, 2012 to include the Town of Ross. The Authority provides fire protection, emergency and related services within the Fairfax-San Anselmo-Ross area. Pursuant to the JPA, the District makes monthly payments to the Authority based on its Percentage Share (12.8% for the fiscal year 2014-2015) of the Authority's adopted budget. This percentage will be reviewed not more frequently than every three years, beginning in fiscal year 2015-2016.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

8. JOINT VENTURE (continued)

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, 2015.

Total assets and deferred outflows of resources	\$ 3,831,157
Total liabilities and deferred inflows of resources	<u>12,147,271</u>
Net position	<u><u>\$ (8,316,114)</u></u>
Total revenues	\$ 8,900,584
Less: Total expenses	<u>(9,225,977)</u>
Increase (decrease) in net position	<u><u>\$ (325,393)</u></u>

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

9. RESTATEMENT OF BEGINNING NET POSITION

The net position as of June 30, 2014, as reported in the statement of changes in net position, has been decreased \$2,287,147 to recognize an obligation for unfunded pension liabilities of \$1,546,790 and unfunded other postemployment benefits (healthcare) of \$740,357. Information about the effect on changes in net position for the previous year was not available.

Required Supplemental Information

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Property taxes	\$ 1,125,000	\$ 1,140,011	\$ 1,203,775	\$ 63,764
Education Revenue Augmentation Fund	73,000	76,762	76,763	1
Homeowners' property tax reimbursement	6,500	6,500	7,043	543
Interest	5,000	3,499	6,472	2,973
Services to San Domenico	40,642	40,642	40,642	-
Fire Safe grant	-	1,500	1,500	-
Total revenues	<u>1,250,142</u>	<u>1,268,914</u>	<u>1,336,195</u>	<u>67,281</u>
EXPENDITURES				
Current				
Contract for fire protection services	1,036,517	1,036,517	1,036,517	-
County tax collection	18,000	18,006	18,006	-
LAFCO fee	700	632	632	-
Station 20 maintenance	20,000	28,869	18,869	10,000
Meeting attendance	2,500	1,150	1,350	(200)
Treasurer fees	600	600	600	-
Bookkeeper fees	3,000	3,138	3,203	(65)
Commissioner stipends	3,000	3,600	3,600	-
Accountant	8,000	14,925	7,175	7,750
Insurance	3,000	2,929	2,847	82
Professional fees	1,500	4,315	4,315	-
Legal	25,000	59,708	55,893	3,815
Supplies	500	568	568	-
Community preparedness	50,000	35,000	41,231	(6,231)
Technology	-	10,807	2,500	8,307
Miscellaneous	2,500	1,633	1,633	-
FD training	35,000	8,100	16,153	(8,053)
Total current	<u>1,209,817</u>	<u>1,230,497</u>	<u>1,215,092</u>	<u>15,405</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>16,527</u>	<u>(16,527)</u>
Total expenditures	<u>1,209,817</u>	<u>1,230,497</u>	<u>1,231,619</u>	<u>(1,122)</u>
Excess of revenues over expenditures	<u>\$ 40,325</u>	<u>\$ 38,417</u>	104,576	<u>\$ 66,159</u>
Fund balance at beginning of year			<u>3,834,687</u>	
Fund balance at end of year			<u>\$ 3,939,263</u>	

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2015**

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting.

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