LATHROP-MANTECA FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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LATHROP-MANTECA FIRE PROTECTION DISTRICT

JUNE 30, 2021

BOARD OF DIRECTORS

Gloryanna Rhodes
Chair

Jeremy Coe
Vice Chair

Tosh Ishihara

Mark Elliott

Charles Garcia

* * * *

Interim Fire Chief
Joshua Capper

Board Secretary
Hailey Salazar

LATHROP-MANTECA FIRE PROTECTION DISTRICT

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JUNE 30, 2021

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, each major fund and the aggregate remaining fund information of the Lathrop-Manteca Fire Protection District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

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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 the Lathrop-Manteca Fire Protection District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Emphasis of Matter

As discussed in Note 13 to the financial statements, the prior year fund balance and net position have been restated to reflect certain assets and liabilities that were not appropriately presented in the financial statements for the year ended June 30, 2020. The nature and effect of these restatements are further described in Note 13. Our opinion is not modified with respect to this matter.

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 Changes in the District's Net OPEB Liability and Related Ratios, 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 January 31, 2022 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

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 31, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 2020-2021

The District's government-wide total assets and deferred outflows increased by $9,016,326, to $31,898,740, mainly due to increase in current assets and capital assets, net of $6,709,919 and an increase in deferred outflows in the current year of $2,306,407.

Total change in net position increased by $36,943, to ($17,896,911) in 2020-2021. Revenues for the 2020-2021 totaled $16,546,376 and expenses totaled $16,535,741.

Included in the required supplemental information section is a General Fund budgetary comparison schedule. That schedule indicates that the district had an excess variance of $508,821. Variance details are listed on the schedule on page 35.

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.

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 five fire station locations. The Administration Office is located at Station 35 in the River Islands Development in Lathrop. 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 $7,538,709 higher than the prior year due mainly to the issuance of Certificates of Participation in the amount of $3,750,000. Additionally, there was an increase in Net OPEB Liability of $1,599,616 and an increase in Net Pension Liability of $2,168,143. A detailed schedule of the long-term liabilities is listed on page 21.

Condensed Statement of Net Position

	2021	2020	Dollar Change	Percentage Change
ASSETS				
Current assets	$ 11,832,658	$ 6,518,238	$ 5,314,420	81.53%
Capital assets, net	14,456,952	13,061,453	1,395,499	10.68%
Total assets	26,289,610	19,579,691	6,709,919	34.27%
DEFERRED OUTFLOWS OF RESOURCES	5,609,130	3,302,723	2,306,407	69.83%
LIABILITIES				
Current liabilities	216,681	269,231	(52,550)	-19.52%
Long-term liabilities	45,950,230	38,411,521	7,538,709	19.63%
Total liabilities	46,166,911	38,680,752	7,486,159	19.35%
DEFERRED INFLOWS OF RESOURCES	3,628,740	2,061,630	1,567,110	76.01%
NET POSITION				
Net investment in capital assets	6,202,479	5,645,000	557,479	9.88%
Restricted	5,113,911	1,342,585	3,771,326	280.90%
Unrestricted	(29,213,301)	(24,847,553)	4,365,748	17.57%
Total net position	$ (17,896,911)	$ (17,859,968)	$ 36,943	0.21%

Condensed Statement of Activities

	2021	2020	Dollar Change	Percentage Change
REVENUES				
Program revenues				
Charges for services	$ 1,597,490	$ 728,566	$ 868,924	119.26%
Operating grants and contributions	394,790	455,999	(61,209)	-13.42%
Capital grants and contributions	290,307	-	290,307	0.00%
General revenues				
Property taxes	5,644,979	4,877,465	767,514	15.74%
Special assessments	2,379,884	2,163,447	216,437	10.00%
Impact mitigation fees	3,128,640	1,011,903	2,116,737	209.18%
Measure C taxes	2,957,202	2,456,577	500,625	20.38%
Other	153,084	200,556	(47,472)	-23.67%
Total revenues	16,546,376	11,894,513	4,651,863	39.11%
EXPENSES				
Fire protection services	15,972,212	14,686,423	1,285,789	8.75%
Administration	521,005	256,129	264,876	103.42%
Interest on long-term debt	42,524	44,303	(1,779)	-4.02%
Total expenses	16,535,741	14,986,855	1,548,886	10.33%
Change in Net Position	10,635	(3,092,342)	3,102,977	-100.34%
Total Net Position - Beginning of Year	(17,859,968)	(14,767,626)	(3,092,342)	20.94%
Prior period restatement	(47,578)	-		
Total Net Position - End of Year	$ (17,896,911)	$ (17,859,968)	$ 10,635	-0.06%

Economic Outlook

The Lathrop – Manteca Fire Protection District's financial position has continued to be positively impacted by the amount of growth and development in both residential housing and commercial businesses that are taking place within the District's jurisdictional limits. The District is anticipating continued growth in new construction, along with revenues from tax measures and grants. The Lathrop – Manteca Fire Protection District practices multiple budget and planning strategies which also encompass ways to build up reserves and to ensure equipment, apparatus and station maintenance are being addressed.

We are projecting that the District will have some revenue growth in 2021. This financial assumption is based upon recent trends in real property values, changes in population or other service-level indicators, and global economy trends. The recent projections in the construction market continue to show an increase which will impact the District, which receives the majority of its financial support from development.

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 Joshua Capper, 19001 Somerston Parkway, Lathrop, California 95330.

BASIC FINANCIAL STATEMENTS

LATHROP-MANTECA FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 11,640,869
Accounts receivable	191,789
Capital assets, net of accumulated depreciation	14,456,952
Total Assets	26,289,610
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	3,870,152
OPEB related	1,738,978
Total Deferred Outflows	5,609,130
LIABILITIES	
Accounts payable and other current liabilities	216,681
Long-term liabilities:	
Due within one year	294,395
Due in more than one year	45,655,835
Total Liabilities	46,166,911
DEFERRED INFLOWS OF RESOURCES	
Pension related	1,876,043
OPEB related	1,302,706
Certificate of participation issuance premium	449,991
Total Deferred Inflows	3,628,740
NET POSITION	
Net investment in capital assets	6,202,479
Restricted	5,113,911
Unrestricted	(29,213,301)
Total Net Position	$ (17,896,911)

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, 2021

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Fire Protection Services	$ 15,972,212	$ 1,597,490	$ 394,790	$ 290,307	$ (13,689,625)
Administration	521,005	-	-	-	(521,005)
Interest on long-term debt	42,524	-	-	-	(42,524)
Total governmental activities	$ 16,535,741	$ 1,597,490	$ 394,790	$ 290,307	(14,253,154)

General Revenues	
Taxes and subventions:	
Property taxes	5,644,979
Special assessments	2,379,884
Measure C taxes	2,957,202
Impact mitigation fees	3,128,640
Rental income	58,105
Interest and investment earnings	46,375
Miscellaneous	48,604
Total general revenues	14,263,789
Change in net position	10,635
Net Position, July 1, 2020, as originally reported	(17,859,968)
Prior period restatement (Note 13)	(47,578)
Net Position, July 1, 2020, as restated	(17,907,546)
Net Position, June 30, 2021	$ (17,896,911)

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

LATHROP-MANTECA FIRE PROTECTION DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2021

	General Fund	Capital Outlay Fund	Measure C Fund	Facility Fee Fund	Debt Service Fund	Non-Major Developer Account Fund	Non-Major Health & Safety Fund	Total
ASSETS								
Cash	2,669,368	$ (33,199)	$ 2,146,591	$ 3,884,920	$ 2,967,320	$ 801	5,068	$ 11,640,869
Accounts receivable	58,474	-	-	133,315	-	-	-	191,789
Total Assets	$ 2,727,842	$ (33,199)	$ 2,146,591	$ 4,018,235	$ 2,967,320	$ 801	$ 5,068	$ 11,832,658
LIABILITIES								
Liabilities								
Accounts payable	60,114	-	-	8,624	-	-	-	68,738
Accrued wages	128,922	-	-	-	-	-	-	128,922
Unearned revenue	4,772	-	-	104	-	-	-	4,876
Total Liabilities	193,808	-	-	8,728	-	-	-	202,536
FUND BALANCE								
Fund balances								
Nonspendable								-
Restricted	-	-	2,146,591	-	2,967,320	-	-	5,113,911
Assigned	-	(33,199)	-	4,009,507	-	801	5,068	3,982,177
Unassigned	2,534,034	-	-	-	-	-	-	2,534,034
Total Fund Balances	2,534,034	(33,199)	2,146,591	4,009,507	2,967,320	801	5,068	11,630,122
Total liabilities and fund balances	$ 2,727,842	$ (33,199)	$ 2,146,591	$ 4,018,235	$ 2,967,320	$ 801	$ 5,068	$ 11,832,658

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, 2021

Total fund balances - governmental funds		$ 11,630,122
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	$ 20,246,843	
Accumulated depreciation	(5,789,891)	
Net		14,456,952
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 unmatured interest owing at the end of the period was:		(14,145)
Unamortized costs: In governmental funds, debt issue costs and premiums are recognized in the period they are incurred. In the government-wide statements, debt issue costs and premiums are amortized over the life of the debt. Unamortized debt issue costs and premiums included in deferred inflows and outflows on the statement of		
Unamortized portion of certificate of participation issuance premium		(449,991)
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)	
Capital leases payable	(1,302,183)	
Station 35 loan	(6,316,134)	
Certificate of participation	(3,570,000)	
Net OPEB liability	(9,313,603)	
Net pension liability	(24,997,459)	
Compensated absences payable	(417,375)	
		(45,950,230)
Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported becauses 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		3,870,152
Deferred outflows of resources related to OPEB		1,738,978
Deferred inflows of resources related to pensions		(1,876,043)
Deferred inflows of resources related to OPEB		(1,302,706)
Total net position, governmental activities:		$ (17,896,911)

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

LATHROP-MANTECA FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Measure C Fund	Facility Fee Fund	Debt Service Fund	Non-Major Developer Account Fund	Non-Major Health & Safety Fund	Total
REVENUES								
Property taxes	$ 5,644,979	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,644,979
Special assessments	2,379,884	-	-	-	-	-	-	2,379,884
Measure C taxes	-	-	2,957,202	-	-	-	-	2,957,202
Federal grant	394,790	290,307	-	-	-	-	-	685,097
Impact mitigation fee	-	-	-	3,128,640	-	-	-	3,128,640
Licenses/permits	133,566	-	-	-	-	-	-	133,566
Plan check & service fees	391,445	-	-	-	-	-	-	391,445
Other services	1,072,479	-	-	-	-	-	-	1,072,479
Interest income	16,527	2,716	9,624	17,468	-	4	36	46,375
Miscellaneous income	48,604	-	-	-	-	-	-	48,604
Total revenues	10,082,274	293,023	2,966,826	3,146,108	-	4	36	16,488,271
EXPENDITURES								
Salaries and wages	5,611,056	-	-	-	-	-	-	5,611,056
Employee benefits	4,553,270	-	-	-	-	-	-	4,553,270
Insurance	462,292	-	-	-	-	-	-	462,292
Maintenance	255,654	557,776	5,429	565,489	-	-	-	1,384,348
Administration charges	84,402	-	-	1,606	-	-	-	86,008
Fuel, lube and tires	98,989	-	-	-	-	-	-	98,989
Communications	55,579	-	-	-	-	-	-	55,579
Director's expense	8,525	-	-	-	-	-	-	8,525
Dispatching	148,072	-	-	-	-	-	-	148,072
Firefighter supplies	120,690	-	5,296	73,904	-	-	-	199,890
Legal and professional services	130,025	-	-	111,460	-	-	-	241,485
Office expense	35,469	-	-	55	-	-	-	35,524
Public relations and training	225,578	-	-	-	-	-	-	225,578
Utilities	98,455	-	-	-	-	-	-	98,455
Capital Outlay	-	919,790	-	-	791,350	-	-	1,711,140
Debt service - principal	-	84,701	-	382,410	-	-	-	467,111
Debt service - interest	-	3,972	-	32,053	-	-	-	36,025
Miscellaneous expense	112,734	-	-	16,893	261,321	-	-	390,948
Total expenditures	12,000,790	1,566,239	10,725	1,183,870	1,052,671	-	-	15,814,295
Excess(deficiency) of revenues over expenditures	(1,918,516)	(1,273,216)	2,956,101	1,962,238	(1,052,671)	4	36	673,976
OTHER FINANCING SOURCES (USES)								
Operating transfers in	2,152,095	-	-	-	-	-	-	2,152,095
Operating transfers out	-	-	(2,152,095)	-	-	-	-	(2,152,095)
Rental income	58,105	-	-	-	-	-	-	58,105
Other financing sources	-	668,975	-	-	4,019,991	-	-	4,688,966
Total other financing sources (uses)	2,210,200	668,975	(2,152,095)	-	4,019,991	-	-	4,747,071
Net change in fund balances	291,684	(604,241)	804,006	1,962,238	2,967,320	4	36	5,421,047
Fund balances, July 1, 2020, as originally reported	2,284,321	571,042	1,342,585	2,052,876	-	797	5,032	6,256,653
Prior period adjustment	(41,971)	-	-	(5,607)	-	-	-	(47,578)
Fund balances, July 1, 2020	2,242,350	571,042	1,342,585	2,047,269	-	797	5,032	6,209,075
Fund balances, June 30, 2021	$ 2,534,034	$ (33,199)	$ 2,146,591	$ 4,009,507	$ 2,967,320	$ 801	$ 5,068	$ 11,630,122

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, 2021

Total net change in fund balances - governmental funds		$ 5,421,047
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:	$ 2,206,814	
Depreciation expense:	(811,315)	
		1,395,499
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:		467,111
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt.		(449,991)
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:		(4,238,975)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(6,499)
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:		(354,869)
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:		914
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:		(2,223,602)
Total change in net position - governmental activities		$ 10,635

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

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 five 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. The District has two non-major funds: Developer Account Fund and Health & Safety Fund.

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.

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 with a resolution approved by 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.

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.

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.

Debt Service Fund – The Debt Service Fund is used to account for the Certificates of participation transactions. The Fund is also treated as a cash reserve that is used to pay principal and interest related to the Certificates of participation.

Non-Major Fund:

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.

Health & Safety Fund - The Health and Safety Fund is used as a reserve fund to account for the OPEB unfunded liability. Based on each year's financial performance, the District will determine if a transfer can be made to this fund to reduce the OPEB unfunded liability.

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

G. COMPENSATED ABSENCES (CONTINUED)

incurs an obligation to pay for these unused hours. All compensated absences for governmental activities are paid out of the general fund.

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.

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. OTHER POSTEMPLOYMENT BENEFITS

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Lathrop-Manteca Fire Protection District's OPEB plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the District. 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.

O. 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.

P. 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, 2021 is $11,640,869. Of this balance, $8,668,221 is held in the San Joaquin County Treasury and $2,972,648 is held at U.S. Bank.

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, 2021, the San Joaquin County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

<u>Interest Rate Risk</u>

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.

2. CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The District's investment policy limits the amount it may invest with certain issuers. At June 30, 2021, the District had no concentration of credit risk and complied with the requirements of the District's investment policy.

3. INTERFUND TRANSACTIONS

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, 2021 consisted of transfers of $2,152,095 from Measure C Fund to the General Fund to cover personnel expenses.

There were no outstanding balances due between funds as of June 30, 2021.

4. CAPITAL ASSETS

A schedule of changes in Governmental Activities capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Prior Year Corrections	Additions	Deletions	Balance June 30, 2021
Governmental Activities					
Capital Assets, not being depreciated:					
Land	$ 334,000	$ -	$ -	$ -	$ 334,000
Construction in progress	105,577	-	1,009,161	-	1,114,738
Total Capital Assets, not being depreciated	439,577	-	1,009,161	-	1,448,738
Capital assets, Depreciable:					
Land Improvements	260,724	-	509,226	-	769,950
Buildings	9,744,241	-	18,528	-	9,762,769
Building Improvements	511,830	-	-	-	511,830
Office Equipment	-	-	-	-	-
Computer Equipment	716,971	-	310,796	-	1,027,767
Furniture	66,469	-	-	-	66,469
Vehicles	508,381	-	-	8,738	499,643
Fire Apparatus	6,052,209	-	250,815	450,001	5,853,023
Fire Fighting Equipment	197,492	-	109,162	-	306,654
Total Capital Assets, being depreciated	18,058,317	-	1,198,527	458,739	18,798,105
Accumulated Depreciation					
Land Improvements	55,977	-	19,402	-	75,379
Buildings	1,225,414	-	243,643	-	1,469,057
Building Improvements	30,145	-	25,592	-	55,737
Computer Equipment	515,174	-	111,754	-	626,928
Furniture	11,870	-	9,496	-	21,365
Vehicles	337,846	-	59,192	7,864	389,173
Fire Apparatus	3,200,917	-	272,537	450,001	3,023,453
Fire Fighting Equipment	59,098	23,368	46,333	-	128,799
Total Accumulated Depreciation	5,436,441	23,368	787,947	457,865	5,789,891
Net Capital Assets being depreciated	12,621,876	(23,368)	410,580	874	13,008,214
Capital Assets, net	$ 13,061,453	$ (23,368)	$ 1,419,741	$ 874	$ 14,456,952

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, 2021 is as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Amounts Due Within One Year
State Loan - Chapter 1168/85	$ 33,476	$ -	$ -	$ 33,476	$ -
Capital Lease Obligations	975,893	668,975	342,685	1,302,183	214,395
Station 35 Reimbursement	6,440,560	-	124,426	6,316,134	-
Certificates of Participation	-	3,570,000	-	3,570,000	80,000
Net OPEB Liability	7,713,987	1,599,616	-	9,313,603	-
Net Pension Liability	22,829,316	2,168,143	-	24,997,459	-
Compensated Absences	418,289	277,463	278,377	417,375	-
	$ 38,411,521	$ 8,284,197	$ 745,488	$ 45,950,230	$ 294,395

<u>State Loan – Chapter 1168/85</u>

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, 2021 is $33,476.

<u>Capital Lease Obligations</u>

During the year ended June 30, 2021, the District had five capital leases for the purchase of fire apparatuses. The following are the lease-purchases and their terms in place during the year ended June 30, 2021:

Asset	Maturity Date	Interest Rate	Purchase Price	Balance July 1, 2020	Payments	Balance June 30, 2021
2021 Pierce 1500 Impel PUC Pumper	1/15/2030	2.69%	$ 668,975	$ -	$ -	$ 668,975
2019 Pierce Impel PUC Pumper	9/27/2024	3.25%	634,558	465,049	87,158	377,891
2019 Pierce Wildland Pumper	5/31/2025	4.52%	419,260	312,397	57,080	255,317
2017 Pierce Fire Truck	3/25/2021	2.47%	841,224	113,746	113,746	-
(2) 2010 Pierce International Fire Engine	12/28/2020	4.60%	630,892	84,701	84,701	-
			$ 3,194,909	$ 975,893	$ 342,685	$ 1,302,183

5. LONG-TERM LIABILITIES (CONTINUED)

The annual payments required to amortize the capital leases outstanding as of June 30, 2021, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2022	$ 214,395	$ 44,047	$ 258,442
2023	223,963	34,478	258,441
2024	231,653	26,790	258,442
2025	239,616	18,825	258,441
2026	74,394	10,575	84,969
Thereafter	318,163	21,713	339,876
Total	$ 1,302,183	$ 156,429	$ 1,458,612

Accrued interest of $14,145 is included in the government-wide financial statements.

Station 35 Reimbursement Agreement

The District entered into a reimbursement agreement with River Islands Development for the purchase and construction of the River Islands Fire Station during the 2018-19 fiscal year. The Fire Facility Fees collected will be used to pay the reimbursement agreement after the District’s use of fire facilities fees for fire equipment and trucks. All remaining fire facilities fees collected in any applicable calendar year shall be used to pay River Islands Development until such time that they have been reimbursed the full amount. The agreement is interest free and is to be repaid prior to the conveyance of the fire station to the District. The District made a payment of $124,426 during the year ended June 30, 2021. The balance due on the loan at June 30, 2021 is $6,316,134.

5. LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation for Station 31 Renovation Project

In 2021, the District issued Certificates of Participation in the amount of $3,570,000 for the purpose of providing funds to (a) finance a portion of the costs of renovation of Fire Station 31, (b) purchase a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates, and (c) pay the delivery costs incurred in connection with the execution, delivery and sale of the Certificates, including purchasing a municipal bond insurance policy for the Certificates. The current interest and yield vary, ranging from 3.0% to 4.0%. The Certificates are scheduled to mature on May 1, 2051.

Year Ending June 30	Principal	Interest to Maturity	Total
2022	$ 80,000	$ 118,031	$ 198,031
2023	80,000	121,481	201,481
2024	80,000	119,081	199,081
2025	85,000	116,681	201,681
2026	85,000	115,831	200,831
2027-2031	440,000	564,063	1,004,063
2032-2036	495,000	506,000	1,001,000
2037-2041	600,000	399,000	999,000
2042-2046	730,000	269,000	999,000
2047-2051	895,000	110,400	1,005,400
Total	$ 3,570,000	$ 2,439,569	$ 6,009,569

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, 2021:

	General Fund	Capital Outlay Fund	Measure C Fund	Facility Fee Fund	Debt Service Fund	Developer Account Fund	Health & Safety Fund	Total
Resticted For:								
Capital Projects	$ -	$ -	$ 2,146,591	$ -	$ 2,967,320	$ -	$ -	$ 5,113,911
Total Restricted	-	-	2,146,591	-	2,967,320	-	-	5,113,911
Assigned For:								
Capital Projects	-	(33,199)	-	-	-	801	-	(32,398)
Fire Facilities	-	-	-	4,009,507	-	-	-	4,009,507
Health & OPEB Reserve	-	-	-	-	-	-	5,068	5,068
Total Assigned	-	(33,199)	-	4,009,507	-	801	5,068	3,982,177
Unassigned:								
Unassigned	2,534,034	-	-	-	-	-	-	2,534,034
Total Fund Balances	$ 2,534,034	$ (33,199)	$ 2,146,591	$ 4,009,507	$ 2,967,320	$ 801	$ 5,068	$ 11,630,122

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, 2020. 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, 2021, contribution rates as a percentage of the annual covered payroll were as follows:

Hire date	Prior to July 1, 2012	On or after July 1, 2012
Required employee contribution rates		
Tier 1	4.89% - 9.60%	6.18% - 15.89%
Tier 2	9.47% - 14.67%	9.47% - 14.67%
Required employer contribution rates		
Tier 1 Safety Members	84.60%	79.85%
Tier 2 Safety Members	70.50%	70.50%
Tier 1 Miscellaneous Members	47.28%	47.28%
Tier 2 Miscellaneous Members	37.57%	37.57%

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, 2021, 2020 and 2019 were \$2,760,478, \$2,069,953, and \$2,018,992, respectively, and equaled the required contributions for each year.

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

At June 30, 2021, the District reported a liability of $24,997,459, for its proportional share of the net pension liability. The net pension liability was measured as of December 31, 2020, 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, 2018 and 2019 was as follows:

Proportion - December 31, 2020	1.49070%
Proportion - December 31, 2019	1.35160%
Change - Increase (Decrease)	0.13910%

For the year ended June 30, 2021, the District recognized pension expense of $2,223,602. As of June 30, 2021, 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	$ 1,473,436	-
Changes in assumptions	2,241,472	-
Net differences between projected and actual earnings on plan investments	-	$ (883,053)
Net differences between expected and actual experience	155,244	(992,990)
Total	$ 3,870,152	$ (1,876,043)

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, 2021.

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

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	Total Deferred Outflow/(Inflow) of Resources
2022	$ 106,477
2023	106,477
2024	106,477
2025	106,477
2026	94,765
Total	$ 520,673

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2019
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Discount Rate	7.25% net of investment expenses
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 Society of Actuaries' new Public mortality tables, with generational mortality improvements projected from 2010 using Projection Scale MP-2018A

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of
Aggressive Growth	10.0%	8.60%
Tradtional Growth	32.0%	5.20%
Stabilized Growth	33.0%	3.10%
Principal Protection	10.0%	-0.65%
Crisis Risk Offest (CRO)	15.0%	1.05%
Cash	0.0%	1.10%
Total	100.0%	

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 7.25%, 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-perentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Plan's Net Pension Liability	$ 35,560,462	$ 24,997,459	$ 16,331,940

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, 2021, 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).

Benefits Provided. The District offers retiree access to retire medical, dental and vision coverage. Under the Public Employees' Medical and Hospital Care Act (PEMHCA), the District is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued; if a surviving spouse is entitled to survivor pension benefits, he or she may continue coverage and receive the PEMHCA benefit as well. The District's contribution toward the medical plan premiums is the PEMHCA minimum employer contribution (MEC) of $139 per month in 2020 and $143 per month in 2021.

- Any retiree who satisfies the requirement for access to coverage described below and elects medical coverage through CalPERS is entitled to this MEC benefit from the District.

- For those hired on or before July 1, 2012 and who do not cash out any unused sick leave at the time of retirement, the District will provide one month of medical, dental and/or vision coverage for every 24 hours of accumulated sick leave. The benefit covers the premium for any coverage level up to but not exceeding the applicable PERS Choice Bay Area premium rate.

Access to coverage. Coverage requires the employee to satisfy the requirements for retirement under the San Joaquin County Employees' Retirement Association (SJCERA). Retirement eligibility under SJCERA is as follows:

- Members who joined SJCERA for the first time prior to January 1, 2013: (1) age 50 and 10 years of service, or (2) 20 years of service (30 years of service for General employees), regardless of age, or (3) for General employees, age 70, regardless of service.

- Members who joined SJCERA for the first time on or after January 1, 2013: (1) age 50 (age 52 for General employees) and 5 years of service, or (2) age 70, regardless of service.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Employees covered by benefit. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	38
	52

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the actuarial assumptions shown in the following table, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2019 to June 30, 2020
Funding Method	Entry Age Normal Cost, level percent of pay
Discount Rate	3.51% as of June 30, 2019
	2.21% as of June 30, 2020
Salary Increases	3.00%
Inflation rate	2.50%
Healthcare cost trend rates	5.7 % in 2022 and fluctuates until rate of 4% in 2076

The demographic actuarial assumptions used in the valuation are based on those applicable to "general" employees as shown in the report on the January 1, 2020 actuarial valuation of the San Joaquin County Employees' Retirement Association program. The mortality rates (prior to projection) were those described by SJCERA in their 2020 study, except for the basis used to project mortality improvement.

Discount rate. The discount rate used to measure the total OPEB liability was 3.51 percent. The discount rate used is based on the Bond Buyer 20 Year High Grade Index.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	$ 7,713,987	$ -	$ 7,713,987
Changes for the year:			
Service cost	367,183	-	367,183
Interest	279,076	-	279,076
Differences between expected and actual experience	-	-	-
Contributions - employer	-	260,549	(260,549)
Net investment income	-	-	-
Changes of Assumptions	1,320,585	-	1,320,585
Benefit payments	(260,549)	(260,549)	-
Plan experience	(106,679)	-	(106,679)
Net changes	1,599,616	-	1,599,616
Balances at June 30, 2021	$ 9,313,603	$ -	$ 9,313,603

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability (asset)	$ 10,674,953	$ 9,313,603	$ 8,188,592

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.7 percent) or 1-percentage-point higher (6.7%) than the current healthcare cost trend rates:

	-1% Decrease (4.7%)	Trend Rates (5.7%)	+1% Increase (6.7%)
Net OPEB liability (asset)	$ 7,886,188	$ 9,313,603	$ 11,134,940

OPEB plan fiduciary net position. The Plan has no assets.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $354,869. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	$ 256,569	$ -
Changes of assumptions	1,482,409	1,024,230
Differences between expected and actual experience	-	278,476
Total	$ 1,738,978	$ 1,302,706

The District will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources
2022	$ (34,821)
2023	(34,821)
2024	(34,821)
2025	(34,821)
2026	(34,821)
Thereafter	353,808
Total	$ 179,703

Payable to the OPEB Plan

The District had no outstanding amount of contributions to the Plan required for the year ended June 30, 2021.

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, 2021 was $386,895. The following is a summary of the audited financial information of FASIS as of June 30, 2021:

Total Assets	$	70,586,486
Total Liabilities		50,587,818
Net Position		19,998,668
Total Liabilities and Net Position	$	70,586,486
Total Revenues	$	15,751,678
Total Expenditures		15,716,576
Change in Net Position	$	35,102

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.

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, 2021 were as follows:

	Excess Expenditures
Salaries and wages	$ 1,273,727
Insurance	63,285
Maintenance	29,394
Directors expense	700
Dispatching	5,072
Legal and professional services	30,092
Public relations and training	75,694
Total	$ 1,477,964

11. POWER PURCHASE AGREEMENT (PPA)

In 2017, the District entered into a 20-year contract with American Renewable Capital (ARC), Inc. for a solar power generating system for approximately 50,000 kWh per year. The District will purchase 100% of the electricity produced by the system. ARC owns title to the system. At the end of the 20-year contract term, the District must exercise one of the following options: (a) purchase the system for the then fair market value of the system, not to be less than ten percent (10%) of the system purchase price under the installation contract; (b) extend the term of the agreement for five (5) years at the same kWh rate; (c) terminate the agreement and require ARC to remove the system from the site within one hundred twenty (120) days of the agreement termination date, at ARC's expense,; or (d) any other arrangement as mutually agreed to between the District and ARC. If the District has not exercised and consummated any of the above options prior to the expiration of this agreement, the term of this agreement will be automatically extended for two (2) years.

12. 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.

13. PRIOR PERIOD RESTATEMENTS

Fund Balance

The District recognized $47,578 of mitigation fee revenue in fiscal year 2019/20 which has not been collected as of the date of this report. In accordance with the modified accrual basis of accounting, funds are susceptible to accrual when measurable and available. “Available” means collectible within the current period or within 60 days after year end. As a result, we decreased the beginning fire facility fund balance by $47,578 and created an allowance for doubtful accounts for this amount.

14. SUBSEQUENT EVENTS

The District’s management evaluated its June 30, 2021 financial statements for subsequent events through January 31, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events, other than those described below, 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, 2021

	Original Budget	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 5,206,516	$ 5,206,516	$ 5,644,979	$ 438,463
Special assessments	2,175,705	2,175,705	2,379,884	204,179
Federal grant	455,999	455,999	394,790	(61,209)
Impact mitigation fee	26,502	26,502	-	(26,502)
Licenses/permits	120,489	120,489	133,566	13,077
Plan check & service fees	288,862	288,862	391,445	102,583
Other services	326,377	326,377	1,072,479	746,102
Interest income	44,779	44,779	16,527	(28,252)
Miscellaneous income	77,457	77,457	48,604	(28,853)
Total revenues	8,722,686	8,722,686	10,082,274	1,359,588
EXPENDITURES				
Salaries and wages	4,337,329	4,337,329	5,611,056	(1,273,727)
Employee benefits	4,650,498	4,650,498	4,553,270	97,228
Insurance	399,007	399,007	462,292	(63,285)
Maintenance	226,260	226,260	255,654	(29,394)
Administration charges	91,956	91,956	84,402	7,554
Fuel, lube and tires	136,321	136,321	98,989	37,332
Communications	59,778	59,778	55,579	4,199
Director's expense	7,825	7,825	8,525	(700)
Dispatching	143,000	143,000	148,072	(5,072)
Firefighter supplies	340,063	340,063	120,690	219,373
Legal and professional services	99,933	99,933	130,025	(30,092)
Office expense	36,951	36,951	35,469	1,482
Public relations and training	149,884	149,884	225,578	(75,694)
Utilities	116,278	116,278	98,455	17,823
Miscellaneous expense	155,776	155,776	112,734	43,042
Total expenditures	10,950,859	10,950,859	12,000,790	(1,049,931)
Excess(deficiency) of revenues over expenditures	(2,228,173)	(2,228,173)	(1,918,516)	309,657
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,152,095	2,152,095	2,152,095	-
Operating transfers out	(238,672)	(238,672)	-	238,672
Rental income	55,642	55,642	58,105	2,463
Total other financing sources (uses)	1,969,065	1,969,065	2,210,200	241,135
Net change in fund balances	(259,108)	(259,108)	291,684	550,792
Fund balances, July 1, 2020, as originally reported	2,284,321	2,284,321	2,284,321 *	-
Prior period adjustment	-	-	(41,971)	(41,971)
Fund balances, July 1, 2020	2,284,321	2,284,321	2,242,350	(41,971)
Fund balances, June 30, 2021	$ 2,025,213	$ 2,025,213	$ 2,534,034	$ 508,821

* Variance of $5,032 in the beginning balance is due to the Health and Safety Fund that is presented as Non-major Fund in the current year

See accompanying notes to required supplementary information.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS

JUNE 30, 2021

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 452,515	$ 399,590	$ 328,018	$ 367,183
Interest	238,226	283,280	279,760	279,076
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(255,754)	-	(106,679)
Changes of assumptions	(696,692)	(870,515)	352,347	1,320,585
Benefit payments, including refunds of member contributions	(282,056)	(267,914)	(294,126)	(260,549)
Net change in total OPEB liability	(288,007)	(711,313)	665,999	1,599,616
Total OPEB liability - beginning	8,047,308	7,759,301	7,047,988	7,713,987
Total OPEB liability - ending (a)	$ 7,759,301	$ 7,047,988	$ 7,713,987	$ 9,313,603
Plan fiduciary net position				
Contributions - employer	$ 282,056	$ 267,914	$ 294,126	$ 260,549
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(282,056)	(267,914)	(294,126)	(260,549)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -
District's net OPEB liability - ending (a) - (b)	$ 7,759,301	$ 7,047,988	$ 7,713,987	$ 9,313,603
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	$ 3,345,919	$ 3,345,919	$ 4,635,326	$ 4,888,757
District's net OPEB liability as a percentage of covered-employee payroll	231.9%	210.6%	166.4%	190.5%

See accompanying notes to required supplementary information.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2021

	December 31, 2014 [1]	December 31, 2015 [1]	December 31, 2016 [1]	December 31, 2017 [1]	December 31, 2018 [1]	December 31, 2019 [1]	December 31, 2020 [1]
Proportion of the net pension liability	1.0103%	1.0494%	1.1424%	1.2440%	1.3047%	1.3516%	1.4907%
Proportionate share of the net pension liability	$ 13,310,655	$ 16,143,338	$ 19,050,054	$ 17,786,633	$ 24,263,171	$ 22,829,316	$ 24,997,459
Covered-employee payroll (2)	$ 2,301,028	$ 2,537,964	$ 2,599,290	$ 2,782,702	$ 3,298,966	$ 3,513,665	$ 3,743,525
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	578.47%	636.07%	732.89%	639.19%	735.48%	649.73%	667.75%
Plan's fiduciary net position as a percentage of the total pension liability	65.18%	61.07%	60.51%	64.54%	59.60%	64.40%	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.

See accompanying notes to required supplementary information.

LATHROP-MANTECA FIRE PROTECTION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2021

	Fiscal Year 2013-14 [1]	Fiscal Year 2014-15 [1]	Fiscal Year 2015-16 [1]	Fiscal Year 2016-17 [1]	Fiscal Year 2017-18 [1]	Fiscal Year 2018-19 [1]	Fiscal Year 2019-20 [1]
Actuarially Determined Contribution	$ 1,436,038	$ 1,551,709	$ 1,715,421	$ 1,962,065	$ 2,018,992	$ 2,069,953	$ 2,760,478
Contributions in relation to the determined contributions	1,436,038	1,551,709	1,715,421	1,962,065	2,018,992	2,069,953	2,760,478
Contribution deficiencey (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll [2]	$ 2,816,052	$ 2,537,964	$ 2,599,290	$ 2,782,702	$ 3,298,966	$ 3,513,665	$ 3,743,525
Contributions as a percentage of covered-employee payroll	50.99%	61.14%	66.00%	70.51%	61.20%	58.91%	73.74%

[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.

See accompanying notes to required supplementary information.

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 Changes in the District's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the third year of implementation, only four years are currently available.

Schedule of Proportionate Share of the Net Pension Liability

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

Changes in assumptions

In 2020, 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, 2019
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Discount Rate	7.25% net of investment expenses
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 Society of Actuaries' new Public mortality tables, with generational mortality improvements projected from 2010 using Projection Scale MP-2018A

OTHER INDEPENDENT AUDITOR’S REPORTS

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2022.

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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financials statements will not be prevented, or detected and corrected on a timely basis. 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.

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

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*.

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.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 31, 2022

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

January 31, 2022

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

We have audited the financial statements of Lathrop-Manteca Fire Protection District as of and for the year ended June 30, 2021 and have issued our report thereon dated January 31, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 15, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Lathrop-Manteca Fire Protection District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our report on internal controls over financial reporting and, and other matters noted during our audit in a separate letter to you dated January 31, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Lathrop-Manteca Fire Protection District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. However, there are new Governmental Accounting Standards that may affect the District in future years. See Attachment I.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are the net pension liability and net OPEB liability and the related deferred outflows and inflows of resources.

Management's estimate of net pension and net OPEB liability and related deferred outflows and inflows of resources is based on an actuarial study performed by independent third parties. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to the outstanding long-term liabilities of the District.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements identified as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements and reclassifications that were brought to the attention of management as a result of our audit procedures. The attached schedule of audit adjustments (Attachment II) was identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Lathrop-Manteca Fire Protection District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached (Attachment III) letter dated January 31, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Services

We have assisted management in preparing the financial statements of Lathrop-Manteca Fire Protection District in conformity with U.S. generally accepted accounting principles based on information provided by management.

Management's responsibilities for other services included designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we performed as part of this engagement. Management has represented that they have evaluated the adequacy and results of those services and is accepting responsibility for them.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Lathrop-Manteca Fire Protection District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Lathrop-Manteca Fire Protection District's auditors.

This report is intended solely for the information and use of the Board of Directors and management of Lathrop-Manteca Fire Protection District and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 31, 2022

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB Statement No. 87, Leases
Effective for the fiscal year ending June 30, 2022

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The District is currently assessing the financial statement impact of GASB 87.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
Effective for the fiscal year ending June 30, 2022

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

We do not expect this standard to have any significant impact on the District.

GASB Statement No. 91, Conduit Debt Obligations
Effective for the fiscal year ending June 30, 2023

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This

Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

We do not expect this standard to have any significant impact on the District.

GASB Statement No. 92, Omnibus 2020
Effective dates vary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports – *Effective for the fiscal year ending December 31, 2021*
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan – *Effective for the fiscal year ending December 31, 2021*
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits – *Effective for the fiscal year ending December 31, 2021*
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements – *Effective for the fiscal year ending December 31, 2021*
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition – *Effective for the government acquisitions occurring in reporting periods beginning after June 15, 2020*
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers – *Effective for the fiscal year ending December, 2021*
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature – *Effective for the fiscal year ending December 31, 2021*
- Terminology used to refer to derivative instruments. – *Effective for the fiscal year ending December 31, 2021*

The District is currently assessing the financial statement impact of GASB 92.

GASB Statement No. 93, Replacement of Interbank Offered Rates
Effective for the fiscal year ending June 30, 2023

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

We do not expect this standard to have any significant impact on the District.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
Effective for the fiscal year ending June 30, 2024

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

We do not expect this standard to have any significant impact on the District.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance
Effective immediately

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of the preceding statements have been updated to reflect the impact of the issuance of GASB 95.

The District is currently assessing the financial statement impact of GASB 95.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements
Effective for the fiscal year ending June 30, 2024

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

We do not expect this standard to have any significant impact on the District.

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
49001-1200000002	Accrued Accounts Receivable	1,075.00	
49090-1200000002	Accrued Accounts Receivable	86,871.00	
49090-4630600000	IMPACT MITIGATION FEE-PRIVATE	451.00	
49001-6211000100	RADIO MAINTENANCE		1,075.00
49090-1111000000	CASH IN BANK-TREASURY		451.00
49090-6211000100	RADIO MAINTENANCE		801.00
49090-6221000000	PROFESSIONALSVS		59,484.00
49090-6260000000	MAINT-STRUCTURE & GROUND		26,586.00
Total		**88,397.00**	**88,397.00**
Adjusting Journal Entries JE # 2			
To set up allowance for doubtful accts for fees not collected as of 6/30/21. Bulk of receivables are impact mitigation fees in the General fund fire facility fund			
49001-3100000000	Prior period adjustment	41,971.00	
49090-3100000000	Prior Period Adjustment	5,607.00	
49001-	Fund Balance - Beginning		41,971.00
49090-3000000000	Fund Balance - Beginning		5,607.00
Total		**47,578.00**	**47,578.00**
Adjusting Journal Entries JE # 3			
To record a lease purchase of Engine 34,			
49091-	EQUIPMENT	668,975.00	
49091-	Other Financing Source		668,975.00
Total		**668,975.00**	**668,975.00**

Lathrop-Manteca Fire Protection District

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MANAGEMENT REPRESENTATION LETTER

January 31, 2022

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lathrop-Manteca Fire Protection District as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Lathrop-Manteca Fire Protection District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 31, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 15, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Through professionalism and compassion we will serve all, by empowering our members who embody our core values.

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- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment A.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.

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- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you all litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Lathrop-Manteca Fire Protection District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Lathrop-Manteca Fire Protection District is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

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- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Lathrop-Manteca Fire Protection District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Additional Representations

- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

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Federal Awards

With respect to federal awards:

- We are responsible for understanding and complying with, and have complied with, the requirements of the Uniform Guidance.
- We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
- We have identified and disclosed to you the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

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- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the Uniform Guidance, relating to federal awards.
- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective plan that meets the requirements of the Uniform Guidance.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- The reporting package does not include protected personally identifiable information.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- We have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.

Joshua Capper, Interim Fire Chief

Hailey Salazar, Executive Assistant

Through professionalism and compassion we will serve all, by empowering our members who embody our core values.

The Management Representation Letter that was included as a scanned document in this report on pages 58 through 63 has been added as a pdf on the following pages for accessibility purposes.

Lathrop-Manteca Fire Protection District

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MANAGEMENT REPRESENTATION LETTER

January 31, 2022

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lathrop-Manteca Fire Protection District as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Lathrop-Manteca Fire Protection District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 31, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 15, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment A.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.

- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you all litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Lathrop-Manteca Fire Protection District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Lathrop-Manteca Fire Protection District is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Lathrop-Manteca Fire Protection District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Additional Representations

- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Lathrop-Manteca Fire Protection District

19001 Somerston Parkway, Lathrop, CA 95330

• (209) 941-5100 • Fax (209) 941-5115 • www.lmfire.org •

Federal Awards

With respect to federal awards:

- We are responsible for understanding and complying with, and have complied with, the requirements of the Uniform Guidance.
- We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
- We have identified and disclosed to you the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the Uniform Guidance, relating to federal awards.
- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective plan that meets the requirements of the Uniform Guidance.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- The reporting package does not include protected personally identifiable information.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- We have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.

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Joshua Capper, Interim Fire Chief

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Hailey Salazar, Executive Assistant