

Marin Wildfire Prevention Authority

Sausalito, California

*Auditors' Communication with
Those Charged with Governance*

For the year ended June 30, 2021



May 31, 2022

To The Board of Directors
of Marin Wildfire Prevention Authority
Sausalito, California

We have audited the financial statements of the governmental activities and major fund information of the Marin Wildfire Prevention Authority, (Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 18, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the Authority's internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the timing previously communicated to you on the engagement letter.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Authority changed accounting policies related to financial reporting by adopting the following Statements of Governmental Accounting Standards (GASB Statement) in 2021:

- GASB No. 84, *Fiduciary Activities*
- GASB No. 90, *Majority Equity Interests*
- GASB No. 93, *Interbank offered rates (except LIBOR removal and lease modifications)*

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Summary of Significant Accounting Policies
- Cash and Investments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To The Board of Directors
of Marin Wildfire Prevention Authority
Sausalito, California
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 31, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We noted one internal control deficiency which is described in the schedule of findings and responses, dated May 31, 2022. We also included management's response to the finding.

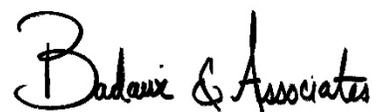
Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Authority's Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Badawi & Associates, CPAs
Berkeley, California
May 31, 2022

Marin Wildfire Prevention Authority

Sausalito, California

Basic Financial Statements

For the year ended June 30, 2021

Marin Wildfire Prevention Authority
Basic Financial Statements
For the year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Marin Wildfire Prevention Authority
Sausalito, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Marin Wildfire Prevention Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 our 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, we consider 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 Authority'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.

To the Board of Directors
of Marin Wildfire Prevention Authority
Sausalito, California
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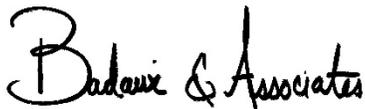
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Marin Wildfire Prevention Authority, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary information on pages 3-6 and page 26 to 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.



Badawi & Associates, CPA's
Berkeley, California
May 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an overview of the Authority's financial position and performance for the fiscal year ending June 30, 2021. As this fiscal year was the first for the Marin Wildfire Prevention Authority (the Authority), there is no prior year data for comparison, but this discussion will include background information and a description of currently known facts, decisions, and conditions that are expected to impact the financial position of the Authority's operations going forward.

BACKGROUND

In March 2020, the Measure C ballot measure was passed with 70.8% support in Marin County, establishing the creation of the Marin Wildfire Prevention Authority – a Joint Powers Authority consisting of 17 voting member agencies based in Marin County. Measure C approved a tax to all parcels of real property in Marin County within the defined boundary of the "Member Taxing Entities," starting in 2020/21 for a period of ten years, providing \$19.6M annually.

The first order of business for the Board of Directors was to set the budget and strategic direction to guide the organization into the future and to put in place the programs and procedures to invest in the critical wildfire prevention work in the communities. All of the Authority's guiding documents and work plans can be accessed [here](#).

In June 2020, the FY21 Work Plan was adopted by the Board, and in September 2020, the Executive Officer was hired.

Since the first tax installment was not distributed to the Authority until December 2020, the Authority received a short-term loan of \$1M from the County of Marin to cover operating expenses through December (the dry-period). The loan was immediately repaid, and the Board set aside funds so as to be able to fund operations each year until the first tax installment arrives each December.

FINANCIAL HIGHLIGHTS

Government-wide

The government-wide financial statements provide the reader with a longer-term view of the Authority's activities, and include all aspects of the financial operations including capital assets and long-term liabilities. The Statement of Net Position presents information about the financial position of the Authority as a whole. Over time, increases or decreases in the net position are an important indicator for monitoring the financial health of the Authority.

Table 1
Governmental Net Position

	Governmental Activities		
	2021	2020	\$ Change
Current assets	10,319,325	-	10,319,325
Capital assets, net of accumulated depreciation	-	-	-
Total Assets	<u>10,319,325</u>	<u>-</u>	<u>10,319,325</u>
Current liabilities:			
Accounts payable	920,861	-	920,861
Accrued payroll expenses	33,214	-	33,214
Accrued sick & vacation leave	3,269	-	3,269
Total current liabilities	<u>957,344</u>	<u>-</u>	<u>957,344</u>
Non-current liabilities:			
Accrued sick & vacation leave	2,108	-	2,108
Total noncurrent liabilities	<u>2,108</u>	<u>-</u>	<u>2,108</u>
Total Liabilities	<u>959,452</u>	<u>-</u>	<u>959,452</u>
Net position:			
Unrestricted	<u>9,359,873</u>	<u>-</u>	<u>9,359,873</u>
Total net position	<u>\$ 9,359,873</u>	<u>\$ -</u>	<u>\$ 9,359,873</u>

The Authority had a positive Net Position of \$9,359,873 as of June 30, 2021. The Board budgeted for a net excess of \$7.7M for this first year, in order to set aside the excess funds for future year projects before the December property tax disbursement. The actual excess was \$9,359,873, due to underspending in all areas of the budget, most notably the evacuation study, which will be rolled into the subsequent year's budget.

All of the Authority’s employees are in a defined contribution retirement plan, and therefore no long-term pension liabilities are listed in Table 1.

	Governmental Activities		
	2021	2020	\$ Change
<u>Revenues</u>			
Program revenues:			
Measure C Property Tax	19,663,418	-	19,663,418
Interest income	8,110	-	8,110
Total revenues	<u>19,671,528</u>	<u>-</u>	<u>19,671,528</u>
<u>Program Expenses</u>			
Public safety - fire prevention and protection	10,311,655	-	10,311,655
Total expenses	<u>10,311,655</u>	<u>-</u>	<u>10,311,655</u>
Change in Net Position	<u>\$ 9,359,873</u>	<u>\$ -</u>	<u>\$ 9,359,873</u>

General Fund

The fund financial statements (table 3) provide a short-term view of the Authority’s finances, providing more detailed information on the Authority’s current revenues, expenditures, and fund balance, and excluding capital assets and long-term obligations. However, since the Authority does not participate in a defined benefit program for its employees, and does not currently own any capital assets, the fund financial statements are similar to the government-wide statements in this report.

- Revenues exceeded expenditures by \$9,365,250.
- Total revenues were \$345,830 more than budgeted, with \$337,720 attributable to Measure C revenues higher than anticipated.
- Total expenditures were \$1,240,386 lower than budgeted, with Core Program costs finishing \$1,231,778 under budget. These unspent Core funds will be rolled over into FY22.

Table 3
Statement of Revenues, Expenditures and Changes in Fund Balance

	General Fund		
	2021	2020	\$ Change
<u>Revenues</u>			
Program revenues:			
Measure C Property Tax	19,663,418	-	19,663,418
Interest income	8,110	-	8,110
Total revenues	<u>19,671,528</u>	<u>-</u>	<u>19,671,528</u>
<u>Program Expenditures</u>			
Public safety - fire prevention:			
Core Program	1,593,222	-	1,593,222
Defensible Space Program	3,929,608	-	3,929,608
Local Wildfire Mitigation Program	3,929,608	-	3,929,608
Administrative Costs	597,511	-	3,929,608
Personnel	256,329	-	256,329
Total expenditures	<u>10,306,278</u>	<u>-</u>	<u>13,638,375</u>
Revenues over (under) expenditures	9,365,250	-	9,365,250
Net change in fund balance	<u>\$ 9,365,250</u>	<u>\$ -</u>	<u>\$ 9,365,250</u>

Economic Outlook

The primary economic drivers of Authority finances are property tax revenue and project costs. Property tax revenue for the next ten years is on a steady trajectory, with 3% CPI increases built in to future rates. The Authority is committed to keeping administrative costs low, so as to devote maximum resources to the projects designed to prevent and mitigate wildfires.

Current financial projections indicate that the anticipated property tax revenue will be sufficient to fund the operating budget for the Authority's ten year planning horizon. In addition, the Authority has sufficient funding over the forecast period to cover its dry-period funding needs, maintain an appropriate contingency reserve, and address its liabilities.

The Authority's spending choices are prioritized and reflect public values, with adequate funding for fire mitigation and prevention projects, and providing a sustainable level of fair and reasonable compensation.

**BASIC
FINANCIAL STATEMENTS**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Marin Wildfire Prevention Authority
Statement of Net Position
June 30, 2021

		<u>Governmental Activities</u>
ASSETS		
Current assets:		
Cash and investments		\$ 10,319,325
Total current assets		<u>10,319,325</u>
Total assets		<u>10,319,325</u>
LIABILITIES		
Current liabilities:		
Accounts payable		920,861
Accrued wages		16,937
Accrued expenditures		16,277
Compensated absences - due in one year		3,269
Total current liabilities		<u>957,344</u>
Noncurrent liabilities:		
Compensated absences - due in more than one year		2,108
Total noncurrent liabilities		<u>2,108</u>
Total liabilities		<u>959,452</u>
NET POSITION		
Unrestricted		<u>9,359,873</u>
Total net position		<u>\$ 9,359,873</u>

Marin Wildfire Prevention Authority
Statement of Activities
For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Public safety - fire prevention and protection	\$ 10,311,655	\$ -	\$ -	\$ (10,311,655)
Total governmental activities	\$ 10,311,655	\$ -	\$ -	(10,311,655)
General revenues:				
				19,663,418
				8,110
			Total general revenues	19,671,528
			Change in net position	9,359,873
			Net position, beginning of year	-
			Net position, end of year	\$ 9,359,873

FUND
FINANCIAL STATEMENTS

Marin Wildfire Prevention Authority
Balance Sheet
Governmental Fund
June 30, 2021

ASSETS

Cash and investments	\$ 10,319,325
Total assets	<u>10,319,325</u>

LIABILITIES

Accounts payable	920,861
Accrued expenditures	16,937
Payroll Liabilities	<u>16,277</u>
Total liabilities	<u>954,075</u>

FUND BALANCES

Unassigned	<u>9,365,250</u>
Total fund balances	<u>9,365,250</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,319,325</u>

Marin Wildfire Prevention Authority
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUND \$ 9,365,250

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Fund above because of the following:

LONG-TERM LIABILITIES:

The liabilities below are not due and payable in the current year and therefore are not reported in the Governmental Fund:

Compensated absences - due in one year	(3,269)
Compensated absences - due in more than one year	<u>(2,108)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,359,873

Marin Wildlife Prevention Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the year ended June 30, 2021

REVENUES:

Property tax - Measure C	\$ 19,663,418
Interest income	8,110
Total revenues	<u>19,671,528</u>

EXPENDITURES:

Current:

Core Program	1,593,222
Defensible Space Program	3,929,608
Local Wildfire Mitigation Program	3,929,608
Administrative Costs	853,840
Total expenditures	<u>10,306,278</u>

REVENUES OVER (UNDER) EXPENDITURES	<u>9,365,250</u>
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Net change in fund balance	<u>9,365,250</u>
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FUND BALANCES:

Beginning of year	<u>-</u>
End of year	<u>\$ 9,365,250</u>

Marin Wildlife Prevention Authority
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$	9,365,250
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

The amounts below included in the Statement of Activities do not require) the use of current financial resources and therefore are not reported as expenditures in the governmental funds (net change):

Change in compensated absences	(5,377)
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	9,359,873
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NOTES TO BASIC FINANCIAL STATEMENTS

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Description*

In March 2020, most of Marin County residents voted to pass a special tax – Measure C ballot that is applied to all parcels of real property located in Marin County Within the defined boundary of the member entities, to fund proactive, state-of-the-art wildfire prevention and preparedness efforts

Following the passing of Measure C, the Marin Wildfire Prevention Authority (the Authority) was formed by a Joint Powers Agreement among 17 member agencies covering most of Marin County to coordinate fire prevention activities using the Measure C funds.

This Joint Exercise of Powers Agreement was entered into pursuant to Sections 6500 et seq. of the California Government Code, by and between the following member agencies: the cities of San Rafael, Mill Valley, and Larkspur (“Cities”); the towns of San Anselmo, Corte Madera, Fairfax, and Ross (“Towns”); the County of Marin (including Service Areas 13, 19 and 31 collectively referred to as “County”); the Fire Protection Districts of Southern Marin, Novato, Kentfield, Stinson Beach, Bolinas, and Sleepy Hollow, the Marinwood Community Services District, the Inverness Public Utility District, and Muir Beach Community Services District (“Districts”).

Revenues raised from the Measure C tax are used solely to plan, finance, implement, manage, own, and operate a multijurisdictional agency to prevent and mitigate wildfires in Marin County.

The MWPA is governed by a Board of Directors composed of elected leaders from each member agency to ensure that wildfire programs and resources are directed to areas of greatest need and opportunity for community benefit. Directors of the MWPA are selected or assigned by the individual Member organizations of the MWPA. Directors are not compensated by the MWPA for their participation on this board. Staff consist of 1 Executive Officer, 1 Planning and Program Manager, and 2 Grizzly Corps Fellows

The Authority maintains its headquarters at 28 Liberty Ship Way, Suite 2800 Sausalito, California 94965.

B. *Reporting Entity*

The Authority does not exercise oversight responsibility over any other governmental unit, thus its financial statements do not include any financial activity of any other agency. It is not a component unit of any other reporting entity.

C. *Basis of Presentation*

The Authority’s Basic Financial Statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

C. Basis of Presentation, Continued

Government-wide Statements - The statement of net position and the statement of activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues of each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

D. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Authority may also select other funds it believes should be presented as major funds.

The Authority reported its only fund as a major governmental fund in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources. The major revenue sources for this Fund is Measure C funds. Expenditures are made up of wildfire prevention programs and other operating expenditures.

E. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

E. Basis of Accounting, Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Authority may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

F. Budgets and Budgetary Accounting

The Board of Directors adopts budgets through a resolution Annually. The budget includes appropriations (budgeted expenditures) on a line-item basis and the means of financing them (budgeted revenues).

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all funds. Budgeted amounts presented in the financial statements are as originally adopted and as amended by the Board. Supplemental amendments to the budget were adopted by the Board and have been included in the budget versus actual statement. Appropriations lapse at year end.

G. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Marin (the County) levies, bills and collects property taxes for the Authority; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

G. Property Taxes, Continued

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County distributes property tax (termed "settlements") under the Teeter Plan, which allows the Authority to receive all property taxes in the year in which they are levied. The County retains any collections of interest, penalties and delinquencies under this plan. A settlement apportionment for 95% of unsecured property taxes is received in October, with the remainder distributed in June. Secured property taxes are received in three settlements and apportioned as follows: 55% in December, 40% in April and 5% in June.

H. Accumulated Compensated Absences

Compensated absences comprise unpaid vacation leave and sick leave. The Authority's liability for compensated absences is recorded in the General Fund. The liability for compensated absences is determined annually.

I. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net Position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

2. CASH AND INVESTMENTS

At June 30, 2021, the Authority's cash and investments consisted of the following:

Description	Amount
Deposits with Bank of Marin	\$ 82,963
Deposits held with Marin County Treasury	10,236,362
Total cash and investments	<u>\$ 10,319,325</u>

A. Deposits

The Authority has authorized staff to deposit cash with the Marin County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The pooled cash is invested principally in bankers' acceptances, negotiable certificates of deposit and various U.S. Government Agency and commercial notes. Interest is earned on the daily earnings of the fund prorated to the Authority based on the ratio of the Authority's pooled investment fund.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority's cash on deposit as collateral for these deposits. The Authority has waived collateral requirements for the portion of deposits covered by federal depository insurance.

B. Investments

Investments as of June 30, 2021, consisted of the following:

Investments	Credit Rating	Fair Value	Maturity 12 Months or or Less
Deposits held with Marin County Treasury	Not Rated	10,236,362	10,236,362
Total cash and investments		<u>\$ 10,236,362</u>	<u>\$ 10,236,362</u>

The Authority adopted GASB Statement No. 31, which requires that the Authority's investments be carried at fair value instead of cost. Under GASB No. 31, the Authority adjusts the carrying value of its investments to reflect their fair value monthly, and it includes the effects of these adjustments in income for that fiscal year. At June 30, 2021, the Authority investments are carried at fair value, which is the same as fair market value.

The County of Marin's investment policies are governed by State statutes. In addition, the County of Marin has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts that may be invested in long-term instruments.

During the year ended June 30, 2021, the investment committee's permissible investments included obligations of the U.S. Government Agencies bills, notes or bonds and certain time deposits, certificates of deposit, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, money market funds, medium term corporate notes or deposit notes, shares of beneficial interest issued by diversified management companies, LAIF, and financial institution investment accounts.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

2. CASH AND INVESTMENTS, Continued

C. Risk Disclosures

County Pool: Interest Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the County’s Investment Policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 1.5 years or less. At June 30, 2021, the County Investment Pool had a weighted average maturity of 0.60 years, or approximately 218 days.

County Pool: Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the County’s Investment Policy limit the County’s 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 credit quality rating of ‘AAA’. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

County Pool: Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the County Pool’s investment in a single issuer of securities. At June 30, 2021, the County had the following investments in any one issuer that represent 5% or more of the total investments: \$1,092.3 million in Federal Home Loan Discount, \$93.969 million in Federal Farm Credit Bank Discount, \$174.895 million in Federal Farm Credit Bank, and \$115.956 million in Federal Agric Mortgage Corporation.

Custodial Credit Risk – The custodial credit risk is the risk that in the event of the failure of a counter party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2021 none of the Authority’s deposits or investments were exposed to disclosable custodial credit risk.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

3. NET POSITION AND FUND BALANCE

Net Position is on the full accrual basis while Fund Balance is measured on the modified accrual basis.

A. Net Position

Net Position is the excess of all the Authority's assets over all its liabilities, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets describes the portion of Net Position represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include debt service, acquisition and construction of facilities, and equipment.

Unrestricted describes the portion of Net Position that is not restricted as to use.

B. Fund Balance

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the Authority's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minute's action.

Marin Wildfire Prevention Authority
Notes to Basic Financial Statements
For the year ended June 30, 2021, continued

3. NET POSITION AND FUND BALANCE, Continued

Assigned fund balance includes amounts intended to be used by the Authority for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the Authority's policy specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the Authority's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

4. RISK MANAGEMENT

The Authority is self-insured through the Paychex Insurance Agency, Inc. The following types of loss risks are covered by the policy above:

Type	Coverage Limit	Deductible
Workers' Compensation	\$300,000,000 per occurrence	No deductible

5. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the fiscal year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion	Non- Current Portion
Compensated absences	\$ -	\$ 5,377	\$ -	\$ 5,377	\$ 3,269	\$ 2,108
Total debt	\$ -	\$ 5,377	\$ -	\$ 5,377	\$ 3,269	\$ 2,108

REQUIRED SUPPLEMENTARY INFORMATION

Marin Wildfire Prevention Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Budget and Actual
For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax - Measure C	\$ 19,325,698	\$ 19,325,698	\$ 19,663,418	\$ 337,720
Interest income	-	-	8,110	8,110
Total revenues	<u>19,325,698</u>	<u>19,325,698</u>	<u>19,671,528</u>	<u>345,830</u>
EXPENDITURES:				
Current:				
Core Program	2,825,000	2,825,000	1,593,222	1,231,778
Defensible Space Program	3,865,140	3,865,140	3,929,608	(64,468)
Local Wildfire Mitigation Program	3,865,140	3,865,140	3,929,608	(64,468)
Administrative Costs	991,384	991,384	853,840	137,544
Total expenditures	<u>11,546,664</u>	<u>11,546,664</u>	<u>10,306,278</u>	<u>1,240,386</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,779,034</u>	<u>7,779,034</u>	<u>9,365,250</u>	<u>1,586,216</u>
Net Change in fund balance	<u>\$ 7,779,034</u>	<u>\$ 7,779,034</u>	<u>9,365,250</u>	<u>\$ 1,586,216</u>
FUND BALANCES:				
Beginning of year			-	
End of year			<u>\$ 9,365,250</u>	

Marin Wildfire Prevention Authority

Sausalito, California

*Auditors' Communication of Significant
Deficiencies*

For the year ended June 30, 2021



May 31, 2022

To The Board of Directors
of Marin Wildfire Prevention Authority
Sausalito, California

In planning and performing our audit of the financial statements of the governmental activities and major fund information of the Marin Wildfire Prevention Authority, (Authority) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

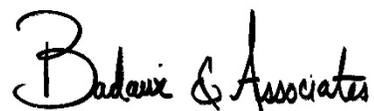
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A Significant Deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2021-001 to be a significant deficiency.

The Authority's written response to the significant deficiency identified in our audit has not been subject to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To The Board of Directors
of Marin Wildfire Prevention Authority
Sausalito, California
Page 2

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
May 31, 2022

Marin Wildfire Prevention Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2021

FINDINGS - FINANCIAL STATEMENTS AUDIT

2021-001: Review, Approval and Segregation of Duties in Certain Control Areas

Criteria:

The Authority is responsible for fair presentation of financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition:

During our audit we noted there were lack of segregation of duties in certain accounting functions. The Treasurer currently performs certain accounting tasks, without review and approval of independent personnel, including:

- Posting Journal Entries
- Bank Reconciliation Statements

Cause:

Due to limited number of employees in the Finance Department, the Authority's process as designed does not adequately segregate the tasks noted above or include an independent review over those tasks.

Effect:

The Authority's accounting records could include errors and potential for fraud increases.

Recommendation:

We recommend that the Authority review its policies and procedures and consider improving its control weaknesses resulted from lack of segregation of duties.

Management Response:

The management of the Marin Wildfire Prevention Authority (MWPA) acknowledges the finding in the Financial Statements Audit that the MWPA lack of segregation of duties in certain accounting functions. The MWPA agrees that the cause of this lack of segregation is caused by the limited number of employees in the finance department.

Since the birth of the MWPA we have added an Accounting Technician through our contract with the Southern Marin Fire District and we are in the process of hiring a Management Analyst. These additional positions will allow increased segregation of duties. The segregation of duties will be documented in our policies and procedures.