



LATHROP-MANTECA FIRE PROTECTION DISTRICT

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

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

**JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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LATHROP-MANTECA FIRE PROTECTION DISTRICT

JUNE 30, 2017

BOARD OF DIRECTORS

Gloryanna Rhodes
Chair

Robert Gleason
Vice Chair

Tye Peyton

John Gish

Jeremy Coe

* * * *

Fire Chief / Board Secretary
Gene Neely

LATHROP-MANTECA FIRE PROTECTION DISTRICT

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LATHROP-MANTECA FIRE PROTECTION DISTRICT

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lathrop-Manteca Fire Protection District
Lathrop, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lathrop-Manteca Fire Protection District (the District), as of and for the year ended June 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 and each major fund of the Lathrop-Manteca Fire Protection District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

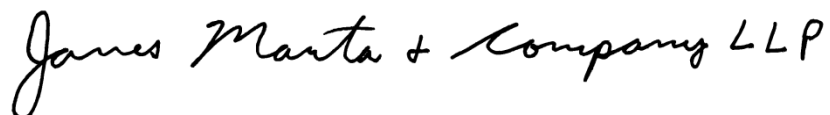
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the General Fund Budgetary Comparison Schedule, Schedule of Funding Progress – Other Postemployment Benefits, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
April 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

LATHROP-MANTECA FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

This Management Discussion and Analysis provides an overview of the Lathrop-Manteca Fire Protection District's financial activities based on current known facts, decisions, and conditions. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights for Fiscal Year 2016-2017

The District's government-wide total assets and deferred outflows increased by \$2,255,924, to \$13,598,291, mainly due to increased deferred outflows in the current year of \$1.6 million.

Total net position decreased by \$917,002, to (\$10,835,229). Although revenues increased by \$336,624 in 2016-2017, expenses also increased by \$1,174,118.

Included in the required supplemental information section is a General Fund budgetary comparison schedule. That schedule indicates that we had an excess variance of \$1,527,396. Variance details are listed on the schedule on page 32.

Overview of the Financial Statements

This annual report consists of financial statements for the District as a whole with more detailed information about the District's major funds. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances and include capital assets and long-term liabilities. The fund financial statements present a short term view of the District's activities and therefore include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future.

The Balance Sheet presents a snapshot of the assets of the District, the District's liabilities and the net difference reflected as its fund balance at the end of the fiscal year.

The Statement of Revenues, Expenditures and Changes in Fund Balance measures the extent to which the District's operating cost were funded from general revenues.

The Notes to Financial Statements provides additional disclosures and information to assist the reader in understanding the District's financial condition

The District as a Whole

One important question asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in making an assessment of the District's health, such as changes in the economy, changes in the District's tax base, and changes in the District's boundaries, etc. to assess the overall health of the District.

Capital Assets

The District owns real property at each of its four fire station locations. The Administration building is located at the main fire station. In addition, the District owns a considerable amount of vehicles and specialized equipment used by fire district personnel in performing fire, rescue and EMS activities. These fixed assets, net of accumulated depreciation, are reflected in the District's government-wide financial statements.

Long-Term Liabilities

Long-term liabilities reflected in the government-wide financial statements were \$3,161,907 higher than the prior year due mainly to an increase in the Net Pension Liability of \$2,906,716.

Net Position

Condensed Statement of Net Position				
	2017	2016	Dollar Change	Percentage Change
ASSETS				
Current assets	\$ 4,568,832	\$ 3,663,173	\$ 905,659	24.72%
Capital assets, net	4,017,607	4,271,434	(253,827)	-5.94%
Total assets	<u>8,586,439</u>	<u>7,934,607</u>	<u>651,832</u>	<u>8.22%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,011,852</u>	<u>3,407,760</u>	<u>1,604,092</u>	<u>47.07%</u>
LIABILITIES				
Current liabilities	175,405	287,351	(111,946)	-38.96%
Long-term liabilities	23,878,067	20,716,160	3,161,907	15.26%
Total liabilities	<u>24,053,472</u>	<u>21,003,511</u>	<u>3,049,961</u>	<u>14.52%</u>
DEFERRED INFLOWS OF RESOURCES	<u>380,048</u>	<u>257,083</u>	<u>122,965</u>	<u>47.83%</u>
NET POSITION				
Net investment in capital assets	3,694,128	3,874,151	(180,023)	-4.65%
Restricted	763,889	427,539	336,350	78.67%
Unrestricted	(15,293,246)	(14,219,917)	1,073,329	7.55%
Total net position	<u>\$ (10,835,229)</u>	<u>\$ (9,918,227)</u>	<u>\$ 917,002</u>	<u>9.25%</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Condensed Statement of Activities

	2017	2016	Dollar Change	Percentage Change
REVENUES				
Program revenues				
Charges for services	\$ 862,971	\$ 787,330	\$ 75,641	9.61%
Capital grants and contributions	-	467,209	(467,209)	-100.00%
General revenues				
Property taxes	3,560,951	3,091,846	469,105	15.17%
Special assessments	1,936,731	1,931,600	5,131	0.27%
Impact mitigation fees	719,587	746,222	(26,635)	-3.57%
Measure C taxes	1,460,348	1,268,487	191,861	15.13%
Other	175,538	86,808	88,730	102.21%
Total revenues	<u>8,716,126</u>	<u>8,379,502</u>	<u>336,624</u>	<u>4.02%</u>
EXPENSES				
Fire protection services	9,442,447	8,294,774	1,147,673	13.84%
Administration	172,106	144,012	28,094	19.51%
Interest on long-term debt	18,575	20,224	(1,649)	-8.15%
Total expenses	<u>9,633,128</u>	<u>8,459,010</u>	<u>1,174,118</u>	<u>13.88%</u>
Change in Net Position	(917,002)	(79,508)	(837,494)	1053.35%
Total Net Position - Beginning of Year	<u>(9,918,227)</u>	<u>(9,838,719)</u>	<u>(79,508)</u>	<u>0.81%</u>
Total Net Position - End of Year	<u>\$ (10,835,229)</u>	<u>\$ (9,918,227)</u>	<u>\$ (917,002)</u>	<u>9.25%</u>

Economic Outlook

The Lathrop-Manteca Fire Protection District's financial position has been negatively affected by the downturn of the national, state and local economy, and continues to face significant economic challenges. These trends, coupled with the continued economic downturn, provide a continuing somewhat sobering outlook for the next several years. The Lathrop-Manteca Fire Protection District presents a financial plan for the 2017-2018 fiscal year, which delivers its vital services but eliminates non-essentials. The District is focusing on core services, budget-balancing strategies while continuing to encompass ways to build up future reserves to ensure equipment and apparatus replacement.

We are projecting that the District will have minimal revenue growth in 2018. This financial assumption is based upon recent trends in real property values, changes in population or other service-level indicators, changes in political environment, recent annexations contributing to the expansion or decline of the District's service boundaries and global economy trends. It is our assessment that when the housing market stabilizes, jobs will be more readily available, and consumer confidence increases. This has to take place before the district, which receives the majority of its financial support from housing, will be able to increase our revenues.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Additional Financial Information

This financial report is designed to provide the District's financial statement users with an overview of the District's financial operations and financial condition. Additional information can be obtained from the Lathrop-Manteca Fire Protection District, in care of Gene Neely, 800 East J Street, Lathrop, California 95330.

BASIC FINANCIAL STATEMENTS

LATHROP-MANTECA FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,062,306
Accounts receivable	85,593
Prepaid expense	420,933
Capital assets, net of accumulated depreciation	<u>4,017,607</u>
Total Assets	<u>8,586,439</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	<u>5,011,852</u>
LIABILITIES	
Accounts payable and other current liabilities	175,405
Long-term liabilities:	
Due within one year	468,405
Due in more than one year	<u>23,409,662</u>
Total Liabilities	<u>24,053,472</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	<u>380,048</u>
NET POSITION	
Net investment in capital assets	3,694,128
Restricted	763,889
Unrestricted	<u>(15,293,246)</u>
Total Net Position	<u>\$ (10,835,229)</u>

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

LATHROP-MANTECA FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities					Governmental Activities
Fire Protection Services	\$ 9,442,447	\$ 862,971	\$ -	\$ -	\$ (8,579,476)
Administration	172,106				(172,106)
Interest on long-term debt	18,575				(18,575)
Total governmental activities	\$ 9,633,128	\$ 862,971	\$ -	\$ -	(8,770,157)
General Revenues					
Taxes and subventions:					
Property taxes					3,560,951
Special assessments					1,936,731
Measure C taxes					1,460,348
Impact mitigation fees					719,587
Rental income					46,813
Interest and investment earnings					21,771
Interagency revenues					
Miscellaneous					106,954
Special and extraordinary items					-
Internal Transfers					-
Total general revenues					7,853,155
Change in net position					(917,002)
Net Position, July 1, 2016					(9,918,227)
Net Position, June 30, 2017					\$ (10,835,229)

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

LATHROP-MANTECA FIRE PROTECTION DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Measure C Fund</u>	<u>Developer Account Fund</u>	<u>Facility Fee Fund</u>	<u>Total</u>
ASSETS						
Cash	\$ 1,286,219	\$ 447,056	\$ 763,889	\$ 13,902	\$ 1,551,240	\$ 4,062,306
Accounts receivable	60,590				25,003	85,593
Due from other funds					41,580	41,580
Prepaid expense	4,369				416,564	420,933
Total Assets	\$ 1,351,178	\$ 447,056	\$ 763,889	\$ 13,902	\$ 2,034,387	\$ 4,610,412
LIABILITIES						
Liabilities						
Accounts payable	\$ 53,186				\$ 76,832	\$ 130,018
Due to other funds	41,580					41,580
Accrued wages	36,307					36,307
Total Liabilities	131,073	-	-	-	76,832	207,905
FUND BALANCE						
Fund balances						
Nonspendable	4,369				416,564	420,933
Restricted			\$ 763,889			763,889
Assigned	4,761	\$ 447,056		\$ 13,902	1,540,991	2,006,710
Unassigned	1,210,975					1,210,975
Total Fund Balances	1,220,105	447,056	763,889	13,902	1,957,555	4,402,507
Total liabilities and fund balances	\$ 1,351,178	\$ 447,056	\$ 763,889	\$ 13,902	\$ 2,034,387	\$ 4,610,412

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

LATHROP-MANTECA FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

JUNE 30, 2017

Total fund balances - governmental funds \$ 4,402,507

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 6,652,596	
Accumulated depreciation	<u>(2,634,989)</u>	
Net		4,017,607

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (9,080)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

State loan payable - Chapter 1168/85	\$ (33,476)	
Loan - City of Lathrop	(100,855)	
Capital leases payable	(323,479)	
Other postemployment benefits	(4,044,005)	
Net pension liability	(19,050,054)	
Compensated absences payable	<u>(326,198)</u>	
		<u>(23,878,067)</u>

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	5,011,852
Deferred inflows of resources related to pensions	(380,048)

Total net position, governmental activities: \$ (10,835,229)

LATHROP-MANTECA FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Capital Outlay Fund	Measure C Fund	Developer Account Fund	Facility Fee Fund	Total
REVENUES						
Property taxes	\$ 3,560,951					\$ 3,560,951
Special assessments	1,936,731					1,936,731
Measure C taxes			\$ 1,460,348			1,460,348
Impact mitigation fee	28,476				\$ 691,111	719,587
Licenses/permits	124,017					124,017
Plan check & service fees	183,754					183,754
Other services	555,200					555,200
Interest income	5,425	2,891	4,002	\$ 286	9,167	21,771
Miscellaneous income	106,954					106,954
Total revenues	6,501,508	2,891	1,464,350	286	700,278	8,669,313
EXPENDITURES						
Salaries and wages	3,291,239	250				3,291,489
Employee benefits	2,904,501					2,904,501
Insurance	277,072					277,072
Maintenance	136,180				77,349	213,529
Administration charges	61,544					61,544
Fuel, lube and tires	47,466					47,466
Communications	52,995					52,995
Director's expense	7,000					7,000
Dispatching	128,797					128,797
Firefighter supplies	110,379					110,379
Legal and professional services	38,412			15,700	36,691	90,803
Office expense	13,458					13,458
Public relations and training	60,735					60,735
Utilities	43,339					43,339
Capital Outlay					112,077	112,077
Debt service - principal	104,147	70,511				174,658
Debt service - interest	415	18,160				18,575
Miscellaneous expense	90,104					90,104
Total expenditures	7,367,783	88,921	-	15,700	226,117	7,698,521
Excess(deficiency) of revenues over expenditures	<u>(866,275)</u>	<u>(86,030)</u>	<u>1,464,350</u>	<u>(15,414)</u>	<u>474,161</u>	<u>970,792</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,128,000	88,672				1,216,672
Operating transfers out	(88,672)		(1,128,000)			(1,216,672)
Rental income	46,813					46,813
Total other financing sources (uses)	1,086,141	88,672	(1,128,000)	-	-	46,813
Net change in fund balances	219,866	2,642	336,350	(15,414)	474,161	1,017,605
Fund balances, July 1, 2016, as originally reported	1,091,819	444,414	427,539	29,316	1,391,814	3,384,902
Prior period adjustment	<u>(91,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,580</u>	<u>-</u>
Fund balances, July 1, 2016, as restated	<u>1,000,239</u>	<u>444,414</u>	<u>427,539</u>	<u>29,316</u>	<u>1,483,394</u>	<u>3,384,902</u>
Fund balances, June 30, 2017	<u>\$ 1,220,105</u>	<u>\$ 447,056</u>	<u>\$ 763,889</u>	<u>\$ 13,902</u>	<u>\$ 1,957,555</u>	<u>\$ 4,402,507</u>

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

LATHROP-MANTECA FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds		\$ 1,017,605
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	\$ 115,350	
Depreciation expense:	<u>(369,177)</u>	(253,827)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
		174,658
In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		
		(392,085)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		
		(37,764)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and the actual employer contribution was:		
		<u>(1,425,589)</u>
Total change in net position - governmental activities		<u>\$ (917,002)</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Lathrop-Manteca Rural County Fire Protection District was established in 1936 to provide fire protection for the township of Lathrop, rural Lathrop and rural Manteca. The Fire District was organized under the laws of the State of California, Health and Safety Code section 13800, known as the Fire Protection District law of 1987. It is governed by a five member Board of Directors who are elected at-large to serve a four-year term. Since 1936 the District has developed into a proactive Fire Department covering 100 square miles including the recently incorporated City of Lathrop.

The District staffs four strategically located fire stations with career personnel, as well as volunteer firefighters. In February of 2002, the Board of Directors changed the name to the Lathrop-Manteca Fire Protection District.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts — net investment in capital assets; restricted net position; and unrestricted net position.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Districts general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is allocated to General Government function and reported in total in the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

B. BASIS OF PRESENTATION (CONTINUED)

Basic Financial Statements

The basic financial statements include Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

Reporting Entity

The reporting entity for the Lathrop-Manteca Fire Protection District includes all the funds and operations under the jurisdiction of the District.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-121.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budgets and Budgetary Accounting

The Board of Directors annually adopts a District-wide budget resolution. The preliminary budget may be amended by the Board of Directors and is adopted by resolution by the Board of Directors on or before June 30. The final budget is then adopted by the Board of Directors on or before August 30. Budget appropriations lapse at the end of the year. The budget is prepared on a cash basis, which does not vary significantly from the basis of accounting used in the financial statements. Management can transfer budgeted amounts between expenditure accounts within an object level without the approval of the Board of Directors.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

Major Funds:

General Fund- The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Outlay Fund - The Capital Outlay Fund is used to support the capital improvement plan designed to fund future capital purchases.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

D. FUND ACCOUNTING (CONTINUED)

Measure C Fund - The Measure C Fund is used to account for the collection of Measure C tax dollars, which provides funding for public safety within the boundaries of the City of Lathrop.

Developer Account Fund - The Developer Account Fund is used to account for billing for services provided during development projects. This account is to fund any and all billing that will be required to research, acquire outside services and provide staff time to facilitate the developments when requested.

Facility Fee Fund - The Facility Fee Fund is used to account for the collection of fire facility fees, which provides funding for public safety within the boundaries of the District.

E. CAPITAL ASSETS

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded 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 outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 15 years depending on asset types.

F. INTERFUND ACTIVITY

Interfund activity is reported as loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

G. COMPENSATED ABSENCES

The District accrues the cost for compensated absences when such time is earned. Employees have a vested interest in accrued vacation time. All vacation hours will eventually either be used or paid by the District. For those employees who do not use their accrued balances during the current fiscal year, their balances carry over to the next fiscal year. As this occurs, the District incurs an obligation to pay for these unused hours. All compensated absences for governmental activities are paid out of the general fund.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

H. GOVERNMENT-WIDE NET POSITION

Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position consists of amounts that are restricted by the Districts creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - remaining net position not identified as invested in capital assets or restricted.

I. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

J. PROPERTY TAXES

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due in one installment on or before July 1 and become delinquent on August 31. The County of San Joaquin bills and collects taxes for the District. Tax revenues are recognized by the District when received.

K. CASH AND CASH EQUIVALENTS

For presentation in the financial statements, all cash and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

M. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Lathrop-Manteca Fire Protection District's San Joaquin County Employees' Retirement Association (SJCERA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SJCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. ENCUMBRANCES

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

O. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

The District's total cash balance at June 30, 2017 is \$4,062,306.

Pooled Funds

The District maintains all of its cash in the San Joaquin County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the deposits are maintained in a recognized pooled investment fund under the care of a third party and the share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

In accordance with applicable State laws, the San Joaquin County Treasurer may invest in derivative securities. However, at June 30, 2017, the San Joaquin County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2017 are as shown as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:	\$ 2,932,523			\$ 2,932,523
Corporate Bonds	89,709			89,709
Commercial Paper		\$ 513,688		513,688
Certificates of Deposit		38,793		38,793
LAIF	49,453	34,366		83,818
Money Market Accounts		64,476		64,476
Cash Held in Bank	160,486			160,486
Cash Held in County	<u>\$ 3,410,984</u>	<u>\$ 651,322</u>	<u>\$ -</u>	<u>\$ 4,062,306</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and/or having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk

The District's investment policy limits the amount it may invest with certain issuers. At June 30, 2017, the District had no concentration of credit risk and complied with the requirements of the District's investment policy.

3. INTERFUND TRANSACTIONS

As of June 30, 2017, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 41,580
Fire Facility Fee Fund	<u>41,580</u>	<u>-</u>
Totals	<u>\$ 41,580</u>	<u>\$ 41,580</u>

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2017 consisted of the following:

Transfer from Measure C Fund to General Fund to cover personnel expenses.	\$ 1,128,000
Transfer from General Fund to Capital Outlay Fund to pay Engine 32 & 33 lease payments.	<u>88,672</u>
Total Transfers	<u>\$ 1,216,672</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

4. CAPITAL ASSETS

A schedule of changes in Governmental Activities capital assets for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities				
Capital Assets, not being depreciated:				
Construction in progress	\$ 222,618	\$ 103,335	\$ -	\$ 325,953
Capital assets, Depreciable:				
Buildings	3,162,958			3,162,958
Furniture & Equipment	489,378	12,015		501,393
Trucks	2,888,380		226,088	2,662,292
Total Capital Assets, being depreciated	<u>6,540,716</u>	<u>12,015</u>	<u>226,088</u>	<u>6,326,643</u>
Accumulated Depreciation				
Buildings	1,012,111	115,764		1,127,875
Furniture & Equipment	49,001	54,178		103,179
Trucks	1,430,788	199,235	226,088	1,403,935
Total Accumulated Depreciation	<u>2,491,900</u>	<u>369,177</u>	<u>226,088</u>	<u>2,634,989</u>
Net Capital Assets being depreciated	4,048,816	(357,162)	-	3,691,654
Capital Assets, net	<u>\$ 4,271,434</u>	<u>\$ (253,827)</u>	<u>-</u>	<u>\$ 4,017,607</u>

The entire amount of depreciation expense is allocated to fire protection services in the statement of activities.

5. LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
State Loan - Chapter 1168/85	\$ 33,476	\$ -	\$ -	\$ 33,476	\$ -
Loan - City of Lathrop	201,709	-	100,854	100,855	100,855
Capital Lease Obligations	397,283	-	73,804	323,479	77,274
Postemployment Benefits	3,651,920	672,677	280,592	4,044,005	290,276
Net Pension Liability	16,143,338	2,906,716	-	19,050,054	-
Compensated Absences	288,434	224,064	186,300	326,198	-
	<u>\$ 20,716,160</u>	<u>\$ 3,803,457</u>	<u>\$ 641,550</u>	<u>\$ 23,878,067</u>	<u>\$ 468,405</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED)

State Loan – Chapter 1168/85

The District applied for and received a state loan in the amount of the shortfall in funding received through supplemental roll tax revenue during the 1984-85 fiscal year. The loan is interest free and was to be repaid from the 1984-85 fiscal year supplemental roll tax revenue received by the District after January 15, 1986. No due date has been assigned to the loan. The balance due on the loan at June 30, 2017 is \$33,476.

Loan – City of Lathrop

In September 2010, the District entered into a loan agreement with the City of Lathrop for \$395,000 to cover a budget shortfall. Outside the agreement, the City also loaned \$60,531 for engineering consultant work for the 218 tax and \$48,740 for 40% of a consultant used related to Measure C. The total amount of the loan is \$504,271. The loan is a non-interest bearing loan with 5 annual payments with payments beginning in June 2014. Future minimum loan payments are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2018	\$ 100,855	\$ -	\$ 100,855

Capital Lease Obligations

During the year ended June 30, 2017, the District had three capital leases for the purchase of three fire trucks (Engines) and copiers. The following are the lease-purchases and their terms in place during the year ended June 30, 2017:

Asset	Maturity Date	Interest Rate	Purchase Price	Balance June 30, 2016	Payments	Balance June 30, 2017
Engine 32 & 33	12/28/2020	4.60%	\$ 630,892	\$ 387,216	\$ 70,511	\$ 316,705
Copiers	5/1/2019	4.84%	13,204	10,066	3,292	6,774
			\$ 644,096	\$ 397,282	\$ 73,803	\$ 323,479

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED)

The annual payments required to amortize the capital leases outstanding as of June 30, 2017, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2018	\$ 77,275	\$ 15,106	\$ 92,381
2019	80,599	11,473	92,072
2020	80,905	7,767	88,672
2021	84,700	3,973	88,673
Total	<u>\$ 323,479</u>	<u>\$ 38,319</u>	<u>\$ 361,798</u>

Accrued interest of \$9,080 is included in the government-wide financial statements.

6. FUND BALANCES

The District follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2017:

	General Fund	Capital Outlay Fund	Measure C Fund	Developer Account Fund	Facility Fee Fund	Total
Nonspendable:						
Prepaid Expenses	\$ 4,369	\$ -	\$ -	\$ -	\$ 416,564	\$ 420,933
Restricted For:						
Capital Projects			763,889			763,889
Assigned For:						
Capital Projects		447,056		13,902		460,958
Fire Facilities					1,540,991	1,540,991
Health Reserve Fund	4,761					4,761
Total Assigned	<u>4,761</u>	<u>447,056</u>		<u>13,902</u>	<u>1,540,991</u>	<u>2,006,710</u>
Unassigned:						
Unassigned	1,210,975					1,210,975
Total Fund Balances	<u>\$ 1,220,105</u>	<u>\$ 447,056</u>	<u>\$ 763,889</u>	<u>\$ 13,902</u>	<u>\$ 1,957,555</u>	<u>\$ 4,402,507</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

7. EMPLOYEE RETIREMENT PLAN

Plan Description

The District contributes to the San Joaquin County Employees' Retirement Association (SJCERA), a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Retirement. The Association provides retirement, disability, death, and survivor benefits to plan members and beneficiaries. The County Employee's Retirement Act of 1937 is the statutory basis for the Association. The Board of Retirement has the authority to establish and amend benefit provisions. The Association issues a publicly available financial report that includes financial statements and required supplementary information for the Association. The Plan issues a separate annual audited financial statement report. Copies of the report are available on SJCERA's website www.scjera.org

Funding Policy

Contribution rates for the employers and employees were determined in accordance with actuarially determined contribution requirements by an actuarial valuation performed as of January 1, 2016. Employee contributions are payable over each employee's future working lifetime. The employer rates reflect the entry age normal funding method. Under this method, the normal cost is being paid over the future working lifetimes of the members. For the year ended June 30, 2017, contribution rates as a percentage of the annual covered payroll were as follows:

Hire date	Prior to January 1, 2012	On or after January 1, 2012
Required employee contribution rates		
Tier 1	1.71% - 9.06%	8.53% - 14.79%
Tier 2	8.97% - 14.53%	8.97% - 14.53%
Required employer contribution rates		
Tier 1 Safety Members	74.62%	70.03%
Tier 2 Safety Members	61.23%	61.23%
Tier 1 Miscellaneous Members	41.14%	N/A
Tier 2 Miscellaneous Members	32.30%	32.30%

Member contribution rates depend on the member's age upon joining the plan and the plan in which they participate.

Contributions

The employers' actual contributions to the Plan for the years ending June 30, 2017, 2016 and 2015 were \$1,715,421, \$1,551,709 and \$1,436,038, respectively, and equaled the required contributions for each year.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$19,050,054, for its proportional share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined. The District's proportionate share of the net pension liability as of December 31, 2015 and 2016 was as follows:

Proportion - December 31, 2015	1.04940%
Proportion - December 31, 2016	1.14240%
Change - Increase (Decrease)	<u>0.09300%</u>

As of June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 760,823	
Changes in assumptions	800,609	
Difference between proportionate share of aggregate employer contributions and actual contributions for 2015-16.		\$ (110,601)
Change in employer's proportion and differences between proportionate share of contributions	1,312,780	
Net differences between projected and actual earnings on plan investments	2,137,640	
Net differences between expected and actual experience		(269,447)
Total	<u>\$ 5,011,852</u>	<u>\$ (380,048)</u>

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	\$ 1,186,778
2018	\$ 1,185,983
2019	\$ 1,031,670
2020	\$ 466,520

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2016
Measurement Date	December 31, 2016
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Discount Rate	7.40%
Inflation	2.90%
Amortization Growth Rate	3.15%
Salary Increases	3.15% plus merit component
COLA increases	2.60%
Post-Retirement Mortality	Sex distinct tables from CALPERS' 2013 experience study, with generational mortality improvements projected from 2009 using Projection Scale MP-2015

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from organizations will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of</u>
Stable Fixed Income	10.0%	3.70%
Credit	14.0%	6.20%
Private Appreciation	12.0%	10.85%
Global Public Equities	30.0%	9.65%
Crisis Risk Offest (CRO)	20.0%	7.75%
Risk Parity	14.0%	7.85%
Total	<u>100.0%</u>	

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

	Discount Rate - 1% (6.40%)	Current Discount Rate (7.40%)	Discount Rate + 1% (8.40%)
Plan's Net Pension Liability	\$ 25,567,715	\$ 19,050,054	\$ 13,694,129

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued SJCERA financial reports.

Payable to the Pension Plan

As of June 30, 2017, the District had no outstanding required contributions to the pension plan.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The District provides retiree health benefits for eligible retired employees. The District reported two different retiree healthcare benefit programs:

1. The first program is a negotiated benefit under which unused sick leave hours can be converted, by formula, to months of District-paid medical, dental and/or vision premiums. Under this arrangement, once the credited hours are depleted, the retiree becomes responsible for the 100% of the ongoing premium cost, if he or she opts to continue it.
2. The second arrangement is defined based on the terms of a resolution executed with CalPERS upon joining that medical program in 2006. This resolution provides for the District to pay 100% of the monthly medical premiums for the retiree and all eligible dependents for their lifetime, *but not more than* the PERS Choice plan premiums charged in the Bay Area region. Eligibility for coverage and this benefit is determined based on strict requirements per the Public Employees’ Medical and Hospital Care Act (PEMHCA).

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost is calculated based on the annual required contribution (ARC). For fiscal year 2017, the District’s annual OPEB cost for the Plan was \$672,677. The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017, were as follows:

Annual required Contribution	\$ 709,870
Interest on net OPEB obligation	146,077
Adjustment to annual required contribution	<u>(183,270)</u>
 Annual OPEB cost (expense)	 672,677
 Contributions made	 <u>(280,592)</u>
 Change in net OPEB obligation (asset)	 392,085
 Net OPEB obligation (asset) - beginning of year	 <u>3,651,920</u>
 Net OPEB obligation (asset) - end of year	 <u>\$ 4,044,005</u>

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 862,665	\$ 260,110	30%	\$ 3,302,433
June 30, 2016	\$ 641,965	\$ 292,478	46%	\$ 3,651,920
June 30, 2017	\$ 672,677	\$ 280,592	42%	\$ 4,044,005

Funding Policy. The Governing Board retains the authority to establish and amend plan benefit provisions, including those related to contributions. The District currently pays for postemployment health care benefits on a pay-as-you-go basis and these financial statements assume that pay-as-you-go funding will continue.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay basis.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement age and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the liabilities were computed using the entry age normal cost method. The actuarial assumptions utilized a 4% discount rate and a 2.75% general inflation rate. The valuation assumes an initial healthcare cost trend rate of 7.5%, which grades down to an ultimate rate of 4.5% by the year 2023.

9. JOINT VENTURE

The District is a member with other fire districts in a Joint Powers Authority, Fire Agencies Self Insurance System (FASIS), which provides coverage for workers' compensation. FASIS provides first dollar coverage up to a limit of \$500,000 per occurrence. This coverage is extended to provide excess coverage above \$500,000 to statutory coverage limits through FASIS participation in the Local Agency Workers' Compensation Excess Joint Powers Authority. FASIS is governed by a Board of Directors consisting of representatives from member districts. The Board controls the operations of FASIS, including selection of management and approval of operating budgets. Member contributions paid by the District to FASIS for the year ended June 30, 2017 was \$230,059. The following is a summary of the audited financial information of FASIS as of June 30, 2017:

Total Assets	<u>\$ 51,599,388</u>
Total Liabilities	35,213,576
Net Position	<u>16,385,812</u>
Total Liabilities and Net Position	<u>\$ 51,599,388</u>
Total Revenues	\$ 11,527,311
Total Expenditures	<u>13,209,197</u>
Change in Net Position	<u>\$ (1,681,886)</u>

The relationship between Lathrop-Manteca Fire Protection District and the Joint Powers Authority are such that they are not component units of the District for financial reporting purposes.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

10. EXCESS EXPENDITURES

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended June 30, 2017 were as follows:

	<u>Excess Expenditures</u>
General Fund	
Salaries and wages	\$ 449,603
Insurance	11,301
Maintenance	22,395
Communications	22,616
Dispatching	797
Firefighter supplies	18,158
Public relations and training	9,213
Debt service - principal	4,147
Debt service - interest	415

11. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

12. COMMITMENTS

On March 25, 2016, the District entered into a lease purchase agreement with PNC Equipment Finance LLC for an Aerial Fire Truck at a cost of \$841,224 and an interest rate of 2.47%. The anticipated delivery date of the Aerial Fire Truck was May 25, 2017. The truck was not delivered until August 21, 2017. For the year ended June 30, 2016, the District made the first principal and interest prepayment totaling \$300,000, which is reflected as a prepaid expense in the balance sheet and statement of net position. For the year ended June 30, 2017, the District made the second principal and interest prepayment totaling \$116,564, which is reflected as a prepaid expense in the balance sheet and statement of net position. Scheduled annual payments of the lease purchase agreement as of June 30, 2017, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 105,692	\$ 10,872	\$ 116,564
2019	108,311	8,253	116,564
2020	110,995	5,569	116,564
2021	<u>113,745</u>	<u>2,819</u>	<u>116,564</u>
Total	<u>\$ 438,743</u>	<u>\$ 27,513</u>	<u>\$ 466,256</u>

LATHROP-MANTECA FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

14. PRIOR PERIOD RESTATEMENTS

The District approved Resolution #2014-19, for a capital outlay loan from Fire Facility Fee Account. During the 2014 fiscal year \$191,580 was transferred to the General Fund from the Fire Facility Fee Fund which was for the pavement replacement (\$106,580) and new staff vehicles (\$83,000) for Station 31. According, to the resolution the District had to pay approximately 1% interest on the total amount of the loan. Annual payments of \$50,000 began in June 2015 and will end in June 2018. The net effect of the above restatements is to reduce beginning Fund Balance by \$91,580 for the General Fund and increase the beginning Fund Balance by \$91,580 for the Fire Facility Fee Fund. The overall restatement does not change the combined beginning Fund Balance or net position.

15. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2017 financial statements for subsequent events through April 5, 2018 the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

LATHROP-MANTECA FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 3,241,056	\$ 3,560,951	\$ 319,895
Special assessments	1,980,044	1,936,731	(43,313)
Impact mitigation fee	23,534	28,476	4,942
Licenses/permits	99,163	124,017	24,854
Plan check & service fees	86,632	183,754	97,122
Other services	203,790	555,200	351,410
Interest income	99	5,425	5,326
Miscellaneous income	36,109	106,954	70,845
Total revenues	<u>5,670,427</u>	<u>6,501,508</u>	<u>831,081</u>
EXPENDITURES			
Salaries and wages	2,841,636	3,291,239	(449,603)
Employee benefits	2,972,999	2,904,501	68,498
Insurance	265,771	277,072	(11,301)
Maintenance	113,785	136,180	(22,395)
Administration charges	61,557	61,544	13
Fuel, lube and tires	84,265	47,466	36,799
Communications	30,379	52,995	(22,616)
Director's expense	8,000	7,000	1,000
Dispatching	128,000	128,797	(797)
Firefighter supplies	92,221	110,379	(18,158)
Legal and professional services	81,227	38,412	42,815
Office expense	20,000	13,458	6,542
Public relations and training	51,522	60,735	(9,213)
Utilities	46,213	43,339	2,874
Debt service - principal	100,000	104,147	(4,147)
Debt service - interest	-	415	(415)
Miscellaneous expense	130,943	90,104	40,839
Total expenditures	<u>7,028,518</u>	<u>7,367,783</u>	<u>(339,265)</u>
Excess(deficiency) of revenues over expenditures	<u>(1,358,091)</u>	<u>(866,275)</u>	<u>491,816</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,128,000	1,128,000	-
Operating transfers out	(1,128,000)	(88,672)	1,039,328
Rental income	50,561	46,813	(3,748)
Total other financing sources (uses)	<u>50,561</u>	<u>1,086,141</u>	<u>1,035,580</u>
Net change in fund balances	(1,307,530)	219,866	1,527,396
Fund balances, July 1, 2016	<u>1,000,239</u>	<u>1,000,239</u>	<u>-</u>
Fund balances, June 30, 2017	<u>\$ (307,291)</u>	<u>\$ 1,220,105</u>	<u>\$ 1,527,396</u>

See accompanying notes to required supplementary information.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS**

JUNE 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (UAAL) (a-b)</u>	<u>Funded Status (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of payroll ([a-b]/c)</u>
June 30, 2010	\$ 5,026,030	\$ -	\$ 5,026,030	0%	\$1,921,000	261.6%
June 30, 2013	\$ 7,012,977	\$ -	\$ 7,012,977	0%	\$2,114,952	331.6%
June 30, 2016	\$ 6,974,317	\$ -	\$ 6,974,317	0%	\$2,360,628	295.4%
June 30, 2017	\$ 7,264,988	\$ -	\$ 7,264,988	0%	\$2,437,348	298.1%

LATHROP-MANTECA FIRE PROTECTION DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

JUNE 30, 2017

	December 31, 2014 ⁽¹⁾	December 31, 2015 ⁽¹⁾	December 31, 2016 ⁽¹⁾
Proportion of the net pension liability	1.0103%	1.0494%	1.1424%
Proportionate share of the net pension liability	\$ 13,310,655	\$ 16,143,338	\$ 19,050,054
Covered-employee payroll ⁽²⁾	\$ 2,301,028	\$ 2,537,964	\$ 2,599,290
Proportionate Share of the net pension liability as percentage of covered-employee payroll	578.47%	636.07%	732.89%
Plan's fiduciary net position as a percentage of the total pension liability	65.18%	61.07%	60.51%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2017

	<u>Fiscal Year 2013-14</u> ⁽¹⁾	<u>Fiscal Year 2014-15</u> ⁽¹⁾	<u>Fiscal Year 2015-16</u> ⁽¹⁾
Actuarially Determined Contribution	\$ 1,436,038	\$ 1,551,709	\$ 1,715,421
Contributions in relation to the actuarially determined contributions	<u>1,436,038</u>	<u>1,551,709</u>	<u>1,715,421</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll ⁽²⁾	\$ 2,816,052	\$ 2,537,964	\$ 2,599,290
Contributions as a percentage of covered-employee payroll	50.99%	61.14%	66.00%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

LATHROP-MANTECA FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PURPOSE OF SCHEDULES

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP) and Actual – General Fund

The District employs budget control by account codes and by individual appropriation accounts. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by object level, which is a category of account codes such as salaries and benefits or charges for services. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The budgeting is on the cash basis which is another comprehensive basis of accounting.

Schedule of Funding Progress - Other Postemployment Benefits

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

Schedule of Proportionate Share of the Net Pension Liability

Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Changes in assumptions

In 2017, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Valuation Date	January 1, 2016
Measurement Date	December 31, 2016
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Discount Rate	7.40%
Inflation	2.90%
Amortization Growth Rate	3.15%
Salary Increases	3.15% plus merit component
COLA increases	2.60%
Post-Retirement Mortality	Sex distinct tables from CALPERS' 2013 experience study, with generational mortality improvements projected from 2009 using Projection Scale MP-2015

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lathrop-Manteca Fire Protection District
Lathrop, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lathrop-Manteca Fire Protection District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to be material weaknesses: 2016-01 and 2016-02.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies: 2016-03.

Compliance and Other Matters

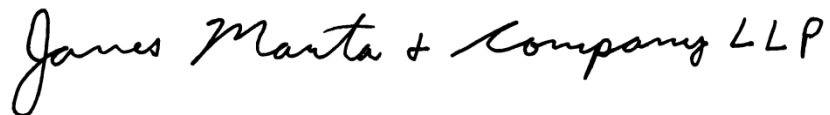
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lathrop-Manteca Fire Protection District's Response to Findings

Lathrop-Manteca Fire Protection District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. Lathrop-Manteca Fire Protection District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
April 5, 2018

LATHROP-MANTECA FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not
considered to be material weakness(es)? X Yes None reported

Noncompliance material to financial statements
noted?

 Yes X No

Federal Awards

The District expended less than \$750,000 in federal awards in 2016-17 and was not subject to a Single Audit.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 2017

Section II – Financial Statement Findings

2017-01 Cash Receipts: Making Timely Deposits

Observation:

The District is not making daily deposits of checks to the County. This practice opens the District to the threat of a loss or theft of checks while it is on the premises.

Recommendations:

To strengthen internal controls in this area, we suggest that during times of heavy inflow, deposits to the County be made on a daily basis. During periods of less inflow, we recommend that checks be deposited at the County no less than once a week. This practice will strengthen the District's internal control process over receipts and lessen the likelihood that checks could be lost or stolen before being deposited with the County.

Corrective Action Plan:

The District will ensure checks are deposited to the County on a weekly basis going forward.

2017-02 Financial Systems- Reconciliation between QuickBooks and County

Observation:

There were differences between the dates on the checks in QuickBooks and on the County reports. We tested 25 checks and noted that only four of the checks tested had the same dates in QuickBooks as the County reports. We also noted that there were 29 check numbers that were appearing on the check register multiple times for the 2016-2017 fiscal year.

Recommendations:

The QuickBooks accounting should be reconciled with the county each month. We also recommend that bank reconciliations in QuickBooks be performed to ensure all checks and check dates are accurately accounted for in QuickBooks. In addition, the District will need to record all accrual and other entries noted in observations 2016-01 and 2016-02 below.

Corrective Action Plan:

Management is currently reviewing and reconciling QuickBooks to the County records to ensure check numbers and check dates to agree what was uploaded into QuickBooks. Management will work with auditors to ensure QuickBooks agrees with the final audit.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

**SCHEDULE OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

JUNE 30, 2017

Recommendation	Current Status	Explanation If Not Implemented
<p>2016-01 Accrual Accounting – Material Weakness</p> <p>Management needs to develop a monthly and annual closing process to identify any potential accruals at year end.</p>	Partially Implemented	Management is working with auditors to ensure office staff is trained on accrual accounting and policies and procedures are developed.
<p>2016-02 Long-Term Liabilities – Material Weakness</p> <p>Management needs to understand the appropriate accounting for any financing and long-term obligations and ensure that they are properly recorded in the county general ledger. Management should also create a schedule for all long-term obligations to ensure they are appropriately tracked and reflected accurately in the government-wide financial statements.</p>	Not Implemented	Management will be implementing for 2018 and future audits.
<p>2016-03 Financial Systems – Significant Deficiency</p> <p>The District should have an accounting software program and utilize its features to post all transactions and mirror the activity posted by the county. The in-house accounting should be reconciled with the county each month. In addition, the District will need to record all accrual and other entries noted in observations 2016-01 and 2016-02 above. The appropriate in-house accounting system will allow the District to produce custom reports for both management and the board.</p>	Partially Implemented	Management will work with auditors it ensure Quick Books agrees with the final audit.
<p>2016-04 Cash Accounts -Management Recommendation</p> <p>The District should account for and present all cash accounts they own in their financial statements. Also, we recommend the District reconcile the petty cash lockbox weekly to ensure that cash and supporting purchase receipts total \$300; any differences should be investigated and resolved in a timely manner.</p>	Implemented	Cash and supporting purchase receipts total \$300 in the petty cash lockbox. Not all cash accounts have been incorporated in the general ledger in fiscal year 2016.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

**SCHEDULE OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

JUNE 30, 2017

Recommendation	Current Status	Explanation If Not Implemented
<p>2016-05 Policies and Procedures</p> <p>The District should create and update a policies and procedures manual and specifically address the financial and administrative policies of the organization. The manual should be organized into sections so that policies pertaining to specific areas may be easily located. The following are critical policies that should be developed in the near term; while other policies may be added later.</p>	<p>Partially Implemented</p>	<p>Management is in the process of finalizing a policies and procedures manual, which will be amended as needed.</p>