

THORNTON RURAL FIRE PROTECTION DISTRICT

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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• think **BOLDLY** • plan **CAREFULLY** • execute **PRECISELY** •

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Thornton Rural Fire Protection District  
Thornton, California

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thornton Rural Fire Protection District as of and for the year ended June 30, 2021, 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 the modified cash basis, of accounting described in Note 1 This includes determining that the modified cash basis, of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.; 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.

#### **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Governmental Fund	Unmodified

## **Basis for Qualified Opinion on Government-Wide Financial Statements**

Because of the inadequacy of accounting records pertaining to fixed assets and accumulated depreciation, we were unable to form an opinion regarding the amounts at which these items are recorded in the accompanying Statements of Net Position as of June 30, 2021, or the amount of depreciation expense recorded in the Statement of Activities for the year then ended. Our testing of current year fixed asset transactions was not impaired.

## **Unmodified Opinion on Governmental Fund Financial Statements**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Thornton Rural Fire Protection District as of the years ended June 30, and the changes in financial position for the years then ended in accordance with modified cash basis of accounting described in Note 1

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis report that is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19 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.



Modesto, California

July 25, 2023

THORNTON RURAL FIRE PROTECTION DISTRICT  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 AS OF JUNE 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash in County	\$ 361,283
Banner Bank General 477	153,605
Banner Bank Payroll 792	<u>27,072</u>
Total Current Assets	541,960
Fixed Assets	
Land	3,000
Buildings and Improvements	113,871
Trucks and Autos	686,467
Equipment	62,233
Accumulated Depreciation	<u>(559,245)</u>
Total Fixed Assets	<u>306,326</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>848,286</u></b>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts Payable	\$ 5,351
Current Portion LTD	<u>13,513</u>
Total Current Liabilities	18,864
Long Term Liabilities	
Vehicle Loans	13,513
Less: Current Portion LTD	<u>(13,513)</u>
Total Long Term Liabilities	-
Total Liabilities	<u>18,864</u>
Net Assets	
Net investment in Fixed Assets	306,326
Unrestricted	<u>523,096</u>
Total Net Position	829,422
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>848,286</u></b>

The accompanying notes are an integral part of these financial statements.

THORNTON RURAL FIRE PROTECTION DISTRICT  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities
<b>PROGRAM EXPENSES</b>	
General Government	\$ 481,118
Administrative	-
Facility Fees	-
Interest Expense	596
Depreciation	60,443
<b>TOTAL PROGRAM EXPENSES</b>	<b>542,157</b>
<b>GENERAL REVENUES</b>	
Charges for Services	
Strike Team Income	110,993
Taxes	
Property Taxes, Levied for General Purpose	293,469
Homeowner's Property Tax Relief	2,018
Assessments	251,992
Interest Income	1,359
Loss on Disposal of Assets	(70,995)
Other Revenues	5,795
<b>TOTAL GENERAL REVENUES</b>	<b>594,631</b>
<b>CHANGE IN NET POSITION</b>	<b>52,474</b>
<b>NET POSITION JULY 1, 2020</b>	<b>776,948</b>
<b>NET POSITION JUNE 30, 2021</b>	<b>\$ 829,422</b>

The accompanying notes are an integral part of these financial statements.

THORNTON RURAL FIRE PROTECTION DISTRICT  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - MODIFIED CASH BASIS  
 AS OF JUNE 30, 2021

	<b>FUND TYPE</b>
	General
<b>ASSETS</b>	
Current Assets	
Cash in County	\$ 361,283
Cash in Bank	180,677
Total Current Assets	541,960
<b>TOTAL ASSETS</b>	<b>\$ 541,960</b>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts Payable	\$ 5,351
Total Liabilities	5,351
<b>FUND BALANCE</b>	
Unrestricted	536,609
Designated	-
Total Fund Balance	536,609
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 541,960</b>

The accompanying notes are an integral part of these financial statements.

THORNTON RURAL FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2021

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	536,609
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	306,326
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(13,513)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>829,422</u></u>
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The accompanying notes are an integral part of these financial statements.



THORNTON RURAL FIRE PROTECTION DISTRICT  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2021

	<b>FUND TYPE</b>
	General
<b>REVENUE</b>	
Property Taxes	\$ 293,469
Assessments	251,992
Interest	1,359
Homeowner's Property Tax Relief	2,018
Strike Teams	110,993
Other Revenue	25,280
<b>TOTAL REVENUE</b>	<b>685,111</b>
<b>EXPENDITURES</b>	
Employee Cost	
Salaries	222,700
Retirement	14,000
Health and Dental	8,396
Workers Compensation	12,752
Payroll Tax	17,410
Total Employee Cost	275,258
Other Operating Cost	
Strike Team Expense	30,543
Office and General	22,152
Fuel and Oil	13,553
Maintenance	75,186
Audit	-
County Fees and Auditor	6,691
Dispatching	7,420
Insurance	9,351
Clothing	1,460
Utilities	19,958
Resuscitation Supplies	345
Principal Payments	23,558
Interest	596
Other	19,200
Total Other Operating Cost	230,013
<b>TOTAL EXPENDITURES</b>	<b>505,271</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>179,840</b>
FIND BALANCE JULY 1, 2020	356,769
FUND BALANCE JUNE 30, 2021	\$ 536,609

The accompanying notes are an integral part of these financial statements.

THORNTON RURAL FIRE PROTECTION DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	179,840
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below capitalization threshold. The activity is reconciled as follows:

Disposal of Assets		(90,481)
Depreciation Expense		(60,443)

Some revenues and expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net change in accruals:

Principal payments		23,558
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	52,474
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The accompanying notes are an integral part of these financial statements.

THORNTON RURAL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District was organized for the purpose of offering fire protection to the residents and landowners Thornton Rural area of San Joaquin County. This District operates under the authority of the State of California Health and Safety Code, Section 13801. Thornton Rural Fire Protection District As discussed further in Note 1 B, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. REPORTING ENTITY

The district's financial reporting entity comprises the following:

Primary Government- Thornton Rural Fire Protection District

The Thornton Rural Fire Protection District primary government is a general-purpose local government formed as a Special District under the laws of the State of California. The governing body is an elected five-member Board of Directors with a president elected by the Directors. The District's Fire Chief serves as the District's representative.

Government-Wide Financial Statements

The district's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the district accompanied by a total column. Fiduciary activities of the district are not included in these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include:

- 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity.
- 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity.

Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The district has no single nonmajor enterprise funds.

THORNTON RURAL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Governmental-Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide financial statements. The district has presented all major funds that met those qualifications.

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b). In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The District currently has no proprietary funds.

**BASIS OF ACCOUNTING**

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events. This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements.

THORNTON RURAL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting

D. FINANCIAL POSITION CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents. Expenditures are recorded in the accounting period in which the related fund liability is paid.

Governmental Funds

General Fund - The 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.

Special Revenue Funds -The special revenue fund is used to account for activities designated by the board for special purposes.

Capital Outlay Reserve Fund - The Capital Outlay Reserve Fund is used to account for funds set aside by the district for major capital expenditures for structures and equipment.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$500 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

THORNTON RURAL FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 2 BUDGET AND BUDGETARY ACCOUNTING

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected and expenditures, are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual are reported on the above bases, with no material difference between them.

Budget Procedures:

Annual budget request are submitted by the District staff to the Board of directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies. The general fund budget is prepared within the limit on spending as regulated by Proposition 4. The capital outlay reserve fund is not regulated by Proposition 4. Unencumbered appropriations for annually budgeted funds lapse at year-end.

Budgetary Basis of Accounting

While the District reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual presented as RSI for each major governmental fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following expenditures exceed the budget basis are as follows:

	<u>Variance</u>	<u>Explanation</u>
Office and General	4,249	Unanticipated Increase
Maintenance	3,460	Unanticipated Increase
County Fees and Auditor	6,691	Unanticipated Increase
Principal Payments	23,558	Budgeted as a reduction of a liability

THORNTON RURAL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 3      PROPERTY AND EQUIPMENT

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred. Depreciation expense for the year ended June 30, 2021 was \$60,443.

Depreciation is recorded under the straight line method as follows.

<u>ASSET CLASS</u>	<u>YEARS</u>
Air conditioners ( Less than 5 ton)	10
Breathing Apparatus	10
Buildings	15
Communication Equipment	10
Electrical and Lighting Systems	15
Fire Trucks and Apparatus	15
Furniture - Office	10
Improvements other then Buildings	20
Plumbing Pipes and Fixtures	20
Sidewalks, Parking and Landscaping	20
Structural Improvements	45
Vehicles - Light Trucks ( Less than 1 ton)	5
Vehicles - Regular	15
Ventilating and Heating Systems	20

Capital asset activity for the year ended June 30, 2021 was as follows:

<b>Program Activities:</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total capital assets not being depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital assets being depreciated:				
Buildings and Improvements	113,871	-	-	113,871
Trucks and Autos	925,963	-	(239,496)	686,467
Machinery and Equipment	<u>62,232</u>	<u>-</u>	<u>-</u>	<u>62,232</u>
Total capital assets being depreciated	<u>1,102,066</u>	<u>-</u>	<u>(239,496)</u>	<u>862,570</u>
Less accumulated Depreciation	<u>(647,818)</u>	<u>(60,443)</u>	<u>149,016</u>	<u>(559,245)</u>
Net capital assets being depreciated	<u>454,248</u>	<u>(60,443)</u>	<u>(90,480)</u>	<u>303,325</u>
Total net capital assets - program activities	<u>\$ 457,248</u>	<u>\$ (60,443)</u>	<u>\$ (90,480)</u>	<u>\$ 306,325</u>

THORNTON RURAL FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 4 DEPOSITORY OF FUNDS AND DISBURSMENTS

The District's principal source of funds is derived from property taxes levied by direct assessment per parcel, based upon its square footage and use code. The San Joaquin County Auditor adds the District's direct assessment to the tax rolls, but no other aspect of the District's assessment. All funds collected are left on deposit with the Treasure of San Joaquin County. The Districts' obligations are paid out of these funds only upon properly verified warrants drawn by the District.

On October 5, 1993, the San Joaquin County Board of Supervisors adopted and implemented the Alternative Method of Tax Apportionment, also known as the Teeter Plan; effective commencing with the fiscal year ended June 30, 1994. This method of assessment does not include unsecured property taxes. Accordingly, although the District received 100% of the adjusted charge for the secured, SB813, and State Homeowners Exemption, it did not receive 100% of current year's tax levy.

NOTE 5 PROPERTY TAX AND OVERRIDES

Property taxes and overrides are apportioned to the District and collected by the County of San Joaquin. The County's property tax and over rides calendar is based on a fiscal year ending June 30. All property taxes and overrides are levied as of July 1. Ad valorem property taxes and overrides attach as an enforceable lien on property as of January 1. Taxes are due, payable and delinquent as follows:

	First Installment	Second Installment
Due Date	November 1	February 1, following year
Delinquent Date	December 10	April 10, following year

NOTE 6 USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE 7 CASH AND INVESTMENTS

Cash at June 30, 2021 consisted of the following:

	Carrying Value		Fair Value
Cash in County	\$ 361,283		\$ 361,283
Banner Bank General: #477	153,605		153,605
Banner Bank Payroll: #792	27,072		27,072
 Total	 \$ 541,960		 \$ 541,960

The district maintains substantially all of its cash in the San Joaquin County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost of the fair market value of the pool as of the above date is shown above as provided by the pools sponsor. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.



THORNTON RURAL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 7 CASH AND INVESTMENTS(continued)

The county is restricted by Government Code Section 53635 pursuant to section 53601 to invest in time deposits, US Government securities, state registered warrants, notes or bonds, State Treasurer' investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Information regarding the amount of dollars invested in derivatives with the county treasury pool was not available.

Category 1: Insured or registered, or securities held by the district or its agent in the district's name

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the district's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, its trust department, or its agent, but not in the district's name.

CUSTODIAL CREDIT RISK-INVESTMENTS

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government and its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations; bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission

NOTE 8 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject to the District to concentrations of credit risk consist principally of temporary cash investments held in an agency by the County of San Joaquin Treasurer. The County of San Joaquin places its temporary cash investments with financial institutions and limits the credit exposure to any one financial institution.

THORNTON RURAL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9            RISK MANAGEMENT

The District is exposed to various risk of loss related to worker's compensation liability. The District participates in a Joint Powers Agreement established in July 1984 to provide coverage for workers' compensation liability exposures and to pay for the administrations of the program. The Joint Powers Agreement established for its members is the Fire Districts Association of California-Fire Agency Self-Insurance System (FDAC-FASIS).

The District currently reports all of its risk management activities in its General Fund. Premiums due to the Association are reported when incurred.

The agreement for the formation of the FDAC-FASIS provides that the system will be self-sustaining through member premiums and will reimburse through a commercial company for claims in excess of self-insured of \$300,000. The self-retention, excess insurance coverage is up to a limit of \$10,000,000.

The District continues to carry commercial insurance for workers' compensation. Settled claims resulting from risk has not exceeded the commercial insurance covering in any of the past fiscal years.

As defined by GASB Statement No. 10, FDAC-FASIS is a "risk-sharing pool." The Association manages one pool for all members. The arrangement allows its members to pool risks and funds and share in the cost of losses.

Each member of the Association pays an annual premium to the insurance system which is evaluated each year based in the number of personnel, estimated payroll and experience factor. The District, for year ended June 30, 2021, paid premiums in the amount of \$12,752.

NOTE 10            NOTES PAYABLE

The District entered into a loan agreement with the Bank of the West for the acquisition of a new Fire Engine. The lease matures in 2021, requires semi-annual payments of \$13,776, and bears an imputed interest rate of 4.98 %. As of June 30, 2021 the note has a balance of \$13,513, of which all is classified as current portion.

NOTE 11            SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through July 25, 2023, the date which the financial statements were available to be issued.

THORNTON RURAL FIRE PROTECTION DISTRICT

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN  
 FUND BALANCES BUDGET TO ACTUAL - GENERAL FUND  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$ 293,469	\$ 293,469	\$ 293,469	\$ -
Assessments	251,992	251,992	251,992	-
Homeowner's Property Tax Relief	2,018	2,018	2,018	-
Strike Teams	67,830	67,830	110,993	43,163
Other Revenue	19,485	19,485	25,280	5,795
Interest	42	42	1,359	1,317
Total Revenues	634,836	634,836	685,111	50,275
<b>Expenditures</b>				
Employee Cost				
Salaries	222,936	222,936	222,700	(236)
Retirement	14,000	14,000	14,000	-
Health and Dental	8,396	8,396	8,396	-
Workers Compensation	12,752	12,752	12,752	-
Payroll Tax	17,622	17,622	17,410	(212)
Total Employee Cost	275,706	275,706	275,258	(448)
Other Operating Cost				
Strike Team Expense	30,543	30,543	30,543	-
Office and General	17,903	17,903	22,152	4,249
Fuel and Oil	13,553	13,553	13,553	-
Maintenance	71,726	71,726	75,186	3,460
County Fees and Auditor	-	-	6,691	6,691
Dispatching	7,420	7,420	7,420	-
Insurance	9,351	9,351	9,351	-
Clothing	1,460	1,460	1,460	-
Utilities	19,958	19,958	19,958	-
Resuscitation Supplies	345	345	345	-
Principal Payments	-	-	23,558	23,558
Interest	596	596	596	-
Other	26,659	26,659	19,200	(7,459)
Total Other Operating Costs	199,514	199,514	230,013	30,499
Total Expenditures	475,220	475,220	505,271	30,051
Change in Fund Balance	\$ 159,616	\$ 159,616	\$ 179,840	\$ 20,224
Fund Balance - Beginning of Year			356,769	
Fund Balance - End of Year			\$ 536,609	

THORNTOWN RURAL FIRE PROTECTION DISTRICT  
SUPPLEMENTAL SCHEDULE BOARD OF DIRECTORS  
FOR THE YEAR ENDED JUNE 30, 2021

Chairman: Jim Allan  
Director: William Stokes  
Director: Leonard Clark  
Director: Bill Price  
Director: Frank Yoka  
Secretary: Sharon Tucker  
Fire Chief: Chief Downey

THORNTOWN RURAL FIRE PROTECTION DISTRICT  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED JUNE 30, 2021

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the District carried insurance with various insurance agencies, to cover all risks of losses. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

<u>TYPE</u>	<u>COVERAGE-LIMIT:</u>
<b><u>GENERAL LIABILITY</u></b>	
General Aggregate	\$1,000,000 / 3,000,000
<b><u>AUTOMOBILE LIABILITY</u></b>	
Automobile	\$1,000,000



## Hawks & Associates CPAs, Inc

• think **BOLDLY** • plan **CAREFULLY** • execute **PRECISELY** •

July 25, 2023

Board of Directors

Thornton Rural Fire Protection District

Thornton, California

We have audited the modified cash-basis financial statements of the governmental activities, the business-type activities, major fund, and the aggregate remaining fund information of Thornton Rural Fire Protection District (The District) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### 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 District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by The District 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. The most sensitive estimate affecting The District's financial statements was:

Management's estimate of the accumulated depreciation due to the inadequacy of accounting records pertaining to fixed assets.

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

The disclosure of Basis of Accounting in Note 1 to the financial statements due to the nature of the footnote and its significance in assisting to have a better understanding of the financial statements reporting of The District.

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.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 25, 2023.

*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 District'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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Budgetary Comparison Information, which is 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 information and use of the Board of Directors and management of The District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Hawks & Associates CPAs, Inc.

Modesto, California

July 25, 2023