

**TRUCKEE MEADOWS
FIRE PROTECTION DISTRICT**
(a component unit of Washoe County, Nevada)

June 30, 2011

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
June 30, 2011

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June 30, 2011

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Independent Auditor's Report

To the Honorable Board of Fire Commissioners of
Truckee Meadows Fire Protection District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Truckee Meadows Fire Protection District (District) (a component unit of Washoe County, Nevada) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 District, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress on pages 3A through 3G and 32 through 36, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual nonmajor fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kafoury, Armstrong & Co.

Reno, Nevada
November 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Truckee Meadows Fire Protection District's (the District) finances, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the District's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$29,431,372 of which \$7,192,728 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Governmental activities include all funds of the District.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,485,988, a decrease of \$1,769,795 or 11% in comparison with the prior year. Approximately 40% of this total amount is available for spending at the government's discretion (unassigned fund balance).
- The District experienced its eleventh year of operations under the Interlocal Agreement with the City of Reno for consolidated fire services. During the fiscal year, the District paid the City of Reno \$13,375,955 for this service.
- For fiscal year 2011, the District's Government Wide revenues were \$16,877,100 while the total expenses were \$14,485,484 for a net increase of \$2,391,616.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Total assets of the District at June 30, 2011, were \$33,185,512 with capital assets, net of accumulated depreciation, accounting for \$12,281,601 of that total. Of the total liabilities of \$3,754,140, approximately 95% represent liabilities related to long-term liabilities of the District.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Total revenues and expenses were fairly equal denoting a break even financial status for fiscal year 2011. Total revenues for the year ended June 30, 2011 were \$16,877,100 consisting primarily of taxes and intergovernmental revenues, while total expenses were \$14,485,484. This resulted in an increase in net assets of \$2,391,616, an indication that the financial condition of the District improved during the year. The specific items responsible for the improved financial condition are discussed below.

Both of the government-wide financial statements show the public safety function of the District, which is principally supported by taxes and intergovernmental revenues (governmental activities). All governmental activities of the District are included in the public safety function since the District is a single-purpose entity.

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall into the governmental funds category, except for one proprietary fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Emergency Fund and Capital Projects Fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. The governmental fund financial statements and the reconciliations to the government-wide financial statements can be found on pages 6-9 of this report.

Proprietary funds. The District maintains one type of proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's functions. The District uses an internal service fund to account for its workers' compensation liability. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The internal service fund is reported in the proprietary fund financial statements and can be found on pages 10-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-31 of this report.

Other information. The District maintains a stabilization fund for internal purposes. This fund does not meet the definition of a special revenue fund under Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented this year by the District. The activity for this fund is included in the General Fund in the basic financial statements; however, since the District prepares a budget for this fund, a reconciliation of budgetary basis financial statements to GAAP basis financial statements is presented immediately following the notes to the financial statements. These reconciliations can be found on pages 34 and 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2011, the District's total net assets were \$29,431,372, which is a \$2,391,616 increase from the prior year. The primary reasons for the increase were due to an increase in the fund balance of the General Fund as discussed in the governmental funds section of this discussion and analysis.

Truckee Meadows Fire Protection District's Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$20,903,911	\$24,059,022
Capital assets	12,281,601	13,137,965
Total assets	33,185,512	37,196,987
Other liabilities	172,308	1,761,363
Long-term liabilities	3,581,832	8,395,868
Total liabilities	3,754,140	10,157,231
Net assets:		
Invested in capital assets	12,281,601	13,137,965
Restricted	9,957,043	6,860,741
Unrestricted	7,192,728	7,041,050
Total net assets	\$29,431,372	\$27,039,756

The net assets of the District's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$29,431,372. The net assets include the District's investment in capital assets (e.g., land, buildings, machinery, and equipment). The investment in capital assets as of June 30, 2011 was \$12,281,601. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the District's net assets (36%) represents resources that are subject to external restrictions on how they may be used, such as the retiree health benefits or emergencies. The remaining balance of unrestricted net assets, \$7,192,728, may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Truckee Meadows Fire Protection District's Changes in Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
General revenues:		
Property taxes	11,014,658	11,913,804
Consolidated taxes	4,597,227	4,560,526
Other taxes	629,498	625,725
Unrestricted investment earnings	351,440	685,238
Reimbursements	-	769,047
Other	<u>284,277</u>	<u>113,004</u>
Total revenues	<u>16,877,100</u>	<u>18,667,344</u>
Expenses:		
Public safety	<u>14,485,484</u>	<u>18,611,300</u>
Increase in net assets	2,391,616	56,044
Net assets, July 1	<u>27,039,756</u>	<u>26,983,712</u>
Net assets, June 30	<u>\$29,431,372</u>	<u>\$27,039,756</u>

Total Revenues. The District's total revenues decreased by \$1,790,244, or 10% primarily due to the decline in property tax revenue and investment earnings due to the economic recession as well as a reduction in fire reimbursements due to limited wildland fire activity. This decrease was budgeted for and expected.

Total Expenses. The District's total expenses decreased by \$4,125,816 or 22% due to the decrease in expenses attributable to the change in actuarial estimates of the District's workers' compensation liability. The Governmental Fund Type expenditures remained relatively flat.

Net Assets. The District's total net assets increased by \$2,391,616 during the fiscal year ended June 30, 2011, and \$56,044 during the fiscal year ended June 30, 2010. The decrease in expenditures explains the increase in net assets.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,485,988 a decrease of \$1,769,795 or 11% in comparison with the prior year. Approximately 40% of this total amount is unassigned fund balances.

The decrease in the District's combined governmental fund balances of \$1,769,795 or 11% noted above is primarily due to the transfer of the Pre-Funded Retiree Health Benefits Fund balance to the Washoe County, Nevada OPEB Trust. It is also important to note, the Capital Projects Fund balance increased by \$357,718 over the prior year due to the postponement of the acquisition of capital assets due to the economic downturn.

The General Fund is the chief operating fund of the District. For the fiscal year ended June 30, 2011, the total fund balance for the General Fund was \$8,417,925 of which \$5,759,194 was unassigned. The unassigned fund balance is over the budgeted fiscal year 2012 beginning fund balance by \$529,699, which is a 10% increase over the \$5,229,495 designated for future expenditures for the General Fund. The 10% increase was primarily caused by fiscal year 2011 General Fund spending reductions.

As a measure of the General Fund's liquidity, it may be useful to compare the June 30, 2011, unassigned fund balance of \$5,759,194 to fund expenditures. The unassigned fund balance represents 31% of total General Fund expenditures and other financing uses. This represents approximately 3.7 months worth of expenditures and other financing uses. The fund balance will give the District's General Fund sufficient cash flow to meet its operational obligations in the future. In the fiscal year 2012 budget, the District will continue to fully fund liabilities for employee benefits. In addition, accumulated General Fund balance will be transferred as budgeted to the Capital Projects Fund for District Fire Station construction projects and capital equipment purchases.

Proprietary fund. The District's proprietary fund provides information on the workers' compensation program of the District. The net assets of the Workers' Compensation Internal Service Fund as of June 30, 2011, were \$2,267,315. In fiscal year 2011, the District fully funded its workers' compensation liabilities. In fiscal year 2012, the District budgeted to fully fund the District's workers' compensation liabilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets as of June 30, 2011, amounts to \$12,281,601 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, and vehicles and equipment. Refer to Note 4 for further detail.

Long-term debt. At the end of the fiscal year, the District had no bonded debt outstanding. No additional bonded debt was incurred during the year. Refer to Note 5 for further detail.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Nevada's local governments rely heavily on the sales tax as a primary revenue source. Washoe County's taxable sales reflect the current slow recovery of the U.S. and Nevada economy.

Percentage Increase (Decrease) in Taxable Sales Over Prior Year

Entity	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Statewide	(2.5%)	(12.7%)	(10.3%)	5.7%
Clark County	(0.9%)	(12.7%)	(10.9%)	3.9%
Washoe County	(5.3%)	(16.4%)	(9.3%)	2.0%

- Washoe County's taxable gaming revenues experienced a 4.65% decrease in fiscal year 2011 over the prior year, which demonstrates the nation's economic downturn and California gaming continues to affect the local gaming industry. In fiscal year 2009, gaming revenues in Washoe County experienced a 13% decrease and in fiscal year 2010 gaming revenues decreased by 8.78%. In contrast, Clark County experienced a decrease of 14% decrease in fiscal year 2009 and a 4.90% decrease in fiscal year 2010 and a 2.62% increase in fiscal year 2011. The statewide average decrease in the taxable gaming revenues for fiscal year 2009 was 13.72% and a continued decrease in fiscal year 2010 of 5.64%, however, it increased by 1.74% in fiscal year 2011. The taxable gaming revenue trend downwards in the last few years with a moderate increase in fiscal year 2011 reflects the slow national and statewide economic recovery.
- The June 2011 unemployment rate in Washoe County was 12.9% which compares favorably to the June 2010 unemployment rate of 13.6%. Washoe County's June 2011 unemployment rate of 12.9% is somewhat more favorable than the Clark County unemployment rate of 13.8% and the statewide unemployment rate of 13.5% for the same period.
- Over the past three years, the TMFPD assessed value has decline from \$3,060,211,189 in fiscal year 2009 to \$2,115,118,639 in fiscal year 2012 or by 31%. This is a significant decline and was caused primarily by the high unemployment and high amount of foreclosures in Washoe County. Washoe County's foreclosure rate was .54% while the national foreclosure rate was .18%. The decline of assessed value created a loss of property tax revenues from \$11,547,973 in fiscal year 2009 to \$9,802,707 in fiscal year 2012 for a \$1,745,266 decrease in annual property tax revenues.

These factors were considered in preparing the District's budget for the 2012 fiscal year.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Washoe County Manager's Office, 1001 East Ninth Street, Reno, Nevada 89512.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and investments	\$ 18,023,145
Taxes receivable	270,129
Due from other governments	956,861
Interest receivable	89,230
Inventory, base stock	221,957
Net OPEB asset	1,342,589
Capital assets, not being depreciated	544,668
Capital assets, net of accumulated depreciation	<u>11,736,933</u>
Total Assets	<u>33,185,512</u>
LIABILITIES	
Accounts payable and accrued liabilities	70,879
Due to other governments	101,429
Noncurrent liabilities:	
Due within one year	1,479,993
Due in more than one year	<u>2,101,839</u>
Total Liabilities	<u>3,754,140</u>
NET ASSETS	
Invested in capital assets	12,281,601
Restricted for:	
Retiree health benefits	1,621,665
Emergencies	857,376
Capital Projects	5,210,687
Claims	2,267,315
Unrestricted	<u>7,192,728</u>
Total Net Assets	<u>\$ 29,431,372</u>

See accompanying notes.

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TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
PROGRAM REVENUES				
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS				
Governmental activities:				
Public safety	\$ 14,485,484	\$ -	\$ -	\$ (14,485,484)
GENERAL REVENUES				
Ad valorem taxes				11,014,658
Consolidated taxes				4,597,227
SCCR taxes-AB104				604,598
Real property transfer tax				24,900
Federal Fire Management Grant				174,109
Licenses and permits				10,101
Other miscellaneous				100,067
Unrestricted investment earnings				351,440
Total General Revenues				16,877,100
Change in Net Assets				2,391,616
NET ASSETS, JULY 1				27,039,756
NET ASSETS, JUNE 30				\$ 29,431,372

See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	GENERAL FUND (GAAP BASIS)	EMERGENCY FUND
ASSETS		
Cash and investments	\$ 7,203,068	\$ 857,376
Taxes receivable	270,129	-
Due from other governments:		
Consolidated taxes	794,578	-
AB 104, fair share	162,283	-
Interest receivable	43,980	-
Inventory, base stock	221,957	-
	<hr/>	<hr/>
Total Assets	\$ 8,695,995	\$ 857,376
	<hr/>	<hr/>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 65,643	\$ -
Due to other governments	1,638	-
Deferred revenue, property taxes	210,789	-
	<hr/>	<hr/>
Total Liabilities	278,070	-
	<hr/>	<hr/>
FUND BALANCES		
Nonspendable	221,957	-
Restricted	1,621,665	857,376
Assigned	815,109	-
Unassigned	5,759,194	-
	<hr/>	<hr/>
Total Fund Balances	8,417,925	857,376
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 8,695,995	\$ 857,376
	<hr/>	<hr/>

CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
\$ 5,194,792	\$ 13,255,236
-	270,129
-	794,578
-	162,283
21,131	65,111
-	221,957
<u>\$ 5,215,923</u>	<u>\$ 14,769,294</u>
\$ 5,236	\$ 70,879
-	1,638
-	210,789
<u>5,236</u>	<u>283,306</u>
-	221,957
5,210,687	7,689,728
-	815,109
-	5,759,194
<u>5,210,687</u>	<u>14,485,988</u>
<u>\$ 5,215,923</u>	<u>\$ 14,769,294</u>

See accompanying notes.

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TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances for Governmental Funds as shown on the Balance Sheet \$ 14,485,988

Amounts reported for Governmental Activities in the Statement of
Net Assets are different because:

Capital assets used in Governmental Activities are not financial
resources and, therefore, are not reported in the funds

Governmental capital assets

\$ 19,751,304

Less: Accumulated depreciation

(7,469,703)

12,281,601

Deferred revenue is not available to pay for current-period
expenditures and, therefore, is deferred in the funds

210,789

The net OPEB asset is not a current financial resource and,
therefore, is not reported in the funds

1,342,589

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds

Compensated absences

(1,156,910)

Internal service funds are used by management to charge the cost
of certain activities to individual funds. The net assets of the
Internal Service Fund are reported with Governmental Activities

2,267,315

Total Net Assets for Governmental Activities as shown on the Statement of
Net Assets

\$ 29,431,372

See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND (GAAP BASIS)	EMERGENCY FUND
REVENUES		
Taxes	\$ 10,063,546	\$ 1,000,000
Licenses and permits	10,101	-
Intergovernmental	5,326,725	174,109
Miscellaneous	166,899	-
Total Revenues	<u>15,567,271</u>	<u>1,174,109</u>
EXPENDITURES		
Current:		
Public safety	18,179,915	50,494
Capital outlay	-	-
Total Expenditures	<u>18,179,915</u>	<u>50,494</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,612,644)</u>	<u>1,123,615</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from asset disposition	11,516	-
Transfers in	1,000,000	-
Transfers out	<u>(650,000)</u>	<u>(1,000,000)</u>
Total Other Financing Sources (Uses)	<u>361,516</u>	<u>(1,000,000)</u>
Net Change in Fund Balances	(2,251,128)	123,615
FUND BALANCES, July 1, As Restated	<u>10,669,053</u>	<u>733,761</u>
FUND BALANCES, June 30	<u><u>\$ 8,417,925</u></u>	<u><u>\$ 857,376</u></u>

CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 11,063,546
-	10,101
-	5,500,834
82,418	249,317
82,418	16,823,798
294,488	18,524,897
80,212	80,212
374,700	18,605,109
(292,282)	(1,781,311)
-	11,516
650,000	1,650,000
-	(1,650,000)
650,000	11,516
357,718	(1,769,795)
4,852,969	16,255,783
\$ 5,210,687	\$ 14,485,988

See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Governmental Funds	\$	(1,769,795)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		(636,560)
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Some revenues reported in the governmental funds were reported on the statement of activities in the prior year		(48,888)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	56,216	
Change in postemployment benefits	3,105,075	
Disposition of capital assets	<u>(219,804)</u>	
		2,941,487

Some expenditures reported in the governmental funds were recognized on the statement of activities in the prior year		533,833
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The internal service fund is used by management to charge costs of retiree medical expenses. The net revenue of the internal service fund is reported with governmental activities.		<u>1,371,539</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>2,391,616</u></u>
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See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES WORKERS' COMPENSATION INTERNAL SERVICE FUND
ASSETS	
Current assets:	
Cash and investments	\$ 4,767,909
Interest receivable	24,119
	<hr/>
Total Assets	4,792,028
	<hr/>
LIABILITIES	
Current liabilities:	
Due to other governments	99,791
Short-term portion of long-term liabilities:	
Claims and judgements	595,600
	<hr/>
Total Current Liabilities	695,391
	<hr/>
Noncurrent liabilities	
Claims and judgements	1,829,322
	<hr/>
Total Liabilities	2,524,713
	<hr/>
NET ASSETS	
Restricted	\$ 2,267,315
	<hr/> <hr/>

See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES WORKERS' COMPENSATION INTERNAL SERVICE FUND
OPERATING EXPENSES	
Services and supplies:	
Claims	\$ (1,269,349)
Operating Income	<u>1,269,349</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	114,510
Net increase in the fair value of investments	<u>(12,320)</u>
Total Nonoperating Revenues (Expenses)	<u>102,190</u>
Change in Net Assets	1,371,539
NET ASSETS, July 1	<u>895,776</u>
NET ASSETS, June 30	<u><u>\$ 2,267,315</u></u>

See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES WORKERS' COMPENSATION INTERNAL SERVICE FUND
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows From Operating Activities:	
Cash payments for services and supplies	\$ (2,521,937)
Cash Flows From Investing Activities:	
Investment earnings	102,485
Net Decrease in Cash and Cash Equivalents	(2,419,452)
CASH AND CASH EQUIVALENTS, JULY 1	7,187,361
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 4,767,909</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	\$ 1,269,349
Adjustments to reconcile operating income to net cash used by operating activities:	
Change in assets and liabilities:	
Decrease in pending claims	(2,461,501)
Decrease in accounts payable	(1,329,785)
Total Adjustments	(3,791,286)
Net Cash Used by Operating Activities	<u>\$ (2,521,937)</u>

See accompanying notes.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - Summary of Significant Accounting Policies:

Reporting Entity:

Truckee Meadows Fire Protection District (District) is a municipality of the State of Nevada located in Washoe County, Nevada. The District is governed by the Board of Fire Commissioners. The Washoe County Board of County Commissioners functions as the Board of Fire Commissioners of the District.

The District is considered a component unit of Washoe County. Although the District is a legally separate organization, the County is financially accountable, as defined in governmental accounting standards generally accepted in the United States of America, for Truckee Meadows Fire Protection District. Financial accountability is determined primarily by the Board of County Commissioners' participation as the governing body of the District.

As of July 1, 2000, an Interlocal Agreement for Fire Services and Consolidation (Agreement) became effective for the District and the City of Reno (City). The Agreement was automatically renewed through June 30, 2011; however, notice of termination of the Agreement was given by the District to the City of Reno for termination as of June 30, 2012. The major points of the Agreement in effect as of June 30, 2011 are listed below:

- The District will continue to levy taxes and make equal monthly installments to the City to fund its portion (percentage) of the Consolidated Budget.
- All District employees became employees of the City. All sick leave and vacation hours accrued by the District at the time of transfer to the City transferred with District employees. Payout, at time of separation from the City, is allocated in accordance with the percentage of time the employee was employed by each entity. Health insurance benefits are paid by the City through the Consolidated Budget. The District will fund workers' compensation claims and insurance and continue to pay pre-funding of the service costs of the retiree health insurance plan for District employees transferring to the City.
- The District maintained its interest in and ownership of real property, with the City maintaining such property up to amounts budgeted annually in the Consolidated Budget for each career station. The District pays for amounts in excess of the budgeted maintenance amounts and also pays for the replacement of capital assets through the Capital Improvement Program. The District has retained ownership of equipment and rolling stock, providing for insurance and costs of replacement; the City has assumed normal maintenance and repair of such items.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

- The City provides comprehensive general liability insurance for all claims arising out of acts or omissions of personnel; the District continues coverage for the actions of the District Board of Fire Commissioners.
- Dispatch service is under a separate agreement between the District and the City.
- Other costs paid by the District include debt service, independent contractors hired by the District, actuarial studies, specific Washoe County services, fuels management services, funded contingencies, and annual audits.
- Savings in excess of 1% as a result of the Agreement will be split between the District and the City based upon the ratio that each contributed to the Consolidated Budget.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (Statement of Net Assets and the Statement of Activities) report information about the activities of the District. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of the public safety function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the funds of the District. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Expenditures generally are recorded when the related liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, post employment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and permits, intergovernmental revenues, and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the District.

The focus of proprietary fund measurement is upon determination of operating income or loss, changes in net assets, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of services (employee benefits). All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The District first utilizes restricted resources to finance qualifying activities, then unrestricted resources if they are needed.

The District's Internal Service Fund is the only proprietary fund. The financial statements of the Internal Service Fund are consolidated into the governmental column when presented in the government-wide financial statements. The costs of these services are reported in the public safety function.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The Wildland Fire Emergency Reserve Fund (The Emergency Fund), a special revenue fund, was created to account for the cost of unforeseen large wildland fire emergencies pursuant to NRS 474.510.

The Capital Projects Fund, a capital projects fund, accounts for the financial resources to be used for the acquisition and construction of major capital assets.

Additionally, the District reports the following fund type:

The Internal Service Fund accounts for the workers' compensation activity.

Private-sector standards of accounting and financial reporting issued on or before (but not subsequent to) November 30, 1989 are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Budgets and Budgetary Accounting:

Truckee Meadows Fire Protection District adheres to the Local Government Budget and Finance Act incorporated within the statutes of the State of Nevada, which include the following major procedures to establish the budgetary data, which is reflected in these financial statements:

1. On or before April 15, the Board of Fire Commissioners files a tentative budget with the Nevada Department of Taxation for all funds.
2. Public hearings on the tentative budget are held on the third Monday in May in conjunction with Washoe County's budget hearing.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board. The final budget must then be forwarded to the Department of Taxation for compliance with State laws and regulations. In any year in which legislative action, which was not anticipated, affects the local government's final budget, the Board may file an amended final budget within 30 days of adjournment of the legislative session.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year. Unencumbered appropriations lapse at the end of the year.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

5. Budgets for all externally reported funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. In addition, budgets are required for all internally reported special revenue funds.
6. Budget amounts within funds, and between funds, may be transferred if amounts do not exceed the original budget. Such transfers are to be approved by the Board of Fire Commissioners. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Board of Fire Commissioners, following a scheduled and noticed public hearing, as necessary. The budget was augmented as set forth above during the year.
7. In accordance with state statute, actual expenditures generally may not exceed budgetary appropriations of the public safety function of the General Fund, Special Revenue Funds, and Capital Projects Fund. Also, actual operating and non-operating expenses of the Internal Service Fund generally may not exceed budgeted amounts.

Cash Deposited and Invested with Washoe County Treasurer:

The majority of all cash transactions of the District are handled by the Washoe County Treasurer's office. Cash balances are pooled and, to the extent practicable, invested as permitted by law in combination with Washoe County funds.

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments, generally with original maturities of three months or less. Since all cash and investments of the District are pooled with Washoe County funds and are available upon demand, all cash and investments of the District are considered to be cash equivalents.

Taxes Receivable:

Real property taxes receivable reflect only those taxes receivable from the delinquent roll years. No provision for uncollectible accounts has been established since management does not anticipate any material collection loss in respect to the remaining balances.

Amounts not collected within 60 days after year-end have been recorded as deferred revenue at the governmental fund level.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Receivables:

Management does not anticipate any material collection losses in respect to the receivable balances.

Inventory:

The General Fund of the District maintains a base stock of inventory of protective clothing and various supplies from which items are recorded as expenditures when consumed rather than when purchased.

Inventory is carried at base cost in accordance with the Interlocal Agreement for Fire Services and Consolidation. Inventory amounts at year-end are reported as nonspendable fund balance in the General Fund.

Capital Assets:

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	40
Buildings	40
Building improvements	20
Vehicles and equipment	5-20

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Long-Term Debt:

In the government-wide financial statements and the proprietary fund, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

When applicable, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

The costs involved in vacation time and sick leave benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements; costs are recorded as payroll costs only when the accumulated benefits are paid or accrued as a result of a termination of service.

The District provides for payment of accrued vacation. Upon death, retirement, permanent disability, or termination of an employee, accumulated sick leave benefits are generally payable for amounts in excess of base hours at a rate of one hour for every two hours earned up to a maximum hour limitation.

The District is responsible for payment of these costs based on the percentage of District employment to total employment service for employees transferred to the City of Reno based on the Interlocal Agreement for Fire Services and Consolidation.

Fund Equity:

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable.

Restricted Net Assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, contributors, or laws or regulations; (2) law through constitutional provisions or enabling legislation.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Unrestricted Net Assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the governmental fund financial statements, fund balances are classified based primarily on the extent to which the District is bound to observe constraints imposed on the use of the resources in the fund. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form. For the District, the nonspendable fund balance includes inventory. The restricted fund balance occurs when constraints are placed on the use of resources externally (such as through debt covenants or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation). For the District, the restricted fund balance consists of restricted assets for the employee retiree health benefits, capital projects and emergency resources. The assigned fund balance amounts are constrained by the District's intent to be used for specific purposes and includes the District's encumbrances and the amount of fund balance budgeted to be expended in the ensuing fiscal year. Amounts in excess of these classifications of fund balance are shown as unassigned.

Property Taxes:

All real property in Truckee Meadows Fire Protection District is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The valuation of the property and its improvements is being assessed at 35 percent of "taxable value" as defined by statute. The amount of tax levied is determined by multiplying the assessed value by the tax rate applicable to the area in which the property is located. The maximum tax rate was established in the State Constitution at \$5 per \$100 of assessed valuation; however, as a result of the legislative action the tax rate was further limited to \$3.64 per \$100 of assessed valuation except in cases of severe financial emergency as defined in Nevada Revised Statutes (NRS) 354.705 or as a result of the State of Nevada rate.

Taxes on real property are a lien on the property and attach on July 1 of the year for which the taxes are levied.

Taxes may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January, and March, to the Treasurer of Washoe County. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two-year waiting period, if taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest, and costs before sale.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation and tax rates described above.

The major classifications of personal property are commercial and mobile homes. In Washoe County, taxes on motor vehicles are collected by a State agency and remitted to the local governments in the County as part of the Consolidated Tax distribution.

Reconciliation of Government-Wide and Fund Financial Statements:

- A. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities:

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets - governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains "Governmental Funds report capital outlays as expenditures while the Statement of Activities allocates the cost of those assets over their estimated useful lives and reports depreciation expense." The details of the \$(636,560) difference are as follows:

Capital outlay	\$ 80,212
Plus: Other amounts capitalized	64,077
Less: Depreciation expense	<u>(780,849)</u>
Net adjustment to decrease <i>net change in fund balances - governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u><u>\$(636,560)</u></u>

NOTE 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code:

The District conformed to all significant statutory constraints on its financial administration during the year.

NOTE 3 - Cash and Investments:

The District is an internal participant in the external investment pool maintained by Washoe County. The Board of County Commissioners has overall responsibility for investment of County funds in accordance with Nevada Revised Statute 355.175. The Washoe County Chief Investment Official is the Washoe County Treasurer, under authority

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

delegated by the Board of County Commissioners. The Treasurer may delegate investment responsibilities to the Treasurer's office employees. The Investment Committee created by Washoe County Code Section 15.220 has been delegated the investment decision making authority in Washoe County and serves also in an advisory capacity to the Treasurer and Board of County Commissioners. The external investment pool is not registered with the SEC as an investment company. The Bank of New York determines the fair value of Washoe County investments monthly. Washoe County has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The District's investment in the Washoe County external investment pool is equal to its original investment plus monthly allocations of interest income and realized and unrealized gains and losses, as applicable. The determination of realized gains and losses is independent of the determination of the net change in the fair value of investments. Realized gains and losses on investments that were held by the County during a previous accounting period(s) but sold during the current period were used to compute the change in the fair value of investments for the previous year(s) as well as the current year. The District's investment in the external investment pool at June 30, 2011 was \$18,023,145.

Investments:

As noted above, the District's investments are held by Washoe County in the external investment pool. As such, the District's investments are governed by the investment policy of Washoe County. The County has a formal investment policy that, in the opinion of management, is designed to insure conformity with State Statutes and seeks to limit exposure to investment risk. Pursuant to NRS 355.170, Washoe County may invest in the following types of securities:

- Obligations of the United States, or an agency or instrumentality of the United States, or a corporation sponsored by the government, maturing within ten (10) years from the date of purchase.
- Time certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada, and certain farm loan bonds.
- Certain securities issued by local governments of the State of Nevada and other securities expressly provided by other statutes, including repurchase agreements.
- Money market mutual funds that are registered with the Securities and Exchange Commission, are AAA rated and invest only in securities of the Federal Government or fully collateralized repurchase agreements.
- Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state operating in the United States that is rated by a nationally recognized rating services as "A-1," "P-1" or its equivalent, or better, provided the aggregate value does not exceed 20 percent of the total portfolio.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

- Notes, bonds and other unconditional obligations for the payment of money issued by corporations organized and operating in the United States that have a remaining term to maturity of no more than 5 years and are rated by a nationally recognized rating service as "A" or its equivalent, or better.

NRS 355.172 requires the Treasurer or his agent to take physical possession of securities purchased as an investment by the County in the name of Washoe County. If the securities purchased are subject to repurchase by the seller, the County may, in lieu of the requirement of possession, obtain a fully perfected, first-priority security interest having a fair market value equal to or greater than the repurchase price of the securities.

Investments are recorded at fair value. Interest earned on investments is allocated to certain funds based on average daily cash balances.

Pooled investments are carried at fair value determined by quoted market prices, net of accrued interest. All pooled investments are physically collateralized and held by Bank of New York, except for the Money Market Mutual Funds.

As of June 30, 2011, the District had the following investments and maturities:

		Investment Maturities (in Years)			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 4</u>	<u>4 to 6</u>	<u>6 to 10</u>
INVESTMENTS:					
Money Market Mutual Fund	\$ 167	\$ 167	\$ -	\$ -	\$ -
Certificate of Deposit	885,605	443,064	442,541	-	-
U.S. Treasury Securities	2,575,192	569,336	337,021	802,519	866,316
U.S. Agency Securities	10,093,306	50,489	7,251,110	1,344,041	1,447,666
Collateralized Mortgage Obligations	335,012	-	-	-	335,012
Corporate Note - TLGP	817,279	817,279	-	-	-
Corporate Note	<u>3,316,584</u>	<u>-</u>	<u>2,630,011</u>	<u>686,573</u>	<u>-</u>
Total Investments	<u>\$18,023,145</u>	<u>\$1,880,335</u>	<u>\$10,660,683</u>	<u>\$2,833,133</u>	<u>\$2,648,994</u>

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time. The County's investment policy requires twelve to eighteen months of projected cash flow to be in investments maturing in one year or less. Investments maturing in less than one year at June 30, 2011, were 10% of the District's investments. The County's strategic

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

investment plan seeks to obtain the desired average maturity of 2 to 4 years. The average maturity of the external pool at June 30, 2011, was approximately 3.53 years.

The external investment pool invests in the following types of securities that are considered to be highly sensitive to interest rate changes:

INVESTMENT	FAIR MARKET VALUE	% OF TOTAL POOL INVESTMENTS
<u>U.S. Agency Mortgage Backed Securities and Collateralized Mortgage Obligations</u> - When interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminish fair value.	\$1,414,620	7.8%
<u>Callable U.S. Agency and Corporate Note Securities</u> - On specified dates, the issuer can call the security. Because they are subject to early repayment, the fair value of these securities is more sensitive in a period of declining interest rates.	<u>887,951</u>	4.9%
Total	<u>\$2,302,571</u>	12.7%

Credit Risk. Washoe County's Investment Pool is an unrated external investment pool. Nevada Revised Statute's allow investments in obligations of the U.S. Treasury and U.S. agencies, municipal bonds issued by local governments of the State of Nevada, corporate bonds rated "A" or better by a nationally recognized rating service, commercial paper rated "A-1," "P-1" or better by a nationally recognized rating service, repurchase agreements, certificates of deposits, money market mutual funds rated "AAA" by a nationally recognized rating service or other securities in which banking institutions may legally invest. County policy does not further restrict these investments.

Concentration of Credit Risk. Washoe County's investment policy places no limit on amounts invested in direct obligations of the U.S. Treasury and securities backed by the full faith and credit of the U.S. Government, while placing the following limits per issuer on all other securities: Federal Agency Securities, 35%; Federal Agency Mortgage Backed Securities, 15%; Money Market Funds, 45%; corporate bonds and notes, 4%; and obligations issued by local governments of the State of Nevada, 25%.

At June 30, 2011, the following investments exceeded 5% of the District's total investments:

Federal Home Loan Bank	9.1%
Fannie Mae	20.6%
Freddie Mac	27.1%

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Compensated absences are generally liquidated from the General Fund and claims and judgments are liquidated from the Workers' Compensation Internal Service Fund.

NOTE 6 - Interfund Activity:

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Interfund Transfers:

<u>Transfers from:</u>	<u>Transfers to:</u>	<u>Amount:</u>
General Fund	Capital Projects Fund	\$ 650,000
Emergency Fund	General Fund	1,000,000

Transfers are used to move unrestricted revenues collected in the General Fund to other funds to finance various programs of those funds or to reverse a prior transfer to the Emergency Fund and replace it with an allocation of General Fund property tax revenues.

NOTE 7 - Postemployment Health Care Benefits:

Plan Description and Eligibility:

Prior to July 1, 2000, the District provided health insurance benefits to retired employees through a single-employer defined benefit plan. At June 30, 2000, ten retirees were participating in the District's health benefits program. On July 1, 2000, pursuant to an Interlocal Agreement for Fire Services and Consolidation, District fire operations were transferred to the City of Reno and the City accepted liability for the ten retirees under this plan. In accordance with the Interlocal Agreement, the District pays a proportionate share of employees' retiree health benefit costs based on service earned prior to July 1, 2000, for those employees who transferred employment to the City of Reno. Health benefits include medical, vision, dental and drug coverage. As of July 1, 2010, the Plan is administered through an irrevocable trust, Washoe County, Nevada OPEB Trust (Trust), established on May 11, 2010, by the Board of Washoe County Commissioners. The Trust, a multiple-employer trust, was created to fund and account for the participating employers' costs of retiree healthcare benefits pursuant to Nevada Revised Statutes 287.017. The District is a participating employer in the Trust. Complete financial statements of the Trust may be obtained by writing to: OPEB Trust, c/o Washoe County Comptroller's Office, P.O. Box 11130, Reno, Nevada, 89520.

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Eligible retirees are allowed coverage through the City of Reno's health and life benefit programs. The exact coverage depends on the retirees' union membership. Local #731 retirees prior to age 65 or eligibility for Medicare are required to pay for 40% of their benefits as well as 40% of the benefits of their spouse. Thereafter, retirees are required to pay for 50% of their coverage and 100% of their spouse's coverage. Local #39 retirees prior to age 65 or eligibility for Medicare are required to pay for 25% of their coverage if they have at least 15 but less than 30 years of service and 0% if they have over 30 years of service. There is no coverage after age 65 and spouses are not covered.

Funding Policy and Annual OPEB Cost:

The District implemented Governmental Accounting Standards Board (GASB) No. 45 prospectively for the fiscal year ended June 30, 2008. The District began "prefunding" the cost of retiree health and life benefits in 1996. The District's Pre-Funded Retiree Health Benefits Fund was used to accumulate a sufficient fund balance for payment of future retiree health benefits until July 1, 2010. On July 1, 2010, the Pre-Funded Retiree Health Benefits Fund was eliminated due to the establishment of the Trust. The Pre-Funded Retiree Health Benefits Fund balance of \$5,231,204 as of June 30, 2010, was transferred to the General Fund for ultimate transfer to the Trust to fund the District's liability. During the year ended June 30, 2011, \$3,469,573 was transferred to the Trust, \$196,175 was expended on retiree health benefit plan costs and investment expenses, \$56,209 was earned in investment earnings and the remaining \$1,621,665 was restricted in the General Fund for future transfer to the Washoe County, Nevada OPEB Trust Fund.

The current amount of annual contributions, (are established and may be amended by Chapter 286 of Nevada Statute), each year are generally equal to the "normal cost", which is the present value of future benefits attributed to one year of service, plus a payment towards the Unfunded Actuarial Accrued Liability. The District paid these costs during the year and prefunded amounts to the Washoe County, Nevada OPEB Trust Fund.

Total employer contributions for the year consisted of \$3,469,573 transferred to the District's OPEB Trust Fund from the General Fund, \$192,615 in retiree health benefit costs paid directly to the City of Reno by the District for 42 eligible participants, and \$1,250 paid for Plan administrative costs. The estimated actuarial liability as of July 1, 2010 was \$4,649,700. At June 30, 2011, the fund balance within the Trust available for future benefits is \$3,533,063 or 76% of the estimated actuarial liability.

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The annual OPEB Cost, the percentage of OPEB cost contributed to the Plan, and the net OPEB obligation (asset) at June 30, 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2009	\$790,500	\$ 119,882	15.17%	\$ 1,240,440
2010	665,302	143,256	21.53%	1,762,486
2011	558,363	3,663,438	656.10%	(1,342,589)

The net OPEB obligation (asset) as of June 30, 2011, was calculated as follows:

Determination of Annual Required Contribution:

Normal cost at year end	\$ 104,600
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>587,600</u>
Annual Required Contribution (ARC)	<u>\$ 692,200</u>

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 692,200
Interest on prior year Net OPEB Obligation	79,312
Adjustment to ARC	<u>(213,149)</u>
Annual OPEB Cost	558,363
Retiree Benefit Plan Costs Paid by District	(193,865)
District Contributions Made to Trust	<u>(3,469,573)</u>
Increase (Decrease) in Net OPEB Obligation	<u>(3,105,075)</u>
Net OPEB Obligation – Beginning of Year	<u>1,762,486</u>
Net OPEB Obligation (Asset) – End of Year	<u>\$(1,342,589)</u>

The funded status as of the most recent actuarial valuation was as follows:

Valuation date	7/1/2009
Actuarial Accrued Liability (AAL)	\$4,472,236
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$4,472,236</u>
Funded Ratio (Actual Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multiyear trend information. The schedule will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

An actuarial valuation of retiree health and life benefits was completed as of July 1, 2009, using the Projected Unit Credit Method. Significant actuarial assumptions used were a 4.5% effective annual discount rate and an initial 8% health cost trend reduced by 1.25% for 2010, 0.5% for 2011-2014, and incrementally thereafter until it reaches 4.5% for 2078 and beyond. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. The plan's unfunded actuarial accrued liability is being amortized as a level dollar over a ten year closed amortization period.

NOTE 8 - Risk Management:

The District is exposed, as are all entities, to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has joined together with similar public agencies throughout the State of Nevada to create a pool, Nevada Public Agency Insurance Pool (NPAIP), under the Nevada Interlocal Cooperation Act. Property and liability is fully insured with NPAIP. The District pays an annual premium and specific deductibles, as necessary, to the Pool for

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
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JUNE 30, 2011

its general insurance coverage. The Pool is considered a self-sustaining risk pool that provides coverage for its members up to \$10 million per event and a \$13 million general aggregate per member. Property, crime and equipment breakdown coverage is provided to its members up to \$300,000,000 per loss with various sub-limits established for earthquake, flood, equipment breakdown, and money and securities.

Workers' compensation is fully insured with the City of Reno's self-funded workers' compensation plan. During the fiscal year ended June 30, 2004, the District and the City of Reno instituted a "pay as you go" system for workers' compensation claims. The District shares the combined losses with the Reno Fire Department (RFD). Each year, the District is assigned the portion of paid losses corresponding to the ratio of employees originally transferred from the District to the total number of current RFD employees. The ratio applied to the District for fiscal year ended June 30, 2011 was 25%. The District established the Workers' Compensation Fund to account for this program. During the fiscal year ended June 30, 2011, the District paid the City of Reno the amount of \$775,005 for the purpose of buying out its workers' compensation liability for fiscal year 2006.

The liability for workers' compensation was determined through an actuarial valuation performed for the District as of December 31, 2009. Using a 70% probability level set by the actuary, claims of \$4,886,423 were determined to be long-term in nature. The non-discounted carrying amount of unpaid claims was \$6,173,000. The interest rate used for discount was 3%. Allocated loss adjustment expense is included in the actuarial calculation. Under the plan, the District and the City of Reno self-insure up to a maximum of \$2.5 million for each workers' compensation claim. Claims incurred prior to fiscal year 2004 remain the liability of the City of Reno under the guaranteed payment plan in effect prior to July 1, 2003.

Claims' liability and activity for the fiscal years ended June 30 were as follows:

Claims liability, June 30, 2009	\$ 4,904,954
Claims and changes in estimates	1,563,173
Claims paid	<u>(1,581,704)</u>
Claims liability, June 30, 2010	4,886,423
Claims and changes in estimates	(1,269,349)
Claims paid	<u>(1,192,152)</u>
Claims liability, June 30, 2011	<u>\$ 2,424,922</u>

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - Subsequent Events:

Effective July 1, 2012, the Board of Fire Commissioners terminated the Interlocal Agreement between the District and the City of Reno whereby the City of Reno provided fire services to the District. As of July 1, 2012, the District will operate separate and apart from the City of Reno.

NOTE 10 - Accounting Changes and Restatements:

During the year, certain accounting changes were made that required the restatement of fund balances and net assets. The District implemented Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the classification of fund balances and clarified the definitions of the general fund and other fund types. The District's Pre-Funded Retiree Health Benefits Fund, accounted for as a special revenue fund in prior years, no longer meets the definition of a special revenue fund under GASB Statement 54. The budget was augmented effective July 1, 2010 to combine the Pre-Funded Retiree Health Benefits Fund with the General Fund and eliminate the Pre-Funded Retiree Health Benefits Fund. Actual beginning fund balance in the General Fund has been restated as follows:

	July 1, 2010, As Previously <u>Reported</u>	<u>Restatement</u>	July 1, 2010, <u>As Restated</u>
General Fund	\$4,897,149	\$5,771,904	\$10,669,053

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2011

	2011 BUDGETED AMOUNTS	
	ORIGINAL	FINAL
REVENUES		
Taxes:		
Ad valorem, general	\$ 10,835,173	\$ 10,835,173
Ad valorem, AB 104	179,174	179,174
Licenses and permits:		
Gaming, AB 104	8,229	8,229
Intergovernmental:		
Consolidated taxes	4,232,122	4,232,122
Real property transfer tax, AB 104	15,905	15,905
Supplemental city/county relief tax, AB 104	549,052	549,052
Interlocal cooperative agreement, fire suppression	100,000	100,000
Charges for services:		
Building and zoning fees	500	500
Miscellaneous:		
Investment earnings	125,000	260,000
Net increase in the fair value of investments	-	-
Other	500	500
Total Revenues	16,045,655	16,180,655
EXPENDITURES		
Current:		
Public safety function:		
Fire:		
Salaries and wages	250,000	250,000
Employee benefits	40,000	40,000
Services and supplies	14,608,229	20,142,520
Total Expenditures	14,898,229	20,432,520
Excess (deficiency) of Revenues over (under) Expenditures	1,147,426	(4,251,865)
OTHER FINANCING SOURCES (USES)		
Proceeds from asset disposition	-	-
Transfers in	-	-
Transfers out	(900,000)	(650,000)
Contingency	(250,000)	(250,000)
Total Other Financing Sources (Uses)	(1,150,000)	(900,000)
Net Change in Fund Balances	(2,574)	(5,151,865)
FUND BALANCES, July 1, As Restated	4,536,452	10,128,353
FUND BALANCES, June 30	\$ 4,533,878	\$ 4,976,488

2011	
ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 9,888,546	\$ (946,627)
175,000	(4,174)
10,101	1,872
4,597,227	365,105
24,900	8,995
604,598	55,546
100,000	-
-	(500)
176,072	(83,928)
(18,791)	(18,791)
67	(433)
<u>15,557,720</u>	<u>(622,935)</u>
69,247	180,753
23,432	16,568
<u>18,086,788</u>	<u>2,055,732</u>
<u>18,179,467</u>	<u>2,253,053</u>
<u>(2,621,747)</u>	<u>1,630,118</u>
11,516	11,516
1,000,000	1,000,000
(650,000)	-
-	250,000
<u>361,516</u>	<u>1,261,516</u>
(2,260,231)	2,891,634
<u>10,128,353</u>	<u>-</u>
<u>\$ 7,868,122</u>	<u>\$ 2,891,634</u>

See accompanying notes to Required Supplementary Information.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
EMERGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	2011 BUDGETED AMOUNTS	
	ORIGINAL	FINAL
REVENUES		
Taxes:		
Ad valorem, general	-	-
Intergovernmental:		
Federal grants	\$ -	\$ -
Total Revenues	-	-
EXPENDITURES		
Current:		
Public safety function:		
Fire:		
Expenditures	950,000	950,000
Excess (Deficiency) of Revenues over (under) Expenditures	(950,000)	(950,000)
OTHER FINANCING SOURCES (USES)		
Transfers Out	-	-
Net Change in Fund Balances	(950,000)	(950,000)
FUND BALANCES, July 1	969,673	969,673
FUND BALANCES, June 30	\$ 19,673	\$ 19,673

2011	
<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
1,000,000	1,000,000
<u>\$ 174,109</u>	<u>\$ 174,109</u>
1,174,109	1,174,109
 50,494	 899,506
 1,123,615	 2,073,615
 (1,000,000)	 (1,000,000)
123,615	1,073,615
 733,761	 (235,912)
<u><u>\$ 857,376</u></u>	<u><u>\$ 837,703</u></u>

See accompanying notes to Required Supplementary Information.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
REQUIRED SUPPLEMENTARY INFORMATION
RECONCILIATION OF THE GENERAL FUND (BUDGETARY BASIS) TO THE
GENERAL FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND (BUDGETARY BASIS)	INTERNALLY REPORTED STABILIZATION FUND	GENERAL FUND (GAAP BASIS)
REVENUES			
Taxes	\$ 10,063,546	\$ -	\$ 10,063,546
Licenses and permits:	10,101	-	10,101
Intergovernmental	5,326,725	-	5,326,725
Miscellaneous:	157,348	9,551	166,899
	<u>15,557,720</u>	<u>9,551</u>	<u>15,567,271</u>
EXPENDITURES			
Current:			
Public safety	18,179,467	448	18,179,915
	<u>18,179,467</u>	<u>448</u>	<u>18,179,915</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,621,747)</u>	<u>9,103</u>	<u>(2,612,644)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from asset disposition	11,516	-	11,516
Transfers in	1,000,000	-	1,000,000
Transfers out	(650,000)	-	(650,000)
	<u>361,516</u>	<u>-</u>	<u>361,516</u>
Net Change in Fund Balances	(2,260,231)	9,103	(2,251,128)
FUND BALANCES, July 1	<u>10,128,353</u>	<u>540,700</u>	<u>10,669,053</u>
FUND BALANCES, June 30	<u>\$ 7,868,122</u>	<u>\$ 549,803</u>	<u>\$ 8,417,925</u>

See accompanying notes to Required Supplementary Information.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

Schedule of Funding Progress – Other Postemployment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>AAL Unit Credit</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/01/2006	<u>\$ -</u>	<u>\$4,374,648</u>	<u>\$4,374,648</u>	<u>0.0%</u>	N/A	N/A
7/01/2009	<u>\$ -</u>	<u>\$4,472,236</u>	<u>\$4,472,236</u>	<u>0.0%</u>	N/A	N/A

See accompanying notes to Required Supplementary Information.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 - Reconciliation of the General Fund (Budgetary Basis) to the General Fund (GAAP Basis):

The accompanying Reconciliation of the General Fund (Budgetary Basis) to the General Fund (GAAP Basis) presents balances combined for external reporting purposes.

Budget to actual comparisons are presented for all funds of the District, as required by Nevada Revised Statutes. Such budget comparisons are required to be presented using the budget adopted and approved by the State of Nevada Department of Taxation. However, guidance provided in governmental accounting standards specifies that one of these internally reported funds of the District does not meet the definition of a special revenue fund and does not qualify to be separately presented for external reporting purposes.

This internally reported fund of the District (Stabilization Fund) is combined with the General Fund for external reporting purposes.

NOTE 2 - Schedule of Funding Progress – Other Postemployment Benefits:

The District joined the Washoe County, Nevada OPEB Trust in the current fiscal year. Information can be found in the Trust's separately issued OPEB Trust, c/o Washoe County Comptroller's office, PO Box 11130, Reno, NV 89520.

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
RECONCILIATION OF THE GENERAL FUND (BUDGETARY BASIS) TO THE
GENERAL FUND (GAAP BASIS)
JUNE 30, 2011

	GENERAL FUND (BUDGETARY BASIS)	INTERNALLY REPORTED STABILIZATION FUND	GENERAL FUND (GAAP BASIS)
ASSETS			
Cash and investments	\$ 6,655,766	\$ 547,302	\$ 7,203,068
Taxes receivable	270,129	-	270,129
Due from other governments			
Consolidated taxes	794,578	-	794,578
AB 104, fair share	162,283	-	162,283
Interest receivable	41,479	2,501	43,980
Inventory, base stock	221,957	-	221,957
	<u>8,146,192</u>	<u>549,803</u>	<u>8,695,995</u>
Total Assets	\$ 8,146,192	\$ 549,803	\$ 8,695,995
LIABILITIES			
Accounts payable and accrued liabilities	\$ 65,643	\$ -	\$ 65,643
Due to other governments	1,638	-	1,638
Deferred revenue, property taxes	210,789	-	210,789
	<u>278,070</u>	<u>-</u>	<u>278,070</u>
Total Liabilities	278,070	-	278,070
FUND BALANCES			
Nonspendable	221,957	-	221,957
Restricted	1,621,665	-	1,621,665
Assigned	815,109	-	815,109
Unassigned	5,209,391	549,803	5,759,194
	<u>7,868,122</u>	<u>549,803</u>	<u>8,417,925</u>
Total Fund Balances	7,868,122	549,803	8,417,925
Total Liabilities and Fund Balances	\$ 8,146,192	\$ 549,803	\$ 8,695,995

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
 (a component unit of Washoe County, Nevada)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STABILIZATION FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>2011 BUDGETED AMOUNTS</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>
REVENUES		
Miscellaneous:		
Investment earnings	\$ 12,000	\$ 12,000
Net increase in the fair value of investments	-	-
Total Revenues	<u>12,000</u>	<u>12,000</u>
EXPENDITURES		
Current:		
Public safety function:		
Fire:		
Expenditures	<u>547,188</u>	<u>547,188</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(535,188)</u>	<u>(535,188)</u>
FUND BALANCES, July 1	<u>535,188</u>	<u>535,188</u>
FUND BALANCES, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

2011

ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 11,209 (1,658)	\$ (791) (1,658)
9,551	(2,449)
448	546,740
9,103	544,291
540,700	5,512
\$ 549,803	\$ 549,803

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	2011 BUDGETED AMOUNTS	
	ORIGINAL	FINAL
REVENUES		
Miscellaneous:		
Investment earnings	\$ 125,000	\$ 125,000
Net increase in the fair value of investments	-	-
Total Revenues	125,000	125,000
EXPENDITURES		
Current:		
Public safety function:		
Fire:		
Services and supplies	65,749	408,767
Capital outlay	4,752,212	4,409,194
Total Expenditures	4,817,961	4,817,961
Excess (Deficiency) of Revenues over (under) Expenditures	(4,692,961)	(4,692,961)
OTHER FINANCING SOURCES (USES)		
Transfers in	650,000	650,000
Total Other Financing Sources (Uses)	650,000	650,000
Net Change in Fund Balances	(4,042,961)	(4,042,961)
FUND BALANCES, July 1	4,645,474	4,645,474
FUND BALANCES, June 30	\$ 602,513	\$ 602,513

2011			
<u>ACTUAL</u>		<u>VARIANCE WITH FINAL BUDGET</u>	
\$	96,778	\$	(28,222)
	(14,360)		(14,360)
	<u>82,418</u>		<u>(42,582)</u>
	294,488		114,279
	80,212		4,328,982
	<u>374,700</u>		<u>4,443,261</u>
	(292,282)		4,400,679
	650,000		-
	650,000		-
	357,718		4,400,679
	4,852,969		207,495
\$	<u>5,210,687</u>	\$	<u>4,608,174</u>

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
WORKERS' COMPENSATION INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	2011 BUDGETED AMOUNTS	
	ORIGINAL	FINAL
OPERATING EXPENSES		
Services and supplies		
Claims	\$ 1,212,000	\$ 1,212,000
Operating Income (Loss)	(1,212,000)	(1,212,000)
NONOPERATING REVENUES		
Investment earnings	150,000	150,000
Net increase in the fair value of investments	-	-
Total Nonoperating Revenues	150,000	150,000
Gain (Loss) Before Transfers	(1,062,000)	(1,062,000)
TRANSFERS IN	-	-
Change in Net Assets	\$ (1,062,000)	\$ (1,062,000)
NET ASSETS, July 1		
NET ASSETS, June 30		

2011

<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
\$ (1,269,349)	\$ 2,481,349
<u>1,269,349</u>	<u>2,481,349</u>
114,510	(35,490)
<u>(12,320)</u>	<u>(12,320)</u>
<u>102,190</u>	<u>(47,810)</u>
1,371,539	2,433,539
-	-
1,371,539	<u>\$ 2,433,539</u>
<u>895,776</u>	
<u>\$ 2,267,315</u>	

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
WORKERS' COMPENSATION INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>2011 BUDGETED AMOUNTS</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
Cash Flows From Operating Activities:		
Cash payments for services and supplies	\$ (1,500,000)	\$ (1,500,000)
Cash Flows From Investing Activities:		
Investment earnings	<u>150,000</u>	<u>150,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,350,000)	(1,350,000)
CASH AND CASH EQUIVALENTS, JULY 1	<u>5,884,548</u>	<u>5,884,548</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 4,534,548</u></u>	<u><u>\$ 4,534,548</u></u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH USED BY OPERATING ACTIVITIES		
Operating income		
Adjustments to reconcile operating income to		
net cash used by operating activities:		
Change in assets and liabilities:		
Decrease in pending claims		
Decrease in accounts payable		
Total Adjustments		
Net Cash Used by Operating Activities		

2011	
ACTUAL	VARIANCE WITH FINAL BUDGET
\$ (2,521,937)	\$ (1,021,937)
102,485	(47,515)
(2,419,452)	(1,069,452)
7,187,361	1,302,813
\$ 4,767,909	\$ 233,361

\$ 1,269,349

(2,461,501)
(1,329,785)
(3,791,286)
\$ (2,521,937)

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**Independent Auditor's 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***

To the Honorable Board of Fire Commissioners of
Truckee Meadows Fire Protection District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Truckee Meadows Fire Protection District (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 11-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The District's response to the Finding in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion.

This report is intended solely for the information and use of management, the Board of Fire Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
November 15, 2011

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT
(a component unit of Washoe County, Nevada)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

Finding Related to the Financial Statements Reported in Accordance with GAGAS:

Finding 11-1

Criteria and Condition: Generally accepted accounting principles require that governments report the Government-wide financial statements using the accrual basis of accounting, which provides that an asset be recognized if employer contributions for other postemployment benefits exceed the cumulative annual required contributions.

During our testing of other postemployment benefits, we noted an unrecorded asset in the amount of \$1,342,589 that impacted the Government-wide financial statements. The District paid amounts to the Washoe County, Nevada OPEB Trust Fund during the year that resulted in an OPEB asset of \$1,342,589.

Effect: Assets were understated and expenses were overstated by \$1,342,589 at June 30, 2011, which resulted in net assets being understated by a like amount on the Government-wide financial statements.

Cause: The District reported the asset and expenses under the modified accrual basis of accounting on the Government-wide financial statements rather than converting them to the accrual basis of accounting.

Recommendation: We recommend a secondary review of the Government-wide conversion entries be implemented to ensure all assets and liabilities are reflected on the accrual basis of accounting.

Management's Response: Management concurs with this recommendation and will provide a secondary review of the Government-wide conversion entries.



Independent Accountant's Report

To the Honorable Board of Fire Commissioners of
Truckee Meadows Fire Protection District

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified funds are being used expressly for the purposes for which they were created,
- The funds are administered in accordance with accounting principles generally accepted in the United States of America,
- The fund balances and net assets in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2011 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements,
- The funds conformed to significant statutory and regulatory constraints on their financial administration during the year ended June 30, 2011,
- The balances and net assets of the funds are as noted in the financial statements.

This assertion is the responsibility of management of Truckee Meadows Fire Protection District.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

Kafoury, Armstrong & Co.

Reno, Nevada
November 15, 2011

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The District conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2010.

PRIOR YEAR RECOMMENDATIONS

Corrective action was taken on the specific finding included in the prior year report.

CURRENT YEAR RECOMMENDATIONS

Our current year recommendation is included in the Schedule of Findings and Responses.

