

**THORNTON RURAL FIRE
PROTECTION DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2017

THORNTON RURAL FIRE PROTECTION DISTRICT
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Charles E. Strand

Certified Public Accountant

222 S. Thor St. Turlock, CA 95380 P.O. Box 1940 Turlock CA 95381
Phone (209) 667-4477 Fax (209) 667-5913

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thornton Rural Fire Protection District
Thornton, California

I have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Thornton Fire Protection District as of and for the year ended June 30, 2017.. I was also engaged to audit the modified cash-basis, financial statements of the aggregate discretely presented component units of the Thornton Rural Fire Protection District as of and for the year ended June 30, 2017. These financial statements 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and guidance provided by the California State Controller Those standards require that I 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 District'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 District's internal control. Accordingly, I 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.

Opinion

Basis for Disclaimer of Opinion

The financial information had to be reconstructed and the auditor was required to perform substantial non attest service for the client, therefore impairing the auditor's independence. The auditor is therefore not independent but required by law or regulation to report on the financial Statements and must issue a Disclaimer of Opinion on the Financial Statement.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the Statement.

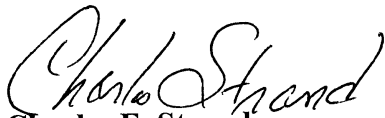
Basis of Accounting

I draw attention to Note 1 of the financial statements that 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. My opinions are not modified with respect to this matter.

Other Matters

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. In addition supplemental information relating to the Board of Directors and the Insurance coverage is included. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The **Thornton Rural Fire Protection District** has not presented a Management's Discussion and Analysis (MD&A) required by the Governmental Accounting Standards Board that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements


Charles E. Strand
Certified Public Accountant

October 3, 2019

THORNTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION-MODIFIED CASH BASIS
June 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash in County	\$ 68,335
Cash in Bank 0477	397,477
Cash in Bank 0792	55,494
Cash in Bank	1,765
Land	3,000
Building and Improvements	40,223
Truck and Autos	705,213
Equipment	-
Accumulated Depreciation	<u>(467,882)</u>
Total Assets	<u><u>\$ 803,625</u></u>
 <u>LIABILITIES</u>	
Vehicle Loan	17,810
Vehicle Loan	<u>107,783</u>
Total Liabilities	<u>125,593</u>
 Net Position	
Net Investment in Fixed Assets Net of Related Debt	<u>280,554</u>
Unrestricted	<u>397,478</u>
Total Net Position	<u><u>\$ 678,032</u></u>

The notes to the financial statements are an integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
Year Ended June 30, 2017

	Program Revenue					
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Governmental Activities (Unaudited)</u>	<u>Firefighter's Fund (Unaudited)</u>	<u>Totals</u>
Governmental Activities						
General Government	\$ 428,472	\$ -	\$ -	\$ (428,472)	\$ -	\$ (428,472)
Facility Fees		-		-	-	-
Strike Team income		117,701		117,701	-	117,701
Administrative	-	-	-	(49,618)	-	(49,618)
Depreciation	49,618	-	-	-	-	-
Totals	478,090	117,701	-	(360,389)	-	(360,389)

General Revenues:

Taxes:						
Property taxes, levied for general purpose				271,360	-	271,360
Homeowner's property tax relief				2,493	-	2,493
Assessments				145,077	-	145,077
Interest income (expense)				315	-	315
Other				-	-	-
Other revenues				19,498	-	19,498
Interest Expense				(12,228)	-	(12,228)
Total general revenues, special items				426,515	-	426,515
Change in net assets				66,126	-	66,126
Net Change in Net Assets				66,126	-	66,126
Net Position - beginning				611,906	-	611,906
Net Position - ending				\$ 678,032	\$ -	\$ 678,032

The notes to the financial statements are an integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
Modified Cash Basis
June 30, 2017

	<u>Fund Types</u>
	<u>General</u>
<u>ASSETS</u>	
Cash in County Treasury	68,335
Cash in Bank	<u>454,736</u>
Accounts Receivable	-
Due From Capital Outlay	-
Prepaid Expenses	-
Total Assets	<u>\$ 523,071</u>
 <u>CASH OVERDRAFT</u>	
<u>LIABILITIES</u>	
Accounts payable	<u>-</u>
Cash Overdraft	<u>-</u>
Due to General Fund	<u>-</u>
Total Liabilities	<u>-</u>
 <u>FUND EQUITY</u>	
Fund Balance unrestricted (negative)	<u>523,071</u>
Fund balance designated	<u>-</u>
Total Fund Equity	<u>523,071</u>
Total Liabilities and Fund Equity	<u>\$ 523,071</u>

The notes to the financial statements are an integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS

June 30, 2017

Total fund balance, governmental funds	\$	523,071
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.		280,554
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(125,593)
Accrued Interest Payable		-
		-
Liabilities related to Capital Assets are not included in the funds.		-
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>678,032</u>

The notes to the financial statements are an integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2017

		General Fund
<u>REVENUE</u>		
Property taxes	\$	271,360
Assessments		145,077
Interest		315
Homeowners property tax relief		2,493
Strike Teams		117,701
Donation		8,000
Other		11,498
Total Revenue		556,444
 <u>EXPENDITURES</u>		
Salaries		185,915
Retirement		19,152
Health and dental		10,742
Workers compensation		11,047
Payroll Tax		16,432
Total Employee Cost		243,288
 <u>OTHER OPERATING COST</u>		
Office and general		29,848
Fuel and oil		16,998
Maintenance		70,188
County fees and auditor		7,524
Dispatching		8,235
Insurance		8,416
Other Fees		150
Utilities		14,360
Resuscitation Supplies		1,280
Equipment		15,583
Principal Payment		29,589
Interest		12,228
Other		24,685
Total Other Expenditures		239,084
Total Expenditures		482,372
Revenues over (under) Expenditures		74,072
Beginning fund balance, July 1, 2016		448,999
Ending fund balance, June 30, 2017	\$	523,071

The notes to the financial statements are an integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES-
MODIFIED CASH BASIS
Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances—total governmental funds	\$	74,072
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs 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 the capitalization threshold. This activity is reconciled as follows:

Asset additions		12,083
Depreciation expense		(49,618)

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 changes in accruals:

Lease Proceeds		-
Principal Payments		29,589
Accrued Interest		-
Change in net assets—statement of activities	\$	<u>66,126</u>

The notes to the financial statements are an integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGED IN
FUND BALANCES BUDGET TO ACTUAL-GENERAL FUND
MODIFIED CASH BASIS
Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUE</u>				
Property taxes	\$ 248,266	\$ 248,266	\$ 271,360	\$ 23,094
Assessments	155,839	155,839	145,077	(10,762)
Interest	-	-	315	315
Homeowners property tax relief	2,530	2,530	2,493	(37)
Strike Team Revenue			117,701	117,701
Donation			8,000	8,000
Other	11,194	11,194	11,498	304
Total Revenue	<u>417,829</u>	<u>417,829</u>	<u>556,444</u>	<u>138,615</u>
<u>EXPENDITURES</u>				
Salaries	185,915	185,915	185,915	-
Retirement	8,208	8,208	19,152	(10,944)
Health and dental	7,440	7,440	10,742	(3,302)
Workers compensation	11,895	11,895	11,047	848
Payroll Tax	26,429	26,429	16,432	9,997
Total Employee cost	<u>239,887</u>	<u>239,887</u>	<u>243,288</u>	<u>(3,401)</u>
<u>OTHER OPERATING COST</u>				
Office and general	12,409	12,409	29,848	(17,439)
Fuel and oil	14,650	14,650	16,998	(2,348)
Maintenance	65,291	65,291	70,188	(4,897)
County fees and auditor	6,445	6,445	7,524	(1,079)
Dispatching	6,322	6,322	8,235	(1,913)
Insurance	13,400	13,400	8,416	4,984
Utilities	8,584	8,584	14,360	(5,776)
Resuscitation supplies	409	409	1,280	(871)
Equipment	-	-	15,583	(15,583)
Principal Payment	37,218	37,218	29,589	7,629
Interest	-	-	12,228	(12,228)
Audit and Fees	2,600	2,600	150	2,450
Other	37,414	37,414	24,685	(12,729)
Total Other Expenditures	<u>204,742</u>	<u>204,742</u>	<u>239,084</u>	<u>(34,342)</u>
Total Expenditures	<u>444,629</u>	<u>444,629</u>	<u>482,372</u>	<u>(37,743)</u>
Revenues over (under) Expenditures	<u>(26,800)</u>	<u>(26,800)</u>	<u>74,072</u>	<u>(81,205)</u>
Beginning fund balance, July 1, 2016			<u>448,999</u>	
Ending fund balance, June 30, 2017			<u>\$ 523,071</u>	

The notes to the financial statements are integral part of this statement.

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT 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 authority of the State of California Health and Safety Code, Section 13801.

Thornton Rural Fire Protection District

As discussed further in Note 1.C, 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

1.A . FINANCIAL 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 Districts Fire Chief serves as the District's representative.

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT POLICIES** (continued)

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 and 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, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT 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.

1.C. 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.

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

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.

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.

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - **SUMMARY OF SIGNIFICANT POLICIES** (continued)

1.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, 2017

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 major differences between the budget basis and GAAP basis are as follows:

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- ACTUAL EXPENDITURES IN EXCESS OF BUDGET

The following expenditures exceed the budget as follows:

	<u>Variance</u>	<u>Explanation</u>
Retirement	\$10,944	Included in Salary Budget Line
Office	17,439	Unanticipated increase
Fuel and Oil	2,348	Unanticipated increase
County fees	1,079	Unanticipated increase
Utilities	5,776	Unanticipated increase
Other	20,185	Unanticipated increase
Fees	150	Reclassified
Interest Payment	12,046	Reclassified
Maintenance	4,897	Unanticipated increase
Dispatch	1,079	Unanticipated increase
Equipment	15,583	Unanticipated increase

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - 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 is recorded under the straight line method as follows.

<u>Equipment:</u>	<u>Years:</u>
Air conditioners	10
Breathing Apparatus	10
Communications equipment	10
Furniture — Office furniture	10
Vehicles — Light trucks (<_ 1 ton)	5
Vehicles — Regular vehicles	15
Fire Trucks and apparatus	15
Buildings	
Basic Structure	45
Ventilating and heating systems	20
Air Conditioning (<— 5 tons)	10
Air Conditioning (>— 5 tons)	15
Electrical and lighting systems	20
Plumbing pipes and fixtures	20
Sidewalks, parking and landscaping	20
Improvements other than Buildings:	
All other (transmission lines, storage tanks)	20
Basic Structure	45
Ventilating and heating systems	20

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - DEPOSITORY OF FUNDS AND DISBURSEMENTS

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 6 - 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 line on property as of January 1. Taxes are due, payable and delinquent as follows:

	<u>First Installment</u>	<u>Second Installment</u>
Due Date	November 1	February 1, following year
Delinquent date	December 10	April 10, following year

NOTE 7 - 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.

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8- TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 9 - CASH AND INVESTMENTS

Cash at June 30, 2017 consisted of the following:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash in County	\$68,335	\$68,335
Cash in Bank 0477	397,477	397,477
Cash in Bank 0792	55,494	55,494
Cash in Bank 0521	<u>1,765-</u>	<u>1,765-</u>
Total	<u>\$523,071</u>	<u>\$523,071</u>

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. 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.

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - **CASH AND INVESTMENTS** (continued)

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.

Component Unit Deposits

Total bank deposits of \$- of the discretely presented component unit were fully insured with Federal Deposit Insurance Corporation insurance. Total carrying value of the deposits was \$-.

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

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	General Fixed Assets July 1, <u>2016</u>	Items Capitalized Physical Count <u>Adjustment</u>	<u>Additions</u>	General Fixed Assets June 30, <u>2017</u>
Land	3,000	\$-	\$\$-	3,000
Building improvements	28,140	12,083	-	40,223
Trucks and autos	705,213		-	705,213
Accumulated Depreciation	<u>(418,264)</u>	<u>(49,618)-</u>	=	<u>(467,882)</u>
Total	<u>280,554</u>	<u>(37,535)</u>	<u>\$ 0</u>	<u>280,554</u>

NOTE 11- 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, 2017

NOTE 12- 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, 2017, paid premiums in the amount of \$11,047

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - CAPITAL LEASE 2007 FIRE TRUCK

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 \$8,200 to 13,277, and bears an imputed interest rate of 4.98 %.

Based upon an annual payment schedule until paid, the payments will be as follows

<u>Date</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
2/1/2016	13,776.44	3,593.39	10,183.05	130,867.24
8/1/2016	13,776.44	3,297.73	10,478.71	120,388.53
2/1/2017	13,776.44	3,067.01	10,709.43	109,679.10
8/1/2017	13,776.44	2,748.62	11,027.82	98,651.28
2/1/2018	13,776.44	2,513.23	11,263.21	87,388.07
8/1/2018	13,776.44	2,190.00	11,586.44	75,801.63
2/1/2019	13,776.44	1,931.12	11,845.32	63,956.31
8/1/2019	13,776.44	1,602.78	12,173.66	51,782.65
2/1/2020	13,776.44	1,319.21	12,457.23	39,325.42
8/1/2020	13,776.44	990.96	12,785.48	26,539.94
2/1/2021	13,776.44	676.13	13,100.31	13,439.63
8/1/2021	13,776.44	336.81	13,439.63	(0.00)

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - CAPITAL LEASE FIRE TRUCK

The District entered into a loan agreement of \$56,000 with the Bank of the West for the acquisition of a new Fire Truck. The lease matures in 2018, requires annual payments of \$9,665 and bears an imputed interest rate of 4.89 %.

Based upon an annual payment schedule until paid, the payments will be as follows

<u>Date</u>	<u>Payment</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
11/1/2017	9,664	871	8,795	9,017
11/1/2018	9,664	441	9,017	0

NOTE 15 - DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2013, are as follows

<u>Date</u>	<u>Payment</u>
June 30, 2018	37,216
June 30, 2019	37,216
June 30, 2020	27,552
June 30, 2021	27,552
June 30, 2022	13,776
Total	\$292,176

THORNTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 – CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt arising from cash transactions or events for the year ended June 30, 2017:

<u>Description</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital Lease Bank of the West	26,194		(8,384)	17,810
Capital Lease Bank of the West	128,988		(21,205)	107,783
Totals	155,182		(29,589)	125,593

THORNTON RURAL FIRE PROTECTION DISTRICT
SUPPLEMENTAL SCHEDULE BOARD OF DIRECTORS
June 30, 2017

Chairman: Jim Allan
Director: Leonard Clark
Director: William Stokes
Director: Billy Price
Director: Frank Yoka

Secretary: Sharon Tucker

THORNTON RURAL FIRE PROTECTION DISTRICT
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, 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>
<u>GENERAL LIABILITY</u>	
General Aggregate	\$1,000,000/3,000,000
<u>AUTOMOBILE LIABILITY</u>	
Automobile	\$1,000,000