

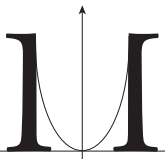
SLEEPY HOLLOW FIRE PROTECTION DISTRICT

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FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2008

## TABLE OF CONTENTS

|   |    |
|---|----|
| Independent Auditors' Report  | 1  |
| Management's Discussion and Analysis  | 2  |
| Basic Financial Statements:   |    |
| Government-wide Financial Statements:   |    |
| Statement of Net Assets   | 6  |
| Statement of Activities   | 7  |
| Fund Financial Statements:  |    |
| Balance Sheet-Governmental Fund   | 8  |
| Statement of Revenues and Expenditures<br>Budget and Actual - Governmental Fund | 10 |
| Notes to the Basic Financial Statements   | 12 |



## 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, 2008, 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, 2008, 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 5 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*

November 26, 2008



## **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, 2008. Please read it along with the District's financial statements, which begin on page 6.

### **FINANCIAL HIGHLIGHTS**

The District's net assets are \$2,964,000, an increase of \$439,000. Total revenues increased by \$139,000 and total expenses increased by \$22,000.

Included in the statement of revenues and expenditures is a comparison between budgeted and actual revenues and expenditures. That statement indicates that we had a positive variance of \$96,000 when comparing actual activity with budgeted activity.

### **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>2008</u>                | <u>2007</u>                | <u>Increase<br/>(decrease)</u> |
|---------------------------|----------------------------|----------------------------|--------------------------------|
| Current assets:           |                            |                            |                                |
| Cash                      | \$ 2,908,703               | \$ 2,420,625               | \$ 488,078                     |
| Prepaid expenses          | 1,476                      | 1,476                      | 0                              |
| Interest receivable       | -                          | 46,369                     | (46,369)                       |
| Property taxes receivable | 21,000                     | 18,800                     | 2,200                          |
| Total current assets      | <u>2,931,179</u>           | <u>2,487,270</u>           | 443,909                        |
| Net property              | <u>32,675</u>              | <u>37,389</u>              | (4,714)                        |
| Net assets                | <u><u>\$ 2,963,854</u></u> | <u><u>\$ 2,524,659</u></u> | <u><u>\$ 439,195</u></u>       |

The increase in current assets is the result of our continued success in maintaining expense levels below revenues.

Changes in the District's revenues were as follows:

|                        | <u>2008</u>                | <u>2007</u>                | <u>Increase<br/>(decrease)</u> |
|------------------------|----------------------------|----------------------------|--------------------------------|
| General revenues:      |                            |                            |                                |
| Property taxes         | \$ 954,209                 | \$ 884,827                 | \$ 69,382                      |
| Intergovernmental:     |                            |                            |                                |
| ERAF reimbursement     | 95,982                     | 61,133                     | 34,849                         |
| HOPTR                  | 7,115                      | 7,122                      | (7)                            |
| Investment earnings    | 127,579                    | 94,316                     | 33,263                         |
| Total general revenues | <u>1,184,885</u>           | <u>1,047,398</u>           | 137,487                        |
| Program revenues:      |                            |                            |                                |
| Charges for services   | <u>30,436</u>              | <u>28,854</u>              | 1,582                          |
| Total revenues         | <u><u>\$ 1,215,321</u></u> | <u><u>\$ 1,076,252</u></u> | <u><u>\$ 139,069</u></u>       |

Property taxes increased primarily due to property reassessments.

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

|                                | 2008       | 2007       | Increase<br>(decrease) |
|--------------------------------|------------|------------|------------------------|
| Public safety-fire protection: |            |            |                        |
| Contract for fire protection   | \$ 717,781 | \$ 717,854 | \$ (73)                |
| Other expenses                 | 58,345     | 36,259     | 22,086                 |
| Total expenses                 | 776,126    | 754,113    | 22,013                 |
| Less program revenues          | 30,436     | 28,854     | 1,582                  |
| Net expenses                   | 745,690    | 725,259    | 20,431                 |
| General revenues               | 1,184,885  | 1,047,398  | 137,487                |
| Change in net assets           | \$ 439,195 | \$ 322,139 | \$ 117,056             |

The increase in "Other expenses" is primarily attributable to our contribution of \$20,000 toward the Marin County Fire Department's purchase of a crew wagon for brush removal on Mount Tamalpais.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the District's general funds. Presently, the District has only one fund (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.

The comparison between actual and budget revenues and expenditures indicates a positive variance of \$96,000. The increase relates primarily to higher than expected ERAF income and lower than expected costs on the fire contract with San Anselmo. We budgeted \$60,000 for ERAF income and earned \$96,000, and we budgeted \$777,000 for fire protection services and spent \$718,000.

## **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 \$46,000. The District also owns several fire hydrants purchased in the 1950s, 1960s, and 1970s. The fire hydrants are fully depreciated and the fire pumps are being depreciated over ten years.

## **THE FUTURE OF THE DISTRICT**

Increases in property tax revenue are expected to continue, but at a slower rate than in recent years. The District is expected to continue to be fiscally strong so as to be able to provide fire protection services to the Sleepy Hollow Community.

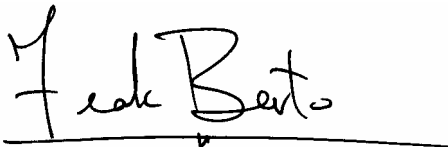
The District is currently engaged in negotiations to become a voting member of the Joint Powers Authority that administers the Ross Valley Fire Department (RVFD). If these negotiations are successful, the District will contribute 16.7% of the cost of operating the RVFD. This will be a significant increase compared to our current contract with San Anselmo. The District expects that our revenue will still exceed our expenses.

## **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 serves as a separator.

Frank Berto  
President

## **Basic Financial Statements**



**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008**

**ASSETS**

|   |                            |
|---|----------------------------|
| Current assets:                                 |                            |
| Cash in County treasury:                        |                            |
| Operating account                               | \$ 599,963                 |
| Investment account                              | 2,308,740                  |
| Receivables:                                    |                            |
| Property taxes                                  | 21,000                     |
| Prepaid expenses                                | <u>1,476</u>               |
| Total current assets                            | 2,931,179                  |
| Capital assets, net of accumulated depreciation | <u>32,675</u>              |
| Total assets                                    | <u><u>\$ 2,963,854</u></u> |

**NET ASSETS**

|                            |                            |
|----------------------------|----------------------------|
| Invested in capital assets | \$ 32,675                  |
| Unrestricted               | <u>2,931,179</u>           |
| Total net assets           | <u><u>\$ 2,963,854</u></u> |

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

**EXPENSES**

|   |            |
|---|------------|
| Public safety- fire protection:               |            |
| Contract for fire protection services         | \$ 717,781 |
| Property tax administration fees              | 7,638      |
| Insurance                                     | 1,968      |
| RVFD & PA meetings                            | 3,400      |
| Treasurer's fees                              | 1,050      |
| Bookkeeper fees                               | 1,567      |
| Directors' stipend                            | 3,450      |
| Accountant                                    | 4,400      |
| County tax collection                         | 8,298      |
| Pump maintenance                              | 560        |
| Contribution toward Tamalpais fire crew wagon | 20,000     |
| Website                                       | 400        |
| Professional fees                             | 563        |
| Supplies                                      | 337        |
| Depreciation                                  | 4,714      |
|   | <hr/>      |
| Total expenses                                | 776,126    |

**PROGRAM REVENUE**

|                      |              |
|----------------------|--------------|
| Charges for services | <hr/> 30,436 |
| Net program expense  | 745,690      |

**GENERAL REVENUES**

|  |                 |
|--|-----------------|
| Property taxes                                 | 954,209         |
| Intergovernmental:                             |                 |
| Education Revenue Augmentation Fund mitigation | 95,982          |
| Homeowners' property tax reimbursement         | 7,115           |
| Investment earnings                            | <hr/> 127,579   |
| Total general revenues                         | <hr/> 1,184,885 |
| Increase in net assets                         | 439,195         |

**NET ASSETS-BEGINNING OF THE YEAR** 

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2,524,659

**NET ASSETS-END OF THE YEAR** 

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\$ 2,963,854

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2008**

**ASSETS**

|                          |                            |
|--------------------------|----------------------------|
| Cash in county treasury: |                            |
| Operating                | \$ 599,963                 |
| Investments              | 2,308,740                  |
| Receivables:             |                            |
| Property taxes           | 21,000                     |
| Prepaid expenses         | 1,476                      |
|                          | <hr/>                      |
| Total assets             | <u><u>\$ 2,931,179</u></u> |

**LIABILITIES**

|                  |           |
|------------------|-----------|
| Deferred revenue | \$ 21,000 |
|------------------|-----------|

**FUND BALANCE**

|  |                            |
|--|----------------------------|
| Fund balance:                              |                            |
| Reserved for fire house acquisition        | 1,300,000                  |
| Reserved for fire equipment acquisition    | 600,000                    |
| Reserved for operational start-up expenses | 400,000                    |
| Unreserved                                 | 610,179                    |
|  | <hr/>                      |
| Total fund balance                         | <u>2,910,179</u>           |
|  | <hr/>                      |
| Total liabilities and fund balance         | <u><u>\$ 2,931,179</u></u> |

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
BALANCE SHEET (continued)  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2008  
(Continued)**

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

|   |                           |
|---|---------------------------|
| Total governmental fund balance   | \$2,910,179               |
| Amounts reported for governmental activities in the statement<br>of net assets are different because:                     |                           |
| Capital assets used in governmental activities are not financial<br>resources and therefore are not reported in the funds | 32,675                    |
| Property taxes receivable that are not available to pay current<br>period expenditures are deferred in the balance sheet  | <u>21,000</u>             |
| Net assets of governmental activities   | <u><u>\$2,963,854</u></u> |

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

|  | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--|--|---------------|---|
| <b>REVENUES</b>  |  |               |   |
| Property taxes   | \$ 940,000                               | \$ 952,009    | \$ 12,009                                       |
| Intergovernmental:                                     |  |               |   |
| Education Revenue Augmentation Fund mitigation         | 60,000                                   | 95,982        | 35,982  |
| Homeowners' property tax reimbursement                 | 7,000                                    | 7,115         | 115   |
| Interest   | 130,000                                  | 127,579       | (2,421)   |
| Charges for services                                   | 30,000                                   | 30,436        | 436   |
| Total revenues   | 1,167,000                                | 1,213,121     | 46,121  |
| <b>EXPENDITURES</b>                                    |  |               |   |
| Current  |  |               |   |
| Contract for fire protection services                  | 777,000                                  | 717,781       | 59,219  |
| Property tax administration fees                       | 4,000                                    | 7,638         | (3,638)   |
| Insurance  | 2,000                                    | 1,968         | 32  |
| RVFD & PA meetings                                     | 3,100                                    | 3,400         | (300)   |
| Treasurer's fees                                       | 900                                      | 1,050         | (150)   |
| Bookkeeper fees  | 1,800                                    | 1,567         | 233   |
| Directors' stipend                                     | 2,700                                    | 3,450         | (750)   |
| Accountant   | 4,400                                    | 4,400         | -   |
| County tax collection                                  | 700                                      | 8,298         | (7,598)   |
| Pump maintenance                                       | 2,000                                    | 560           | 1,440   |
| Miscellaneous (Tamalpais fire crew wagon contribution) | 20,000                                   | 20,000        | -   |
| Website  | 1,000                                    | 400           | 600   |
| Professional fees                                      | 1,000                                    | 563           | 437   |
| Supplies   | 400                                      | 337           | 63  |
| Total current  | 821,000                                  | 771,412       | 49,588  |
| Excess of revenues over<br>expenditures                | \$ 346,000                               | 441,709       | \$ 95,709                                       |
| Fund balance at beginning of year                      |  | 2,468,470     |   |
| Fund balance at end of year                            |  | \$ 2,910,179  |   |

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2008  
(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  | \$ 441,709        |
| Amounts reported for governmental activities in the<br>Statement of Activities are different because:   |                   |
| Governmental funds report capital outlays as expenditures<br>while governmental activities report depreciation expense<br>to allocate those expenditures over the life of the assets: |                   |
| Depreciation expense  | (4,714)           |
| Revenues in the statement of activities that do not provide current<br>resources are not reported as revenue in the fund financial statements   |                   |
| Property taxes-end of the year  | 21,000            |
| Property taxes-beginning of the year  | <u>(18,800)</u>   |
| Change in Net Assets of Governmental Activities   | <u>\$ 439,195</u> |

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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 contracts with the Town of San Anselmo for these services from the Ross Valley Fire Department, a joint operation of the Towns of San Anselmo and Fairfax.

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, 2008**

**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, 2008**

**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 District assigned a 25 year life to the hydrants, and they are considered to be fully depreciated. The 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, 2008**

**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 the 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.

**BUDGET**

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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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.”

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, 2008, the County’s investment pool had a weighted average maturity of 218 days.

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2008**

**2. CASH (continued)**

**CREDIT RISK**

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

**CONCENTRATION OF CREDIT RISK**

The following is a summary of the concentration of credit risk by investment type as a percentage of the pool's fair value at June 30, 2008.

| Investments in investment pool | Percent<br>of portfolio |
|--------------------------------|-------------------------|
| U.S. Agency                    | 65%                     |
| U.S. Treasury                  | 11%                     |
| Local Agency Investment Fund   | 2%                      |
| Money market funds             | 6%                      |
| Certificates of deposit        | 11%                     |
| Bankers acceptances            | 4%                      |
| Commercial paper               | 1%                      |
|                                | 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.

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**2. CASH (continued)**

**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. CONTRACT FOR FIRE PROTECTION SERVICES**

The District contracts with the Town of San Anselmo to provide fire protection, medical aid and rescue services at a cost of 23% of the annual labor costs of the Town for its Fire Department. Since the creation of the Ross Valley Fire Service (a joint venture between the Towns of San Anselmo and Fairfax), this percentage has been applied to the Town of San Anselmo's contractual share of the Ross Valley Fire Service's labor costs. The District makes quarterly payments during the year based on the Ross Valley Fire Service budget. Any adjustment due to differences between the budget and actual expenditures are made in the subsequent fiscal year.

**4. CHARGES FOR SERVICES**

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

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**5. EQUIPMENT**

The District owns twenty-two 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, 2008 was as follows:

|                                | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Ending<br/>Balance</u> |
|--------------------------------|------------------------------|-------------------|---------------------------|
| Fire Hydrants                  | \$ 52,045                    |                   | \$ 52,045                 |
| Pumps and Hoses                | 47,144                       |                   | 47,144                    |
| Total property                 | 99,189                       |                   | 99,189                    |
| Less: accumulated depreciation | (61,800)                     | (4,714)           | (66,514)                  |
| Equipment, net                 | <u>\$ 37,389</u>             | <u>\$ (4,714)</u> | <u>\$ 32,675</u>          |

**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, 2008, as follows:

|                                     |                  |
|-------------------------------------|------------------|
| Appropriations limit                | \$ 877,603       |
| Annual subject appropriations       | <u>959,033</u>   |
| Excess of appropriations over limit | <u>\$ 81,430</u> |

**SLEEPY HOLLOW FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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.