

FARMINGTON RURAL FIRE PROTECTION DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2020

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	25



J&M

JOHNSON & MATOS CPAs, INC.

631 15th Street Modesto, CA 95354

Phone (209) 236-1040 • Fax (209) 236-1068

CASEY G. JOHNSON, CPA, CVA, MBA

MICHELLE N. MATOS, CPA, MBA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Farmington Rural Fire Protection District
Farmington, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Rural Fire Protection District, a component unit of the County of San Joaquin, California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluation of 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 opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Rural Fire Protection District as of June 30, 2020, and the respective change in financial position for the year then ended in conformity 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 required supplemental information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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.

Johnson & Matos CPAs, Inc.

Johnson & Matos CPAs, Inc.

June 20, 2022
Modesto, California

FARMINGTON RURAL FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2020

This section of the Farmington Rural Fire Protection District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2020. The information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

- The District's net position increased \$103,419 or 5.54 percent, from \$1,762,711 to \$1,866,130
- General revenues increased by \$24,777 or 6.02 percent from \$386,922 to \$411,699
- Total operating expenses (including depreciation of \$83,224) increased by \$13,362 or 4.33 percent, from \$294,918 to \$308,280.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include two types of statements that present different views of the District:

- The first two statements found on pages 9 & 10 are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. Because these statements include all District funds, it should be noted that certain inter-fund and other types of transactions that net to zero have been eliminated so that District-wide revenues and expenditures are not artificially inflated.
- The remaining statements found on pages 11 & 13 are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two types of statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Generally, over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements. These notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

FINANCIAL ANALYSIS OF THE DISTRICT

In Fiscal Year 2019/2020 the District continued its quest to deliver fire and life safety services in an efficient and effective manner.

The District completed the year with a moderate positive change in net position. Though the revenues have increased the overall the expenses of the District continue to increase to meet cost of living standards and due to normal fluctuation.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's funds include a General Fund, which finances daily operations and Capital Improvements Fund, which is used for the purchase of property, facilities, and equipment. All of the District's funds had a positive balance at the completion of the year.

NET POSITION

A summary of the District's Statement of Net Position is presented below.

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Assets		
Capital Assets	\$ 712,616	\$ 664,722
Other Assets	<u>1,050,095</u>	<u>1,203,635</u>
Total Assets	1,762,711	1,868,357
Liabilities		
Current Liabilities	<u>-</u>	<u>2,227</u>
Net Position		
Net Investment in Capital Assets	712,616	664,722
Unrestricted	<u>1,050,095</u>	<u>1,201,408</u>
Total Net Position	<u>\$ 1,762,711</u>	<u>\$ 1,866,130</u>

As the table above indicates, total net position increased \$103,419 during the fiscal year ended June 30, 2020.

The liabilities have increased \$2,227 during the fiscal year primarily due to incurring more accounts payable at year end due to timing of invoices received.

A summary of the District's Statement of Activities is presented below.

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Operating Revenue	\$ -	\$ -
Operating Expenses	<u>294,918</u>	<u>308,280</u>
Operating Profit	(294,918)	(308,280)
Non-Operating Revenue (Expense)		
Property Tax Revenue	368,079	388,434
Interest Income	17,318	21,064
Licenses and Permits	1,525	2,201
Other	<u>-</u>	<u>-</u>
Non-Operating Revenue (Expense)	386,922	411,699
Change in Net Position	92,004	103,419
Beginning Net Position	<u>1,670,707</u>	<u>1,762,711</u>
Ending Net Position	<u>\$ 1,762,711</u>	<u>\$ 1,866,130</u>

The Statement of Activities identify the various revenues and expense items which affect the change in net position. As mentioned above, District operating revenue increased due to a normal anticipated annual fluctuation. Operating expenses increased mainly because of increased salary and personnel related costs as well as additional maintenance costs incurred. Together, the result was still to increase the District's net position.

The Board of Directors adopts the District's budget on an annual basis which provides funding for the District's operating, capital and debt service costs in the upcoming fiscal year. For the current year the actual total operating revenue was more than budgeted revenue by \$47,649. Actual total expenses were \$464,713 under the budget primarily due to not incurring capital expenditures that were anticipated for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District is continuing to evaluate levels of service and is prepared to make necessary adjustments within the organization to financially live within our means.

Development and growth in the District have been minimal over the last few years as revenue and expenses have continued to stay relatively consistent from year to year.

Over the past several years the District has extended the life-expectancy of apparatus due to a past history of limited revenues. Although the District has some funds identified for the replacement of aged equipment, there has been a conservative approach in expending funds in this area.

In conclusion, the financial stability of the District is paramount; as well as a conservative financial management perspective of the budget to stretch reserves far beyond the period that

was originally anticipated. With that said, the District is committed to living within the means of our revenues and will continue to explore additional sources of revenue.

The District's assessment rates are reviewed by staff and the Board of Directors on an as needed basis. The District's primary source of revenue comes from property taxes and interest income.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact Farmington Rural Fire Protection District's Fire Chief at 25474 CA-4, Farmington, California 95230, and telephone (209) 886-5321.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS		
Cash and Cash Equivalents	\$ 1,199,914	
Prepaid Expenses	3,721	
Capital Assets, Net of Depreciation	<u>664,722</u>	
Total Assets		\$ 1,868,357
LIABILITIES		
Current Liabilities:		
Accounts Payable		<u>2,227</u>
NET POSITION		
Net Investment in Capital Assets	664,722	
Unrestricted	<u>1,201,408</u>	
Total Net Position		<u>\$ 1,866,130</u>

See accompanying notes and accountant's report.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

		Program Revenue			
(Expenses)		Charges for Services	Operating Grants and Contributions		Net (Expenses) Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES					
Operations	\$	(308,280)	-	\$	-
					<u>\$ (308,280)</u>
Net (Expense) Revenue					<u>(308,280)</u>
GENERAL REVENUES (EXPENSES)					
Property Tax Revenue					388,434
Licenses and Permits					2,201
Interest Income					<u>21,064</u>
Total General Revenues (Expenses)					<u>411,699</u>
CHANGE IN NET POSITION					103,419
NET POSITION					
Beginning of Year					<u>1,762,711</u>
End of Year					<u>\$ 1,866,130</u>

See accompanying notes and accountant's report.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS			
Cash and Investments	\$ 839,130	\$ 360,784	\$ 1,199,914
Prepaid Expenses	<u>3,721</u>	<u>-</u>	<u>3,721</u>
Total Assets and Other Debits	<u>\$ 842,851</u>	<u>\$ 360,784</u>	<u>\$ 1,203,635</u>
LIABILITIES			
Accounts Payable	<u>\$ 2,227</u>	<u>\$ -</u>	<u>\$ 2,227</u>
FUND EQUITY AND OTHER CREDITS			
Fund Balances:			
Non-Spendable	\$ 3,721	\$ -	\$ 3,721
Restricted	-	-	-
Committed	-	360,784	360,784
Assigned	100,868	-	100,868
Unassigned	<u>736,035</u>	<u>-</u>	<u>736,035</u>
Total Fund Balance	<u>840,624</u>	<u>360,784</u>	<u>1,201,408</u>
Total Fund Equity and Other Credits	<u>\$ 842,851</u>	<u>\$ 360,784</u>	<u>\$ 1,203,635</u>

See accompanying notes and accountant's report.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2020

FUND BALANCE OF GOVERNMENTAL FUNDS \$ 1,201,408

Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:

Capital assets net of depreciation have not been included as
financial resources in governmental fund activity because they
are not current financial resources.

664,722

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,866,130

See accompanying notes and accountant's report.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
REVENUE			
Property Taxes	\$ 388,434	\$ -	\$ 388,434
Licenses and Permits	2,201	-	2,201
Interest	13,523	7,541	21,064
	<u>404,158</u>	<u>7,541</u>	<u>411,699</u>
Total Revenue			
EXPENDITURES			
Current Program - Public Safety, Fire and Rescue			
Salaries and Benefits	98,605	-	98,605
Services and Supplies, and Other Charges	126,451	-	126,451
Capital Outlay	-	35,330	35,330
	<u>225,056</u>	<u>35,330</u>	<u>260,386</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	179,102	(27,789)	151,313
FUND BALANCE, BEGINNING OF YEAR	<u>661,522</u>	<u>388,573</u>	<u>1,050,095</u>
FUND BALANCE, END OF YEAR	<u>\$ 840,624</u>	<u>\$ 360,784</u>	<u>\$ 1,201,408</u>

See accompanying notes and accountant's report.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 151,313
Revenue (Expenses) Reported on Statement of Activities not Included on the Governmental Funds Statement:	
Capital outlays are recorded as expenditures in the fund financial statements because they use current financial resources but are included in capital assets net of depreciation in the statement of net position.	35,330
Depreciation expense is not included in the fund financial statements because it is not an expenditure of current resources.	<u>(83,224)</u>
CHANGE IN NET POSITION	<u>\$ 103,419</u>

See accompanying notes and accountant's report.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Farmington Rural Fire Protection District (the District) is presented to assist in understanding the District's financial statements.

Description of the reporting entity

The Farmington Rural Fire Protection District was formed in 1936 by the San Joaquin County Board of Supervisors. The District operates under the Fire Protection District law of 1987, Health and Safety Code Sections 13801 – 13999. The District is governed by a board of five members elected to four year terms.

For financial reporting purposes, in conformity with the Governmental Accounting Standards Board (GASB) Codification Section 2100, defining the governmental reporting entity, the District includes all funds that are controlled by or dependent upon the Board of Directors of the District. Since no other entities are controlled by or rely upon the district, the reporting entity consists solely of the District.

The District's management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Government-Wide Statements

The statement of net position and the statement of activities report information on all of the District's activities. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Government Fund Statements

The Government Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Net Position

Net Position is measured on the full accrual basis and is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows. Net position is classified into the following components: net investment in capital assets,

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

restricted and unrestricted. Restricted net position describes the portion of net position which is restricted as to use by the terms and conditions of agreement with outside parties, governmental regulations, laws, enabling legislation or other restrictions which the District cannot unilaterally alter.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Except for any Grant revenues, the Board has complete discretion over expenditure management. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first based upon their intended purpose, then unrestricted resources as they are needed. The District has only one fund group, 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.

Capital Projects Fund – The District has established a capital projects fund. The funds held in the account are considered unrestricted but committed for the purchase of capital assets or the construction of major capital projects.

Fund Equity

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact. The District has \$3,721 of non-spendable funds at June 30, 2020.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District does not have any restricted funds at June 30, 2020.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. Committed funds may be modified or rescinded only

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

through resolutions approved by the District Board. The District's Capital Projects Fund is committed at year end.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The District has \$100,868 of Assigned Funds as of June 30, 2020 consisting of \$2,682 assigned for grant related expenses and \$98,186 assigned for strike team related expenses.

Unassigned fund balance – all amounts not included in other spendable classifications.

The District uses the budgetary process to identify the use of restricted or committed funds. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District looks to the budget to determine which classification of funds will be spent first. If the expenditure has not been budgeted, unassigned funds are used.

Classification of Revenues and Expenses

Revenue to finance the District's operation is primarily derived from property tax assessments to taxpayers, which are billed and collected on behalf of the District by San Joaquin County (the County) as a separate component of semiannual property tax billings. Secured property taxes are levied on March 1. Taxes are payable in two installments on April 10 and December 10. The County remits to the District those charges which are placed on the property tax roll and handles all delinquencies, retaining interest and penalties.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. Operating expenses include the cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

Property Taxes

Secured property taxes are considered measurable and available when apportioned to the District. The County is responsible for assessing and collecting secured property taxes for the District in accordance with enabling state legislation (including appropriation limits). The County apportions secured taxes to the District under the "Teeter Plan" – California Revenue and Taxation Code Sections 4701- 4717.

A complex allocation formula is used to distribute levied secured taxes to the County and its Districts. The levy date is July 1. The District is credited with 100 percent of its apportionments, regardless of the actual collections and delinquencies. Accordingly, penalties and interest collected by the County are not allocated to the District.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Apportionments are distributed according to the following schedule:

Action	Date	Percent
First Apportionment	By December 25	55%
Second Apportionment	By April 25	40%
Third Apportionment	By June 25	5%

Supplemental unsecured property taxes are considered measurable and available when collected. The assessments are remitted to the County with the secured property tax billings. The County then remits collections to the District.

Capital Assets

Capital Assets, which include property, plant and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10-45
Equipment	5-40
Vehicles	5-20

Budget and Budgetary Accounting

The Board shall adopt a preliminary operating budget for the fiscal year commencing July 1. The Board has only adopted a formal budget for the General Fund. Public hearings are conducted at an advertised location to obtain taxpayer comments. Prior to October 1, the budget is adopted by vote of the Board. Once approved, the Board may amend the legally adopted budget when unexpected modifications are required.

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for the special revenue funds. Therefore, budget comparison information is presented for the general fund only.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are more than the budgeted amount by a total of \$47,649 due primarily to the annual property tax allocation being more than anticipated. Actual expenditures, excluding capital outlay, are less than the budgeted amounts by a total of \$115,044 due primarily to less than budgeted salaries and benefits as well as operating costs being less than expected.

Receivables

The Board feels that all receivables are collectible. Therefore, no allowance has been recorded for doubtful receivables as of June 30, 2020. For receivables that are estimated, any difference between the amount received and the receivable will be accounted for as an increase or decrease in revenue in the following year.

Compensated Absences

Employees of the District are entitled to paid vacation, paid sick days, and paid absences. The District's policy is to recognize this expense as it is taken and has determined that it is impractical to determine an amount for accrued absences.

Encumbrances

No reserve for encumbrances has been recorded. Generally, the District pays all bills immediately. Any encumbrances are provided for in the subsequent year's budget.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Inputs, Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the assets. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that are accessible to the District.

Level 2 - Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs.)

Level 3 - Unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents held by the District were comprised of the following at June 30, 2020:

	Carrying Amount	Bank Balance	Fair Value
Investments in External Investment Pool			
Stanislaus County Treasurer	\$ 1,198,271	\$ 1,208,093	\$ 1,198,271
Bank of the West	1,643	1,643	1,643
Total	<u>\$ 1,199,914</u>	<u>\$ 1,209,736</u>	<u>\$ 1,199,914</u>

The District maintains the significant majority of its cash in the San Joaquin County Treasury. The County pools these funds with those of other agencies in the County and invests the cash as prescribed by the California Government Code. These pooled funds are carried at cost plus accrued interest, which approximates market value. Accordingly, the amount of cash and cash equivalents maintained in the external investment pool represent Level 2 category investments. Interest earned is deposited monthly into participating funds. The District's deposits in the County pool may be accessed at any time. San Joaquin County's credit rating is A+, by Standard and Poor's. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in San Joaquin County's financial statements which can be obtained by contacting San Joaquin County's Auditor-Controller's Office at 44 N. San Joaquin Street, Suite 550, Stockton, CA 95202. The San Joaquin County Treasury Oversight Committee oversees the Treasurer's investments and policies.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CHANGES IN CAPITAL ASSETS

The following changes in the capital assets occurred during the year ended June 30, 2020:

	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Structures and Improvements	\$ 361,756	\$ -	\$ -	\$ 361,756
Vehicles	940,591	35,330	-	975,921
Equipment	<u>458,514</u>	<u>-</u>	<u>-</u>	<u>458,514</u>
Total	<u>1,760,861</u>	<u>35,330</u>	<u>-</u>	<u>1,796,191</u>
Accumulated Depreciation				
Structures and Improvements	(152,727)	(10,869)	-	(163,596)
Equipment	<u>(895,518)</u>	<u>(72,355)</u>	<u>-</u>	<u>(967,873)</u>
Total	<u>(1,048,245)</u>	<u>(83,224)</u>	<u>-</u>	<u>(1,131,469)</u>
Net Capital Assets	<u>\$ 712,616</u>	<u>\$ (47,894)</u>	<u>\$ -</u>	<u>\$ 664,722</u>

The District does not have any capital assets that are not being depreciated as of June 30, 2020.

NOTE 4 ARTICLE XIII (B) APPROPRIATION LIMIT

The District has calculated the required annual Article XIII (B) appropriation limit based on available population and cost-of-living data. The Districts adopted appropriation limit for the year ended June 30, 2020 is 708,503.

NOTE 5 JOINT VENTURES (JOINT POWERS AGREEMENTS)

FASIS

The District participates and is a member in a joint venture under a Joint Powers Agreement (JPA). The independent JPA is known as the Fire Agencies Self Insurance System (FASIS).

FASIS was created pursuant to a Joint Powers Agreement between approximately 200 California fire and community service districts. FASIS exists to provide a program to pool workers' compensation coverage for participating agencies. Participation is voluntary.

The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Complete, separate financial statements for the JPA are available from the entity.

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 JOINT VENTURES (JOINT POWERS AGREEMENTS) (Continued)

Withdrawal from FASIS may be made only at the end of a fiscal year, and with twelve months' notice. FASIS is governed by a board of directors composed of one representative employee or official from each member district. Members pay a premium commensurate with the respective level of coverage. FASIS may levy additional assessments if deemed necessary.

The District made payments totaling \$9,836 to FASIS during the year ending June 30, 2020.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a JPA public entity risk pool that provides workers' compensation insurance coverage; see Note 5. The District also carries insurance through Cromwell and Ney Insurance agency to cover all risks of loss. There have been no claims in any of the past three years. A summary of the District's insurance coverage as of June 30, 2020 is as follows:

<u>Coverage</u>	<u>Limits of Liability</u>
General Liability	\$1,000,000
Commercial Management	\$1,000,000
Commercial Excess	\$5,000,000
Auto	\$1,000,000
Portable Equipment	Varies
Accident and Sickness	Varies
Real Property	\$1,649,943
Personal Property	\$56,304
Worker's Compensation	Statutory

NOTE 8 GOVERNING BOARD

As of June 30, 2020, the five members of the District's Board of Directors were as follows:

<u>Director</u>	<u>Title</u>
Matthew Bailey	President
Ed Bracco Jr.	Director
Cleve "Butch" Latini	Director
Kelly Ogilvie	Director
Michael Keener	Director

FARMINGTON RURAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2022, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

REQUIRED SUPPLEMENTAL INFORMATION

FARMINGTON RURAL FIRE PROTECTION DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Preliminary</u>	<u>Final</u>		Final Budget Favorable <u>(Unfavorable)</u>
REVENUE				
Property Taxes	\$ 356,509	\$ 356,509	\$ 388,434	\$ 31,925
Licenses and Permits	-	-	2,201	2,201
Interest	-	-	13,523	13,523
	<u>356,509</u>	<u>356,509</u>	<u>404,158</u>	<u>47,649</u>
EXPENDITURES				
Current Program				
Salaries and Benefits	126,000	126,000	98,605	27,395
Services and Supplies, and Other Charges	214,100	214,100	126,451	87,649
Capital Outlays	<u>385,000</u>	<u>385,000</u>	-	<u>385,000</u>
	<u>725,100</u>	<u>725,100</u>	<u>225,056</u>	<u>500,044</u>
Excess of Revenue (Deficiency) Over (Under)				
Expenditures	<u>\$ (368,591)</u>	<u>\$ (368,591)</u>	179,102	<u>\$ (452,395)</u>
Beginning Fund Balance			<u>661,522</u>	
Ending Fund Balance			<u>\$ 840,624</u>	

See accompanying notes and accountant's report.