



Financial Statements  
June 30, 2015

# Truckee Meadows Fire Protection District



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## Independent Auditor's Report

To the Honorable Board of Fire Commissioners  
Truckee Meadows Fire Protection District  
Reno, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Truckee Meadows Fire Protection District (the District) (a component unit of Washoe County, Nevada) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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 *Government 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





## **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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1 and 10 to the financial statements, the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 4-11, 41-43, 44 and 45-46, 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.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules, including budgetary comparisons and reconciliations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, including budgetary comparisons and reconciliations are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statement and schedules, including budgetary comparisons and reconciliations are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report November 25, 2015, 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* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada  
November 25, 2015



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, 2015.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,343,749 of which includes \$17,170,326 net investment in capital assets, \$710,654 restricted for wildland fire emergencies, \$4,942,100 restricted for capital projects, \$4,017,349 restricted for claims, and (\$12,496,680) which is the unrestricted net position. Governmental activities include all funds of the District.
- The District took over the administration and operations of the Sierra Fire Protection District through an Interlocal Agreement for Consolidated Fire Service as of April 1, 2012. The Sierra Fire Protection District paid the District \$6,321,924 for this service in fiscal year 2015.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,041,783, an increase of \$2,037,958 or 13.6% in comparison with the prior year. This increase was caused by transfers from the Health Benefits Fund of one-time savings to the Capital Projects fund in anticipation of funding future station replacement needs with cash instead of incurring debt and the General Fund for compensated absences paid upon retirement of personnel. Approximately 48.7% of the combined ending fund balance is available for spending at the government's discretion (unassigned fund balance).

## 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 required and 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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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, 2015, were \$42,270,700 with capital assets, net of accumulated depreciation, accounting for \$17,170,326 of that total. Of the total liabilities of \$26,058,398, approximately 92.1% represent liabilities related to long-term liabilities of the District. This is an increase of \$21,587,782 in liabilities in comparison with the prior year which was primarily

caused by the implementation of a new accounting standard requiring the reporting of the Net Pension Liability on the balance sheet.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 for the year ended June 30, 2015 were \$24,693,353 consisting primarily of taxes and intergovernmental revenues, while total expenses were \$22,340,917. This resulted in an increase in net position of \$2,352,436, an indication that the financial condition of the District improved during the year which was primarily caused by a reduction of expenses caused by the administrative and operational efficiencies achieved through the consolidation with the Sierra Fire Protection District.

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 12 and 13 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 the proprietary funds.

**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 or schedule 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 14-17 of this report.

**Proprietary funds.** The District maintains two proprietary funds, which are both internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's functions. The District uses two internal service funds to account for its workers' compensation liability and health benefits liability. Because these services benefit the governmental function, they have been included within governmental activities in the government-wide financial statements. The internal service funds are reported in the proprietary fund financial statements and can be found on pages 18-20 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 21-40 of this report.

**Other information.** The District maintains a stabilization fund and a sick annual comp benefits fund for internal purposes. These funds do not meet the definition of special revenue funds under Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented in 2011 by the District. The activity for these funds is included in the General Fund in the basic financial statements; however, since the District prepares a budget for these funds, a reconciliation of budgetary basis financial statements to GAAP basis financial statements is presented on pages 42 and 47 of this report.

**Currently known facts.** On September 15, 2014, the City of Reno filed a lawsuit against the District alleging the District owes the City \$851,826 for an increase in the indirect costs in FY 09-10 and FY 10-11 the City originally charged the District. It is the preliminary assessment of the District's counsel that the accusations are without merit. In management's opinion, the ultimate liability of the suit, if any, would not have a material effect on the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2015, the District's total net position was \$14,343,749, which is a \$21,594,579 decrease from the prior year. The primary reason for the decrease was the implementation of a new accounting standard requiring the reporting of the Net Pension Liability on the Statement of Net Position.

**Truckee Meadows Fire Protection District's Net Position**

	<b>Governmental Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Current and other assets	\$25,100,374	\$24,831,477
Capital assets	<u>17,170,326</u>	<u>15,577,467</u>
Total assets	<u>42,270,700</u>	<u>40,408,944</u>
Deferred outflows of resources	<u>3,663,602</u>	<u>-</u>
Other liabilities	2,052,868	1,926,394
Long-term liabilities	<u>24,005,530</u>	<u>2,544,222</u>
Total liabilities	<u>26,058,398</u>	<u>4,470,616</u>
Deferred inflows of resources	<u>5,532,155</u>	<u>-</u>
Net position:		
Net investment in capital assets	17,170,326	15,577,467
Restricted	9,670,103	9,355,404
Unrestricted	<u>(12,496,680)</u>	<u>11,005,457</u>
Total net position	<u>\$14,343,749</u>	<u>\$35,938,328</u>

The assets and deferred outflows of resources of the District's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,343,749. Net position includes the District's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The net investment in capital assets as of June 30, 2015 was \$17,170,326. 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 position \$9,670,103 represents resources that are subject to external restrictions on how they may be used, such as the retiree health benefits, capital projects and emergencies. The remaining balance of unrestricted net position was (\$12,496,680).

At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net position. The negative unrestricted net position was caused by the implementation of a new accounting standard requiring the reporting of the Net Pension Liability on the Statement of Net Position.



**Truckee Meadows Fire Protection District's Changes in Net Position**

	<b>Governmental Activities</b>	
	<u><b>2015</b></u>	<u><b>2014</b></u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,917,724	\$ 6,374,245
Capital grants and contributions	-	750,000
Operating grants and contributions	128,966	135,732
General revenues:		
Property taxes	10,664,958	10,105,769
Consolidated taxes	5,630,395	5,206,953
Other taxes	740,766	685,215
Unrestricted investment earnings	219,725	322,274
Reimbursements	341,683	369,243
Other	<u>49,136</u>	<u>408,071</u>
Total revenues	<u>24,693,353</u>	<u>24,357,502</u>
Expenses:		
Public safety	<u>22,340,917</u>	<u>22,249,275</u>
Increase in net position	2,352,436	2,108,227
Net position, July 1	<u>35,938,328</u>	<u>33,830,101</u>
Prior period Adjustment	(23,947,015)	-
Net position, June 30	<u>\$14,343,749</u>	<u>\$35,938,328</u>

**Total Revenues.** The District's total revenues increased by \$335,851, or 1.4%, however, Fiscal Year 2014 included a \$750,000 reimbursement by the Sierra Fire Protection District for its portion of the Mogul Fire Station cost. The primary increase was caused by an increase of property tax and consolidated tax revenue which reflects a recovering economy.

**Total Expenses.** The District's total expenses increased by \$91,642 or by 0.4% which shows the stabilization of costs with the third full year's consolidation of fire operations with the Sierra Fire Protection District and the District being fully staffed.

**Net Position.** The District's total net position increased by \$2,352,436 during the fiscal year ended June 30, 2015, and \$2,108,227 during the fiscal year ended June 30, 2014. The increase in total net position in the fiscal year ended June 30, 2015 was primarily caused by increased revenue due to the economic recovery and savings of expenditures caused by the administrative and operational efficiencies achieved through the consolidation with the Sierra Fire Protection District.

## 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 \$17,041,783, an increase of \$2,037,958 or 13.6% in comparison with the prior year. This increase was caused by transfers from the Health Benefits Fund of one-time savings to the Capital Projects Fund in anticipation of funding future station replacement needs with cash instead of incurring debt and the General Fund for compensated absences paid upon retirement of personnel. Approximately 48.7% of the combined ending fund balance is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the primary operating fund of the District. For the fiscal year ended June 30, 2015, the total fund balance for the General Fund was \$11,455,369. The total fund balance included \$3,164,592 assigned for encumbrances for fuel and various financial services and subsequent year appropriated fund balance. The remaining fund balance of \$8,290,777 is unassigned and consists of the General Fund unassigned fund balance of \$7,250,808, the Stabilization Fund unassigned fund balance of \$578,550 and the Sick Annual Comp Benefits Fund unassigned fund balance of \$461,419.

The total fund balance for the General Fund in the amount of \$11,455,369 is an increase of \$552,567 from the prior year. This increase was attributable to the improving economy and budget savings due to the administrative and operational efficiencies achieved through the consolidation with the Sierra Fire Protection District.

As a measure of the General Fund's liquidity, it may be useful to compare the June 30, 2015, total fund balance not attributable to the Stabilization Fund or the Sick Annual Comp Benefits Fund of \$10,415,400 to fund expenditures. The fund balance represents 51.9% of total General Fund expenditures. This represents approximately 6 months' worth of expenditures. The fund balance will give the District's General Fund sufficient cash flow to meet its operational obligations in the future and the ability to pay for large wildland fires as they occur.

The District's Emergency Fund was established according to NRS 474 for the funding for unforeseen emergencies, primarily large wildland fires and other natural disasters. In fiscal year 2015, the District did not incur any large wildland fires within its jurisdiction; however, it provided fire suppression services to other entities for a fee and paid for the State wildland fire insurance program and other expenditures which totaled \$409,851. The Emergency Fund balance as of June 30, 2015 was \$644,314.

The Capital Projects Fund activity in fiscal year 2015 included, among other things, the purchase of radios, and the purchase of several pieces of apparatus.

**Proprietary funds.** The District's proprietary funds provide information on the workers' compensation and health benefit programs of the District. The net position of the Workers' Compensation Internal Service Fund as of June 30, 2015, was \$3,411,814. The net position of the Health Benefits Fund was \$605,535. In fiscal year 2015, the District fully funded its workers' compensation and health benefits liabilities. In fiscal year 2016, the District budgeted to continue to fully fund the District's workers' compensation and health benefits liabilities.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The District's net investment in capital assets as of June 30, 2015, amounts to \$17,170,326 (net of accumulated depreciation). This net 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. Refer to Note 5 for further detail.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Nevada's local governments rely heavily on sales tax as a primary revenue source. Washoe County's taxable sales reflect the current recovery of the U.S. and Nevada economy and compares favorably to Statewide and Clark County for fiscal year 2015 as demonstrated below.

#### Percentage Increase (Decrease) in Taxable Sales Over Prior Year

Entity	Fiscal Year			
	2012	2013	2014	2015
Statewide	7.6%	5.2%	4.9%	7.1%
Clark County	7.0%	4.8%	7.6%	6.3%
Washoe County	4.5%	5.5%	9.4%	12.2%

- Washoe County's taxable gaming revenues showed some growth with a 2.72% increase in fiscal year 2015 over the prior year which demonstrates the nation's modest economic recovery while California gaming continues to affect the local gaming industry. Clark County saw a 2.2% decrease over the prior year and the State of Nevada saw a 1.58% decrease. The taxable gaming revenue trend reflects the modest national and statewide economic recovery.

- The June 2015 unemployment rate in Washoe County was 6.4% which compares favorably to the June 2014 unemployment rate of 7.3%. Washoe County's June 2015 unemployment rate of 6.4% is somewhat more favorable than the Clark County unemployment rate of 7.0%. The statewide unemployment rate was 6.9% at June 30, 2015 which compares favorably to the 7.8% statewide unemployment rate at June 30, 2014.
- Over the past five years, the TMFPD assessed value has declined from \$3,060,211,189 in fiscal year 2009 to \$2,041,608,070 in fiscal year 2015 or by 33%. This is a significant decline and was caused primarily by the high unemployment and high number of foreclosures in Washoe County, however, the trend was more favorable in 2015. Washoe County's foreclosure rate in August, 2015 was .10% compared to August, 2014 which was .12% while the Nevada foreclosure rate was .18% and the national foreclosure rate was .08%. The decline of assessed value created a loss of property tax revenues from \$11,547,973 in fiscal year 2009 to \$10,664,958 in fiscal year 2015 for \$883,015 or 7.6% decrease in annual on-going property tax revenues. For fiscal year 2016, the District experienced an increase in its assessed value caused by an increase in the property values and a lower number of foreclosures in Washoe County.

These factors were considered in preparing the District's budget for the 2016 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 Truckee Meadows/Sierra Fire Protection District, 1001 East Ninth Street, Reno, Nevada 89512.

Truckee Meadows Fire Protection District  
Statement of Net Position  
June 30, 2015

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 21,890,643
Accounts receivable	1,325
Taxes receivable	113,859
Due from other governments	2,249,863
Interest receivable	58,237
Net OPEB asset	786,447
Capital assets, not being depreciated	875,676
Capital assets, net of accumulated depreciation	16,294,650
Total assets	42,270,700
<b>Deferred Outflows of Resources</b>	
Net pension liability - related amounts	3,663,602
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,100,033
Due to other governments	939,713
Unearned revenue	13,122
Noncurrent liabilities	
Due within one year	1,429,649
Due in more than one year	22,575,881
Total liabilities	26,058,398
<b>Deferred Inflows of Resources</b>	
Net pension liability - related amounts	5,532,155
<b>Net Position</b>	
Net investment in capital assets	17,170,326
Restricted for	
Wildland fire emergencies	710,654
Capital projects	4,942,100
Claims	4,017,349
Unrestricted	(12,496,680)
Total net position	\$ 14,343,749

Truckee Meadows Fire Protection District  
Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
					Governmental Activities
Governmental activities					
Public safety	\$ 22,340,917	\$ 6,917,724	\$ -	\$ 128,966	\$ (15,294,227)
					General Revenues
					Ad valorem taxes
					10,664,958
					Intergovernmental Revenues
					Consolidated taxes
					5,630,395
					SCCRT-AB104
					700,710
					Real property transfer tax
					40,056
					Licenses and permits
					3,631
					Reimbursements
					341,683
					Unrestricted investment earnings
					219,725
					Other
					45,505
					Total general revenues
					17,646,663
					Change in Net Position
					2,352,436
					Net Position, Beginning of Year, as previously stated
					35,938,328
					Prior Period Adjustment
					(23,947,015)
					Net Position, Beginning of Year, as restated
					11,991,313
					Net Position, End of Year
					\$ 14,343,749

Truckee Meadows Fire Protection District  
Balance Sheet – Governmental Funds  
June 30, 2015

	General Fund (GAAP Basis)	Emergency Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 11,422,608	\$ 635,822	\$ 4,973,161	\$ 17,031,591
Accounts receivable	1,325	-	-	1,325
Taxes receivable	113,859	-	-	113,859
Due from other governments	2,175,031	74,832	-	2,249,863
Interest receivable	32,307	-	12,633	44,940
<b>Total assets</b>	<b>\$ 13,745,130</b>	<b>\$ 710,654</b>	<b>\$ 4,985,794</b>	<b>\$ 19,441,578</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,069,461	\$ -	\$ 30,572	\$ 1,100,033
Due to other governments	939,713	-	-	939,713
Unearned revenue	-	-	13,122	13,122
<b>Total liabilities</b>	<b>2,009,174</b>	<b>-</b>	<b>43,694</b>	<b>2,052,868</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues				
Property taxes	95,105	-	-	95,105
Reimbursements	185,482	66,340	-	251,822
<b>Total deferred inflows of resources</b>	<b>280,587</b>	<b>66,340</b>	<b>-</b>	<b>346,927</b>
<b>Fund Balances</b>				
Restricted	-	644,314	4,942,100	5,586,414
Assigned	3,164,592	-	-	3,164,592
Unassigned	8,290,777	-	-	8,290,777
<b>Total fund balances</b>	<b>11,455,369</b>	<b>644,314</b>	<b>4,942,100</b>	<b>17,041,783</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,745,130</b>	<b>\$ 710,654</b>	<b>\$ 4,985,794</b>	<b>\$ 19,441,578</b>

Truckee Meadows Fire Protection District  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 June 30, 2015

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

Total fund balances - total governmental funds		\$ 17,041,783
Capital assets used in governmental activities are not financial resources, and, therefore are not reported in the funds.		
Governmental capital assets	27,359,596	
Less accumulated depreciation	<u>(10,189,270)</u>	17,170,326
Deferred inflows of resources are not available to pay for current period expenditures, and, therefore, are deferred in the funds.		
		346,927
The net OPEB asset cannot be used as a current financial resource to finance general operations, and, therefore, is not reported in the funds.		
		786,447
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.		
Compensated absences	(1,699,459)	
Net pension liability	<u>(21,451,071)</u>	(23,150,530)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,663,602	
Deferred inflows of resources related to pensions	<u>(5,532,155)</u>	(1,868,553)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net position of the Internal Service Funds is reported with governmental activities		
		<u>4,017,349</u>
Net position of governmental activities		<u><u>\$ 14,343,749</u></u>



Truckee Meadows Fire Protection District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2015

	General Fund (GAAP Basis)	Emergency Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 10,702,267	\$ -	\$ -	\$ 10,702,267
Licenses and permits	3,631	-	-	3,631
Intergovernmental	13,407,051	-	-	13,407,051
Charges for services	10,800	-	-	10,800
Miscellaneous	338,001	282,314	20,171	640,486
<b>Total revenues</b>	<b>24,461,750</b>	<b>282,314</b>	<b>20,171</b>	<b>24,764,235</b>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	20,199,082	409,851	623,186	21,232,119
Capital outlay	-	-	2,684,057	2,684,057
<b>Total expenditures</b>	<b>20,199,082</b>	<b>409,851</b>	<b>3,307,243</b>	<b>23,916,176</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>4,262,668</b>	<b>(127,537)</b>	<b>(3,287,072)</b>	<b>848,059</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from asset disposition	130	-	-	130
Transfers in	589,769	-	4,900,000	5,489,769
Transfers out	(4,300,000)	-	-	(4,300,000)
<b>Total other financing sources (uses)</b>	<b>(3,710,101)</b>	<b>-</b>	<b>4,900,000</b>	<b>1,189,899</b>
<b>Net Change in Fund Balances</b>	<b>552,567</b>	<b>(127,537)</b>	<b>1,612,928</b>	<b>2,037,958</b>
<b>Fund Balances, Beginning of Year</b>	<b>10,902,802</b>	<b>771,851</b>	<b>3,329,172</b>	<b>15,003,825</b>
<b>Fund Balances, End of Year</b>	<b>\$ 11,455,369</b>	<b>\$ 644,314</b>	<b>\$ 4,942,100</b>	<b>\$ 17,041,783</b>

Truckee Meadows Fire Protection District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds		\$ 2,037,958
<p>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.</p>		
		1,599,192
<p>Some revenues reported in the governmental funds were reported on the statement of activities in the prior year.</p>		
		(128,612)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures reported as expenditures in governmental funds:</p>		
Change in compensated absences	(325,237)	
Change in postemployment benefits	(214,891)	
Disposition of capital assets	<u>(6,333)</u>	
		(546,461)
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense.</p>		
Pension contributions	3,470,650	
Pension expense	<u>(2,843,259)</u>	
		627,391
<p>The internal service funds are used by management to account for the costs of retiree health medical expenses and workers' compensation. The net revenue of the internal service funds is reported with governmental activities.</p>		
		<u>(1,237,032)</u>
Change in net position of governmental activities		<u><u>\$ 2,352,436</u></u>

Truckee Meadows Fire Protection District  
Statement of Net Position – Proprietary Fund  
June 30, 2015

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	Governmental Activities Internal Service Funds
Assets	
Current assets	
Cash and investments	\$ 4,859,052
Interest receivable	<u>13,297</u>
Total assets	<u>4,872,349</u>
Liabilities	
Current liabilities	
Short-term portion of long-term liabilities	
Claims and judgments	464,497
Noncurrent liabilities	
Claims and judgments	<u>390,503</u>
Total liabilities	<u>855,000</u>
Net Position	
Restricted	<u><u>\$ 4,017,349</u></u>

Truckee Meadows Fire Protection District  
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund  
Year Ended June 30, 2015

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	<u>Governmental Activities Internal Service Funds</u>
Operating Expenses	
Services and supplies	
Claims	\$ 104,863
Nonoperating Revenues (Expenses)	
Investment earnings	67,689
Net increase (decrease) in the fair value of investments	<u>(10,089)</u>
Total nonoperating revenues	<u>57,600</u>
Loss Before Transfers	<u>(47,263)</u>
Transfers Out	
Sick Annual Comp Benefits Fund	(589,769)
Capital Projects Fund	<u>(600,000)</u>
Total transfers out	<u>(1,189,769)</u>
Change in Net Position	(1,237,032)
Net Position, Beginning of Year	<u>5,254,381</u>
Net Position, End of Year	<u><u>\$ 4,017,349</u></u>

Truckee Meadows Fire Protection District  
Statement of Cash Flows – Proprietary Fund  
Year Ended June 30, 2015

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	Governmental Activities Internal Service Funds
Operating Activities	
Cash payments for services and supplies	\$ (419,863)
Noncapital Financing Activities	
Transfers out	(1,189,769)
Investing Activities	
Investment earnings	60,945
Net Change in Cash and Cash Equivalents	(1,548,687)
Cash and Cash Equivalents, Beginning of Year	6,407,739
Cash and Cash Equivalents, End of Year	\$ 4,859,052
Reconciliation of operating income (loss) to net cash from (used for) operating activities	
Operating income (loss)	\$ (104,863)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:	
Change in Pending claims	(315,000)
Net Cash used for Operating Activities	\$ (419,863)

## **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.

Prior to July 1, 2012, the District was considered a blended component unit of Washoe County. Although the District is a legally separate organization, the County was financially accountable, as defined in governmental accounting standards generally accepted in the United States of America, for Truckee Meadows Fire Protection District. Financial accountability was determined primarily by the Board of County Commissioners' participation as the governing body of the District. As of July 1, 2012, the County has no financial benefit or burden relationship with the District and, as such, the District has been reclassified from a blended component unit to a discretely presented component unit.

As of April 1, 2012, an Interlocal Agreement for Fire Services and Consolidation (Agreement) became effective between the Truckee Meadows Fire Protection District and the Sierra Fire Protection District. Under the Agreement, the two Fire Districts consolidated fire department administration and operations, although the two Fire Districts remain legally separate governmental entities. The major points of the Agreement in effect as of April 1, 2012 are listed below:

- The Sierra Fire Protection District will continue to levy taxes and make equal monthly installments to the Truckee Meadows Fire Protection District to fund its portion of the Consolidated Budget.
- All Sierra Fire Protection District employees became employees of the Truckee Meadows Fire Protection District. All sick leave and vacation hours accrued by the District at the time of transfer to the Truckee Meadows Fire Protection District transferred with Sierra Fire employees. Health insurance and workers' compensation benefits are paid by the Truckee Meadows Fire Protection District through the Consolidated Budget.
- Each Fire District retained their separate interests in and ownership of real property, equipment and rolling stock while the Truckee Meadows Fire Protection District provides for the repair and maintenance of such assets. The cost of insuring and replacing these assets is the responsibility of each District.
- The Truckee Meadows Fire Protection District provides comprehensive general liability insurance for all claims arising out of acts or omissions of personnel; the Sierra Fire Protection District continues coverage for the actions of the District's Board of Fire Commissioners.
- Dispatch services are provided to both Fire Districts by the Washoe County Sheriff's Department.
- Other costs paid by each District separately include debt service, independent contractors hired by each District, actuarial studies, annual audits, retiree health costs, wildland fire emergency expenditures and any other costs needed to sustain a local government.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (Statement of Net Position 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 and the proprietary funds' 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.

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 inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report deferred inflows of resources 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, postemployment benefits, and claims and judgments, are recorded only when payment is due.

The District initially utilizes restricted resources to finance qualifying activities prior to unrestricted resources, which are utilized as they are needed.

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 position, 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's Internal Service Funds are the only proprietary funds. The financial statements of the Internal Service Funds 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 effect of interfund activity has been removed from the government-wide financial statements.

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.

The Wildland Fire Emergency Reserve Fund (The Emergency Fund), a special revenue fund under Nevada Revised Statutes (NRS), 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 Funds, proprietary funds, account for the workers' compensation activity and the health benefits activity.

### **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.
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 the internally reported special revenue fund.
6. Pursuant to Nevada Revised Statute 354.598005 the person designated to administer the budget may transfer appropriations within any function. Budget amounts may be transferred between functions within a fund if the governing body is advised of the action at the next regular meeting and the action is recorded in the official minutes of the meeting. Transfer of appropriations between funds or from the contingency account or 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. 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 Funds generally may not exceed budgeted amounts.



### **Cash Deposited and Invested with Washoe County Treasurer**

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 and personal property taxes receivable reflect only those taxes receivable from the delinquent roll years. Delinquent taxes from all roll years prior to 2013-2014 have been written off. No provision for uncollectible accounts has been established since management does not anticipate any material collection loss in respect to the remaining balances.

Personal property taxes receivable reflect only those taxes management believes to be collectible.

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

### **Receivables**

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

### **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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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:

Land improvements	40 years
Buildings	40 years
Building improvements	20 years
Vehicles and equipment	5-20 years

## **Pension**

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position and Governmental Funds Balance Sheet may report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District recognizes deferred outflow of resources as it related to the net pension liability.

In addition to liabilities, the Statement of Net Position and Governmental Funds Balance Sheet may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes deferred inflow of resources as it relates to the net pension liability on the Statement of Net Position. In addition, the District recognizes deferred inflows of resources as they relate to property taxes and wildland fire reimbursements in the governmental fund financial statements.

## **Long-Term Liabilities**

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

## **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 after ten years of full-time employment or its equivalent if the employee has not served as a full-time employee for reasons other than discharge for just cause, an employee shall be compensated for total accrued sick leave at the rate of one hour for every three hours earned up to a maximum hour limitation.

## **Fund Equity**

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

Net Investment in Capital Assets – 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 Position – Consists of net position with constraints placed on its use either by (1) external groups such as creditors, contributors, or laws or regulations; (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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. 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 capital projects and emergency resources. The assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes and consists of the District's encumbrances as approved by the Board of Fire Commissioners and the amount of fund balance to be expended in the ensuing fiscal year as approved by the Board of Fire Commissioners. The remaining fund balance is shown as unassigned. When expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used, committed funds, if any, are to be spent first, assigned funds second, and unassigned funds last.

### **Property Taxes**

All real property in the 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.

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.

**Implementation of GASB Statement No. 68 and GASB Statement No. 71**

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 10 and the additional disclosures required by these standards are included in Note 8.

**Reconciliation of Government-Wide and Fund Financial Statements**

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 position - 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 \$1,599,192 difference are as follows:

Capital outlay	\$ 2,684,057
Less amounts not capitalized	(21,082)
Less depreciation expense	<u>(1,063,783)</u>
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 1,599,192</u></u>

**Note 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code**

The District conformed to all significant statutory and administrative code constraints on its financial administration during the year except for the following:

The balances of reserves in the Health Benefits Fund are governed by NRS 354.6215, which limits the use of the reserves. When the governing body deems the reserve to be no longer required, either in whole or in part, it shall transfer the excess balance to the general fund of the local government. Money so transferred is not available as a basis for augmentation of the local government's budget during the year of transfer.

During the year, the Health Benefits Fund transferred funds to the Capital Projects Fund and Sick Annual Comp Benefits Fund rather than the General Fund. In addition, a part of the transfer to the Sick Annual Comp Benefits Fund was spent in the year of transfer. These transfers and subsequent use of reserves of the Health Benefits Fund appear to be potential violations of NRS 354.6215.

### **Note 3 - Cash and Investments**

#### **Pooled Investments**

The District participates in the Washoe County Investment Pool (WCIP). The Washoe County Board of County Commissioners administers and is responsible for the WCIP in accordance with NRS 355.175. The investment pool is not registered with the SEC as an investment company. Public Financial Management, LLC determines the fair value of the investment pool monthly. Washoe County has not provided or obtained any legally binding guarantees during the audit period to support these values. Each participant's share is equal to their investment plus or minus their pro-rata portion of monthly interest income and realized and unrealized gains/losses. The District's investment in the external investment pool at June 30, 2015 was \$21,890,643.

Of the investments as of June 30, 2015, 50.9% are in U.S. Government and Agency securities including U.S. Treasuries and debt issued by Federal Home Loan Bank, Federal National Mortgage Associate, and Federal Home Loan Mortgage Corporation. Approximately 17.0% of pooled investments are held in short and long-term corporate notes. Of pooled investments, 19.4% consist of certificates of deposit, money market mutual funds and collateralized mortgage obligations. The remaining 12.7% is held as cash within the pool. At June 30, 2015, the funds of the District in the Washoe County investment pool were approximately 5.1% of the pool's total balance.

#### **Credit Risk**

Fixed income securities are subject to credit risk. Credit risk refers to the risk that a borrower will default on debt by failing to make required payments. The District does not hold any such investments directly, but participates in the WCIP. The WCIP is unrated by recognized statistical rating agencies

#### **Custodial Credit Risk**

Custodial credit risk is the risk that an entity's deposits, which are in the possession of an outside party, will not be returned to the entity if the counterparty fails. The District is a participant in the WCIP. Balances in the WCIP are covered by one or more of the following: Federal depository insurance, the Securities Investor Protection Corporation, collateral held by the District's agent in the District's name, or by collateral held by depositories in the name of the Nevada Collateral Pool, and the balances are not exposed to custodial credit risk.

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets, not being depreciated				
Land	\$ 721,545	\$ -	\$ -	\$ 721,545
Construction in progress	2,807,427	142,193	(2,795,489)	154,131
Total capital assets, not being depreciated	<u>3,528,972</u>	<u>142,193</u>	<u>(2,795,489)</u>	<u>875,676</u>
Capital assets, being depreciated				
Land improvements	263,322	-	-	263,322
Buildings and building improvements	9,054,089	2,814,365	-	11,868,454
Vehicles and equipment	12,010,237	2,501,907	(160,000)	14,352,144
Total capital assets, being depreciated	<u>21,327,648</u>	<u>5,316,272</u>	<u>(160,000)</u>	<u>26,483,920</u>
Less accumulated depreciation for				
Land improvements	(176,215)	(7,562)	-	(183,777)
Buildings and building improvements	(3,621,462)	(357,920)	-	(3,979,382)
Vehicles and equipment	(5,481,476)	(698,302)	153,667	(6,026,111)
Total accumulated depreciation	<u>(9,279,153)</u>	<u>(1,063,784)</u>	<u>153,667</u>	<u>(10,189,270)</u>
Total capital assets, being depreciated, net	<u>12,048,495</u>	<u>4,252,488</u>	<u>(6,333)</u>	<u>16,294,650</u>
Governmental activities capital assets, net	<u>\$ 15,577,467</u>	<u>\$ 4,394,681</u>	<u>\$ (2,801,822)</u>	<u>\$ 17,170,326</u>

The increase in accumulated depreciation includes depreciation expense of \$1,063,784 charged to the public safety function.

**Note 5 - Long-Term Liabilities**

The District does not have any general obligation bonds outstanding as of June 30, 2015. Long-term liability activity for the year ended June 30, 2015, was as follows:

	Amount Outstanding July 1, 2014	Additions	Reductions	Amount Outstanding June 30, 2015	Due Within One Year
Compensated absences	\$ 1,374,222	\$ 1,127,732	\$ 802,495	\$ 1,699,459	\$ 965,152
Claims and judgments	1,170,000	104,862	419,862	855,000	464,497
	<u>\$ 2,544,222</u>	<u>\$ 1,232,594</u>	<u>\$ 1,222,357</u>	<u>\$ 2,554,459</u>	<u>\$ 1,429,649</u>

Compensated absences and the net pension liability 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, 2015 consisted of the following:

	Transfer in	
	General Fund	Capital Projects Fund
Transfers out		
General Fund	\$ -	\$ 4,300,000
Health Benefits Fund	589,769	600,000
Total transfers in	\$ 589,769	\$ 4,900,000

The transfer from the General Fund to the Capital Projects Fund was used to move unrestricted, one-time savings to fund one-time capital outlay expenditures.

The transfer from the Health Benefits Fund to the General Fund was used to move reserves that were no longer needed to fund sick and compensated absence expenditures upon retirement of employees.

The transfer from the Health Benefits Fund to the Capital Projects Fund was used to move reserves that were no longer needed to fund one-time capital outlay expenditures.

**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 and retired prior to June 30, 2012 or during the term of the Interlocal Agreement. Health benefits under the City's plan included medical, prescription, vision, dental and life insurance. 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.

The Interlocal Agreement was terminated on June 30, 2012, and the District assumed responsibility for its own fire district operations as of July 1, 2012. As of June 30, 2012, in preparation of standing up the new fire operations, 11 former Reno firefighters transferred to the District with the provision the District would provide retiree health benefits for those 11 employees. Any former District employees remaining employed by the City of Reno as of July 1, 2012 retained retiree health benefits with the City and the City retained the liability for those employees. Benefits under the new District plan, a single-employer defined benefit plan, include health, dental, vision and prescription coverage. Eligible retirees who retire from the District will be required to pay for 50% of the retirees' health insurance premium and 100% of the cost of coverage for their families. Eligibility requirements, benefit levels, employee contributions and employer contributions may be amended by the mutual agreement of the Truckee Meadows Fire Protection District and the District's Fire Firefighters' Association.

**Funding Policy and Annual OPEB Cost**

The amount of annual contributions each year are established through the annual budget process by the District's Board of Fire Commissioners and may be amended through negotiations with the employee association. The required contributions are based on projected pay-as-you-go financing requirements, with an additional amount, generally equal to the normal cost, to prefund benefits.

The annual OPEB Cost, the percentage of OPEB cost contributed to the Trust, and the net OPEB obligation (asset) at June 30, 2015 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>
2013	\$ 70,278	\$ -	0.00%	\$ (1,224,753)
2014	223,415	-	0.00%	(1,001,338)
2015	214,891	-	0.00%	(786,447)



The net OPEB obligation (asset) as of June 30, 2015, was calculated as follows:

Determination of Annual Required Contribution:	
Normal cost	\$ 259,595
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>(70,463)</u>
Annual Required Contribution (ARC)	<u><u>\$ 189,132</u></u>
Determination of Net OPEB Obligation (Asset):	
Annual Required Contribution	\$ 189,132
Interest on prior year net OPEB obligation (asset)	(70,094)
Adjustment to ARC	<u>95,853</u>
Annual OPEB Cost	214,891
Retiree benefit plan costs paid by district	-
District contributions made to OPEB Trust	<u>-</u>
Change in net OPEB obligation (asset)	214,891
Net OPEB Obligation (Asset), Beginning of Year	<u>(1,001,338)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>\$ (786,447)</u></u>

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

Actuarial valuation date	July 1, 2014
Accrued actuarial liability (a)	\$ 3,293,617
Actuarial value of plan assets (b)	<u>3,981,559</u>
Unfunded actuarial accrued liability (a-b)	<u><u>\$ (687,942)</u></u>
Funded ratio (b/a)	120.9%
Covered payroll* (active plan members) (c)	\$ 5,034,484
Unfunded actuarial accrued liability as a percentage of covered payroll [(a - b)/c]	-13.66%

\*The covered payroll for active plan members for the District's retiree group medical plan reported above represents salaries and wages for the 10 former Reno firefighters who transferred from the City of Reno to the District in June 2012 and who were still employed by the District at June 30, 2015 as well as employees who were hired by the District prior to July 1, 2014. The UAAL shown includes the District's proportionate share of the liability, based on service earned prior to July 1, 2000 for the 45 employees who transferred employment to the City of Reno and retired during the term of the Interlocal Agreement as well as current eligible employees.

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, 2014, using the Projected Unit Credit Method. Significant actuarial assumptions used were a 7.00% effective annual discount rate and an initial 7.75% health cost trend for non-Medicare and 7.50% for Medicare. The non-Medicare health cost trend assumes a staggered decline before an ultimate trend rate of 4.50% for 2070 and beyond. The Medicare health cost trend assumes a staggered decline before an ultimate trend rate of 4.50% for 2099 and beyond. The actuarial assumptions also assume that Medicare will be the primary coverage once the retiree reaches the age of 65. 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 amount over a 17 year closed amortization period.

## **Note 8 - Defined Benefit Pension Plan**

### **Plan Description**

The District contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

### **Benefits Provided**

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee

to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

### **Vesting**

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering PERS on or after January 1, 2010, are eligible for retirement at 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards to eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

### **Contributions**

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2014 and June 30, 2015 the Statutory Employer/employee matching rate was 13.25% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate was 25.75% for Regular and 40.50% for Police/Fire.

The District's contributions were \$3,118,661 for the year ended June 30, 2014 and \$3,470,650 for the year ended June 30, 2015.

**PERS Investment Policy**

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2015:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

As of June 30, 2015, PERS' long-term inflation assumption was 3.5%.

**Net Pension Liability**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (\$21,451,071) was based on the District's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At July 1, 2014, the District's proportion was 0.20583 percent.

**Pension Liability Discount Rate Sensitivity**

The following presents the net pension liability of the District as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 33,358,761	\$ 21,451,071	\$ 11,552,748

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

**Actuarial Assumptions**

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.5%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2014 funding actuarial valuation

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. Mortality rates for all non-disabled police/fire members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members and all disabled police/fire members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and June 30, 2013.

**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the District recognized pension expense of \$2,843,259. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,026,552
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,505,603
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	192,952	-
District contributions subsequent to the measurement date	3,470,650	-
Total	\$ 3,663,602	\$ 5,532,155

\$3,470,650 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.7 years.

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

Year ended June 30,			
2016		\$	(1,272,647)
2017			(1,272,647)
2018			(1,272,647)
2019			(1,272,646)
2020			(146,246)
Thereafter			(102,370)
Total		\$	(5,339,203)

The following is the reconciliation of the June 30, 2015 net pension liability:

Beginning Net Pension Liability	\$ 27,065,676
Pension Expense	2,843,259
Employer Contributions	(3,118,661)
New Net Deferred Inflows/Outflows	(5,339,203)
Recognition of Prior Deferred (Inflows)/Outflows	-
Ending Net Pension Liability	\$ 21,451,071

**Additional Information**

The PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at [www.nvpers.org](http://www.nvpers.org) under Quick Links – Publications.

**Note 9 - 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 with a \$5,000 deductible. The District pays an annual premium to the Pool for 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. 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.

The District self-funded its health benefits until June 1, 2013. The Health Benefits fund was established to account for life insurance, medical, prescription, dental and vision programs. The self-funded plans contained within the Health Benefits fund are handled through contracts with an external claims administrator and through the purchase of various insurance plans. As of June 1, 2013, the District purchased a guaranteed health benefit plan and is no longer self-funded.

During the term of the Reno/Truckee Meadows Fire Protection District Interlocal Agreement, workers' compensation was fully insured with the City of Reno's self-funded workers' compensation plan. Due to the termination of the Agreement, as of July 1, 2012, the District is no longer self-funded with the City of Reno but has purchased a guaranteed workers compensation insurance plan. However, the District is still required to pay workers' compensation claims costs to the City of Reno for those years the District was self-funded through the City of Reno's 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 shared the combined losses with the Reno Fire Department (RFD). Each year, the District was 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 the fiscal year ended June 30, 2012, which was the last fiscal year of the Agreement, was 25%. The District established the Workers' Compensation Fund to account for this program. During the fiscal year ended June 30, 2015, the District paid the City of Reno the amount of \$275,316 for the purpose of buying out its workers' compensation liability for fiscal year 2009.

The liability for workers' compensation was determined through an actuarial valuation performed for the District as of December 31, 2011. Using a 70% probability level set by the actuary, claims of \$2,424,922 were determined to be long-term in nature. The non-discounted carrying amount of unpaid claims was \$2,903,000. 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, 2011	\$ 2,424,922
Claims and changes in estimates	118,938
Claims paid	<u>(549,860)</u>
Claims liability, June 30, 2012	1,994,000
Claims and changes in estimates	16,731
Claims paid	<u>(524,731)</u>
Claims liability, June 30, 2013	1,486,000
Claims and changes in estimates	97,734
Claims paid	<u>(413,734)</u>
Claims liability, June 30, 2014	1,170,000
Claims and changes in estimates	104,862
Claims paid	<u>(419,862)</u>
Claims liability, June 30, 2015	<u><u>\$ 855,000</u></u>

#### **Note 10 - Adoption of New Standard**

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position at June 30, 2014, as previously reported	\$ 35,938,328
Net pension liability at June 30, 2014	(27,065,676)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	<u>3,118,661</u>
Net position at July 1, 2014, as restated	<u><u>\$ 11,991,313</u></u>



**Note 11 - Contingencies**

On September 15, 2014, the City of Reno filed a lawsuit against the District alleging the District owes the City \$851,826 for an increase in the Indirect Costs in FY 09-10 and FY 10-11 over what the City originally charged the District. It is the assessment of the District's counsel that the accusations are without merit. In management's opinion, the ultimate liability of the suit, if any, would not have a material effect on the financial statements.

**Note 12 - Related Party Transactions**

As more fully described in Note 1, the District has an interlocal agreement with the Sierra Fire Protection District to consolidate the operations of the two fire districts, which will occur on July 1, 2016. Sierra Fire Protection District paid the District \$6,321,924 during the year ended June 30, 2015 in accordance with the terms of the interlocal agreement. In addition, the District refunded \$383,620 to Sierra Fire Protection District during the year ended June 30, 2015 for operational savings related to the prior year in accordance with the interlocal agreement.





Required Supplementary Information

# Truckee Meadows Fire Protection District

Truckee Meadows Fire Protection District  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund  
(Budgetary Basis)  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes				
Ad valorem, general	\$ 10,150,166	\$ 10,150,166	\$ 10,557,284	\$ 407,118
Ad valorem, AB 104	155,066	155,066	144,983	(10,083)
Licenses and permits				
Gaming, AB 104	4,084	4,084	1,331	(2,753)
Other	-	-	2,300	2,300
Intergovernmental				
Federal grants	158,727	158,727	128,966	(29,761)
Consolidated taxes	5,311,283	5,311,283	5,630,395	319,112
Real property transfer tax, AB 104	31,454	31,454	40,056	8,602
Supplemental city/county relief tax, AB 104	667,137	667,137	700,710	33,573
Interlocal cooperative agreement fire suppression	6,876,795	6,876,795	6,906,924	30,129
Charges for services				
Services to other agencies	10,700	10,700	10,000	(700)
Other	-	-	800	800
Miscellaneous				
Investment earnings	100,000	100,000	152,853	52,853
Net change in the fair value of investments	-	-	(16,770)	(16,770)
Other	16,030	16,030	196,047	180,017
Total revenues	<u>23,481,442</u>	<u>23,481,442</u>	<u>24,455,879</u>	<u>974,437</u>
Expenditures				
Public safety function				
Fire				
Salaries and wages	11,517,069	11,517,069	10,637,660	879,409
Employee benefits	6,064,324	6,064,324	5,703,890	360,434
Services and supplies	4,658,340	4,658,340	3,728,663	929,677
Total expenditures	<u>22,239,733</u>	<u>22,239,733</u>	<u>20,070,213</u>	<u>2,169,520</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,241,709</u>	<u>1,241,709</u>	<u>4,385,666</u>	<u>3,143,957</u>
Other Financing Sources (Uses)				
Proceeds from asset disposition	-	-	130	130
Transfers out				
Capital Projects Fund	(4,300,000)	(4,300,000)	(4,300,000)	-
Contingency	(350,000)	(350,000)	-	350,000
Total other financing sources (uses)	<u>(4,650,000)</u>	<u>(4,650,000)</u>	<u>(4,299,870)</u>	<u>350,130</u>
Net Change in Fund Balances	(3,408,291)	(3,408,291)	85,796	3,494,087
Fund Balances, Beginning of Year	<u>9,064,749</u>	<u>9,064,749</u>	<u>10,329,604</u>	<u>1,264,855</u>
Fund Balances, End of Year	<u>\$ 5,656,458</u>	<u>\$ 5,656,458</u>	<u>\$ 10,415,400</u>	<u>\$ 4,758,942</u>

See Notes to Required Supplementary Information

Truckee Meadows Fire Protection District  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual: Major Special Revenue  
Fund – Emergency Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Other	\$ -	\$ -	\$ 282,314	\$ 282,314
Expenditures				
Public safety function				
Fire				
Salaries and wages	250,000	250,000	263,053	(13,053)
Employee benefits	25,000	25,000	13,215	11,785
Services and supplies	375,000	375,000	133,583	241,417
Total expenditures	650,000	650,000	409,851	240,149
Net Change in Fund Balances	(650,000)	(650,000)	(127,537)	522,463
Fund Balances, Beginning of Year	806,621	806,621	771,851	(34,770)
Fund Balances, End of Year	\$ 156,621	\$ 156,621	\$ 644,314	\$ 487,693

Truckee Meadows Fire Protection District

Reconciliation of the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) to the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis)  
Year Ended June 30, 2015

	General Fund (Budgetary Basis)	Internally Reported Funds	General Fund (GAAP Basis)
Revenues			
Taxes	\$ 10,702,267	\$ -	\$ 10,702,267
Licenses and permits	3,631	-	3,631
Intergovernmental	13,407,051	-	13,407,051
Charges for services	10,800	-	10,800
Miscellaneous	332,130	5,871	338,001
Total revenues	<u>24,455,879</u>	<u>5,871</u>	<u>24,461,750</u>
Expenditures			
Current			
Public safety	<u>20,070,213</u>	<u>128,869</u>	<u>20,199,082</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,385,666</u>	<u>(122,998)</u>	<u>4,262,668</u>
Other Financing Sources (Uses)			
Proceeds from asset disposition	130	-	130
Transfers in	-	589,769	589,769
Transfers out	<u>(4,300,000)</u>	<u>-</u>	<u>(4,300,000)</u>
Total other financing courses (uses)	<u>(4,299,870)</u>	<u>589,769</u>	<u>(3,710,101)</u>
Net Change in Fund Balances	85,796	466,771	552,567
Fund Balances, Beginning of Year	<u>10,329,604</u>	<u>573,198</u>	<u>10,902,802</u>
Fund Balances, End of Year	<u>\$ 10,415,400</u>	<u>\$ 1,039,969</u>	<u>\$ 11,455,369</u>

Truckee Meadows Fire Protection District  
Schedule of Funding Progress – Other Postemployment Benefits  
June 30, 2015

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded AAL (UALL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a-b)/c]
7/1/2011	\$ 3,361,331	\$ 3,533,063	\$ (171,732)	105.11%	\$ 793,352	(21.65)%
7/1/2013	4,079,936	3,573,083	506,853	87.58%	797,886	63.52 %
7/1/2014	3,293,617	3,981,559	(687,942)	120.89%	5,034,484	(13.66)%

Truckee Meadows Fire Protection District  
 Schedule of District's Share of Net Pension Liability  
 Public Employee's Retirement System of Nevada (PERS)  
 Last Ten Fiscal Years

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	2014
District's portion of net the pension liability	0.20583%
District's proportionate share of the net pension liability	\$ 21,451,071
District's covered-employee payroll	\$ 7,783,987
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	275.58%
Plan fiduciary net position as a percentage of the total pension liability	76.31%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.



Truckee Meadows Fire Protection District  
 Schedule of District's Contributions  
 Public Employee's Retirement System of Nevada (PERS)  
 Last Ten Fiscal Years

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	2015
Statutorily required contribution	\$ 3,470,650
Contributions in relation to the statutorily required contribution	\$ 3,470,650
Contribution (deficiency) excess	\$ -
Employer's covered-employee payroll	\$ 8,435,593
Contributions as a percentage of covered-employee payroll	41.14%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.

**Note 1 - Internally Reported (Budgetary Basis) Funds**

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 as adopted and approved by the State of Nevada Department of Taxation. However, guidance provided by Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, specifies that two of these internally reported funds of the District do not meet the definition of special revenue funds and do not qualify to be separately presented for external reporting purposes.

These internally reported special revenue funds of the District (Sick Annual Comp Benefits Fund and Stabilization Fund) are combined with the General Fund for external reporting purposes.

**Note 2 - Employer Contributions**

The District joined the Washoe County, Nevada OPEB Trust in the fiscal year 2011. Information on employer contributions can be found in the Trust's separately issued OPEB Trust, c/o Washoe County Comptroller's office, PO Box 11130, Reno, NV 89520.

**Note 3 - Trend Analysis**

The Actuarial Accrued Liability (AAL) decreased by \$786,319 since the last valuation due primarily to a change under the current labor agreement, requiring retirees to enroll in Medicare at 65.



Supplementary Information

# Truckee Meadows Fire Protection District

Truckee Meadows Fire Protection District  
 Reconciliation of the General Fund Balance Sheet (Budgetary Basis) to the General Fund Balance Sheet  
 (GAAP Basis) – Governmental Funds  
 June 30, 2015

	General Fund (Budgetary Basis)	Internally Reported Funds	General Fund (GAAP Basis)
<b>Assets</b>			
Cash and investments	\$ 10,384,153	\$ 1,038,455	\$ 11,422,608
Accounts receivable	1,325	-	1,325
Taxes receivable	113,859	-	113,859
Due from other governments	2,175,031	-	2,175,031
Interest receivable	30,793	1,514	32,307
	<u>12,705,161</u>	<u>1,039,969</u>	<u>13,745,130</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 1,069,461	\$ -	\$ 1,069,461
Due to other governments	939,713	-	939,713
	<u>2,009,174</u>	<u>-</u>	<u>2,009,174</u>
<b>Deferred Inflows of Resources</b>			
Unavailable reveue			
Property taxes	95,105	-	95,105
Reimbursement	185,482	-	185,482
	<u>280,587</u>	<u>-</u>	<u>280,587</u>
<b>Fund Balances</b>			
Assigned	2,866,592	298,000	3,164,592
Unassigned	7,548,808	741,969	8,290,777
	<u>10,415,400</u>	<u>1,039,969</u>	<u>11,455,369</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 12,705,161</u>	<u>\$ 1,039,969</u>	<u>\$ 13,745,130</u>

Truckee Meadows Fire Protection District  
 Combing Balance Sheet – Internally Reported (Budgetary Basis) Funds Reported as Part of the General Fund for  
 External Reporting Purposes  
 June 30, 2015

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	Sick Annual Comp Benefits Fund	Stabilization Fund	Internally Reported Total
Assets			
Cash and investments	\$ 461,419	\$ 577,036	\$ 1,038,455
Interest receivable	-	1,514	1,514
Total assets	\$ 461,419	\$ 578,550	\$ 1,039,969
Fund Balances			
Assigned	\$ 298,000	\$ -	\$ 298,000
Unassigned	163,419	578,550	741,969
Total fund balances	\$ 461,419	\$ 578,550	\$ 1,039,969

Truckee Meadows Fire Protection District  
 Combing Statement of Revenues, Expenditures, and Changes in Fund Balances – Internally Reported (Budgetary  
 Basis) Funds Reported as Part of the General Fund for External Reporting Purposes  
 Year Ended June 30, 2015

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	Sick Annual Comp Benefits Fund	Stabilization Fund	Internally Reported Total
Revenues			
Miscellaneous	\$ -	\$ 5,871	\$ 5,871
Expenditures			
Current			
Public safety	128,350	519	128,869
Excess (Deficiency) of Revenues over Expenditures	(128,350)	5,352	(122,998)
Other Financing Sources (Uses)			
Transfers in	589,769	-	589,769
Net Change in Fund Balances	461,419	5,352	466,771
Fund Balances, Beginning of Year	-	573,198	573,198
Fund Balances, End of Year	\$ 461,419	\$ 578,550	\$ 1,039,969

Truckee Meadows Fire Protection District  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Sick Annual Comp  
Benefits Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Expenditures				
Public safety function				
Fire				
Salaries and wages	250,000	250,000	126,516	123,484
Employee benefits	5,000	5,000	1,834	3,166
Total expenditures	<u>255,000</u>	<u>255,000</u>	<u>128,350</u>	<u>126,650</u>
Excess (Deficiency) of Revenues over Expenditures	(245,000)	(245,000)	(128,350)	116,650
Other Financing Sources (Uses)				
Transfers in				
Health Benefits Fund	<u>589,769</u>	<u>589,769</u>	<u>589,769</u>	<u>-</u>
Net Change in Fund Balance	344,769	344,769	461,419	116,650
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 344,769</u></u>	<u><u>\$ 344,769</u></u>	<u><u>\$ 461,419</u></u>	<u><u>\$ 116,650</u></u>

Truckee Meadows Fire Protection District

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Stabilization Fund  
Year Ended June 30, 2015

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	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 8,000	\$ 8,000	\$ 7,166	\$ (834)
Net decrease in the fair value of investments	-	-	(1,295)	(1,295)
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>5,871</u>	<u>(2,129)</u>
Expenditures				
Public safety function				
Fire				
Services and supplies	<u>500,000</u>	<u>500,000</u>	<u>519</u>	<u>499,481</u>
Excess (Deficiency) of Revenues over Expenditures	(492,000)	(492,000)	5,352	497,352
Fund Balance, Beginning of Year	<u>569,968</u>	<u>569,968</u>	<u>573,198</u>	<u>3,230</u>
Fund Balance, End of Year	<u><u>\$ 77,968</u></u>	<u><u>\$ 77,968</u></u>	<u><u>\$ 578,550</u></u>	<u><u>\$ 500,582</u></u>



Truckee Meadows Fire Protection District

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 100,000	\$ 100,000	\$ 35,523	\$ (64,477)
Net decrease in the fair value of investments	-	-	(15,352)	(15,352)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>20,171</u>	<u>(79,829)</u>
Expenditures				
Public safety function				
Fire				
Services and supplies	1,371,859	1,371,859	623,186	748,673
Capital outlay	<u>7,365,120</u>	<u>7,365,120</u>	<u>2,684,057</u>	<u>4,681,063</u>
Total expenditures	<u>8,736,979</u>	<u>8,736,979</u>	<u>3,307,243</u>	<u>5,429,736</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,636,979)</u>	<u>(8,636,979)</u>	<u>(3,287,072)</u>	<u>5,349,907</u>
Other Financing Sources (Uses)				
Transfers in				
General Fund	4,300,000	4,300,000	4,300,000	-
Health Benefits Fund	<u>1,200,000</u>	<u>1,200,000</u>	<u>600,000</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>5,500,000</u>	<u>5,500,000</u>	<u>4,900,000</u>	<u>(600,000)</u>
Net Change in Fund Balance	(3,136,979)	(3,136,979)	1,612,928	4,749,907
Fund Balance, Beginning of Year	<u>3,535,292</u>	<u>3,535,292</u>	<u>3,329,172</u>	<u>(206,120)</u>
Fund Balance, End of Year	<u>\$ 398,313</u>	<u>\$ 398,313</u>	<u>\$ 4,942,100</u>	<u>\$ 4,543,787</u>

Truckee Meadows Fire Protection District  
Combining Statement of Net Position – Internal Service Funds  
June 30, 2015

	Governmental Activities		Total
	Workers' Compensation Internal Service Fund	Health Benefits Internal Service Fund	
Assets			
Current assets			
Cash and investments	\$ 4,255,160	\$ 603,892	\$ 4,859,052
Interest receivable	11,654	1,643	13,297
Total assets	<u>4,266,814</u>	<u>605,535</u>	<u>4,872,349</u>
Liabilities			
Current liabilities			
Short-term portion of long-term liabilities			
Claims and judgments	464,497	-	464,497
Noncurrent liabilities			
Claims and judgments	<u>390,503</u>	<u>-</u>	<u>390,503</u>
Total liabilities	<u>855,000</u>	<u>-</u>	<u>855,000</u>
Net Position			
Restricted	<u>\$ 3,411,814</u>	<u>\$ 605,535</u>	<u>\$ 4,017,349</u>

Truckee Meadows Fire Protection District  
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds  
Year Ended June 30, 2015

	Governmental Activities		Total
	Workers' Compensation Internal Service Fund	Health Benefits Internal Service Fund	
Operating Expenses			
Services and supplies			
Claims	\$ 104,863	\$ -	\$ 104,863
Nonoperating Revenues (Expenses)			
Investment earnings	52,985	14,704	67,689
Net decrease in the fair value of investments	(9,552)	(537)	(10,089)
Total nonoperating revenues (expenses)	43,433	14,167	57,600
Income (Loss) Before Transfers	(61,430)	14,167	(47,263)
Transfers Out			
Sick Annual Comp Benefits Fund	-	(589,769)	(589,769)
Capital Projects Fund	-	(600,000)	(600,000)
Total transfers out	-	(1,189,769)	(1,189,769)
Change in Net Position	(61,430)	(1,175,602)	(1,237,032)
Net Position, Beginning of Year	3,473,244	1,781,137	5,254,381
Net Position, End of Year	\$ 3,411,814	\$ 605,535	\$ 4,017,349

Truckee Meadows Fire Protection District  
Combining Statement of Cash Flows – Internal Service Funds  
Year Ended June 30, 2015

	Governmental Activities		Total
	Workers' Compensation Internal Service Fund	Health Benefits Internal Service Fund	
Operating Activities			
Cash payments for services and supplies	\$ (419,863)	\$ -	\$ (419,863)
Noncapital Financing Activities			
Transfers out	-	(1,189,769)	(1,189,769)
Investing Activities			
Investment earnings	43,083	17,862	60,945
Net Change in Cash and Cash Equivalents	(376,780)	(1,171,907)	(1,548,687)
Cash and Cash Equivalents, Beginning of Year	4,631,940	1,775,799	6,407,739
Cash and Cash Equivalents, End of Year	\$ 4,255,160	\$ 603,892	\$ 4,859,052
Reconciliation of operating loss to net cash used for operating activities			
Operating income (loss)	\$ (104,863)	\$ -	\$ (104,863)
Adjustments to reconcile operating loss to net cash used for operating activities			
Change in Pending claims	(315,000)	-	(315,000)
Net Cash used for Operating Activities	\$ (419,863)	\$ -	\$ (419,863)

Truckee Meadows Fire Protection District  
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Workers’ Compensation  
Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Operating Expenses				
Services and supplies				
Claims	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 104,863</u>	<u>\$ 895,137</u>
Nonoperating Revenues (Expenses)				
Investment earnings	50,000	50,000	52,985	2,985
Net decrease in the fair value of investments	<u>-</u>	<u>-</u>	<u>(9,552)</u>	<u>(9,552)</u>
Total nonoperating revenues (expenses)	<u>50,000</u>	<u>50,000</u>	<u>43,433</u>	<u>(6,567)</u>
Change in Net Position	<u><u>\$ (950,000)</u></u>	<u><u>\$ (950,000)</u></u>	(61,430)	<u><u>\$ 888,570</u></u>
Net Position, Beginning of Year			<u>3,473,244</u>	
Net Position, End of Year			<u><u>\$ 3,411,814</u></u>	

Truckee Meadows Fire Protection District  
Schedule of Cash Flows – Budget and Actual – Workers’ Compensation Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Operating Activities				
Cash payments for services and supplies	\$ (1,000,000)	\$ (1,000,000)	\$ (419,863)	\$ 580,137
Investing Activities				
Investment earnings	50,000	50,000	43,083	(6,917)
Net Change in Cash and Cash Equivalents	(950,000)	(950,000)	(376,780)	573,220
Cash and Cash Equivalents, Beginning of Year	<u>4,773,428</u>	<u>4,773,428</u>	<u>4,631,940</u>	<u>(141,488)</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,823,428</u>	<u>\$ 3,823,428</u>	<u>\$ 4,255,160</u>	<u>\$ 431,732</u>
Reconciliation of operating loss to net cash used for operating activities				
Operating income (loss)			\$ (104,863)	
Adjustments to reconcile operating loss to net cash used for operating activities				
Change in Pending claims			<u>(315,000)</u>	
Net Cash Provided used for Operating Activities			<u>\$ (419,863)</u>	

Truckee Meadows Fire Protection District  
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Health Benefits Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Nonoperating Revenues (Expenses)				
Investment earnings	\$ -	\$ -	\$ 14,704	\$ 14,704
Net decrease in the fair value of investments	-	-	(537)	(537)
Total nonoperating revenues (expenses)	-	-	14,167	14,167
Transfers In (Out)				
Transfers out				
Sick Annual Comp Benefits Fund	(589,769)	(589,769)	(589,769)	-
Capital Projects Fund	(1,200,000)	(1,200,000)	(600,000)	600,000
Total Transfers In (Out)	(1,789,769)	(1,789,769)	(1,189,769)	600,000
Change in Net Position	<u>\$ (1,789,769)</u>	<u>\$ (1,789,769)</u>	(1,175,602)	<u>\$ 614,167</u>
Net Position, Beginning of Year			<u>1,781,137</u>	
Net Position, End of Year			<u>\$ 605,535</u>	

Truckee Meadows Fire Protection District  
Schedule of Cash Flows – Budget and Actual – Health Benefits Fund  
Year Ended June 30, 2015

	2015 Budgeted Amounts		2015	
	Original	Final	Actual	Variance with Final Budget
Noncapital Financing Activities				
Transfers out	\$ (1,789,769)	\$ (1,789,769)	\$ (1,189,769)	\$ 600,000
Investing Activities				
Investment earnings (loss)	-	-	17,862	17,862
Net Change in Cash and Cash Equivalents	(1,789,769)	(1,789,769)	(1,171,907)	617,862
Cash and Cash Equivalents, Beginning of Year	1,789,769	1,789,769	1,775,799	(13,970)
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ 603,892	\$ 603,892





**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  
Truckee Meadows Fire Protection District  
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Truckee Meadows Fire Protection District (the District) (a component unit of Washoe County, Nevada) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control 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 deficiencies described in the accompanying schedule of findings and responses as findings 2015-A and 2015-B to be material weaknesses.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

### **Truckee Meadows Fire Protection District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada  
November 25, 2015



**2015-A Deposits, Capital Assets, and Accounts Payable  
Material Weakness**

*Criteria:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. An important component of an effective system of internal control over financial reporting includes the identification and proper recording of deposits, accounts payable, and capital assets in accordance with U.S. generally accepted accounting principles (GAAP).

*Condition and Context:* During our audit testing, we noted the balances for deposits and accounts payable in the Capital Projects Fund required adjustment. The deposits balance included amounts that should have been reclassified to capital outlay during 2015. The accounts payable balance included the deposit balance; however, these amounts had been paid during 2015.

In addition, the amounts that should have been reclassified to capital outlay during 2015, noted above, were improperly classified as construction in progress rather than equipment and depreciated. During our audit testing, we noted other balances of completed projects still classified as construction in progress at June 30, 2015. The balances required reclassification to either buildings or equipment and an adjustment was made to reflect the related depreciation.

*Effect:* Before the adjustments, deposits and accounts payable were overstated by \$1,508,009; construction in progress was overstated and buildings and equipment were understated by \$5,293,230 and depreciation was understated by \$108,139.

*Cause:* Truckee Meadows Fire Protection District did not have sufficient internal controls in place to identify adjustments needed to properly reflect deposit and account payable balances for capital items. In addition, the District did not have internal controls in place to provide for the review of construction in progress balances to ensure completed projects were classified appropriately.

*Recommendation:* We recommend Truckee Meadows Fire Protection District enhance internal controls in place to identify adjustments needed to properly reflect deposit and account payable balances for capital items. In addition, we recommend the District implement internal controls to provide for the review of construction in progress balances to ensure completed projects are classified appropriately.

*Management's Response:* The District agrees that internal controls should be enhanced in the Capital Projects Fund. The depreciation schedules and construction in progress review should be completed prior to the start of the audit. Due to limited staffing and coordination with Washoe County's Comptroller staff, these schedules were not available until after the audit had commenced. The deposits and accounts payable balances should have corrected through the software program automatically when the capital items were marked as received in the system; however, due to the timing of the check runs, the adjustment was not issued in the system until July 1<sup>st</sup> which was fiscal year 2016. The District is implementing a quarterly review of the Capital Projects Fund to ensure that completed projects are classified appropriately and that the deposits and accounts payable items are recorded in the proper period.

**2015-B Financial Statement Preparation  
Material Weakness**

<i>Criteria:</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements.
<i>Condition and Context:</i>	The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for a government the size of Truckee Meadows Fire Protection District, the preparation of financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel. In addition, the absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, in a timely manner by the District's internal control. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.
<i>Effect:</i>	Internally prepared financial information may not be accurate and full disclosure financial statements may not be available as timely as they would be if prepared by District personnel.
<i>Cause:</i>	Due to a shortage of personnel with the ability to prepare full disclosure financial statements, the District has chosen to contract with Eide Bailly LLP to prepare its financial statements and related financial statement disclosures.
<i>Recommendation:</i>	We recommend Truckee Meadows Fire Protection District's finance staff obtain training in the preparation of governmental financial statements and related financial statement disclosures in order to gain the knowledge needed to prepare the financial statements and related financial statement disclosures internally.
<i>Management's Response:</i>	Currently, due to limited staffing in the administration of the District, it was determined that contracting with Eide Bailly LLP for the preparation of the financial statements and the related statement disclosures provided the best cost benefit to the District. For the future, staffing will continue to be evaluated to determine the needs and best benefits of the District in the preparation of the financial statements.

## Auditor's Comments

To the Honorable Board of Fire Commissioners  
Truckee Meadows Fire Protection District  
Reno, Nevada

In connection with our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Truckee Meadows Fire Protection District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, nothing came to our attention that caused us to believe that Truckee Meadows Fire Protection District failed to comply with the specific requirements of Nevada Revised Statutes except as noted below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they related to accounting matters.

### Current Year Statute Compliance

The District conformed to all significant statutory constraints on its financial administration during the year except for those items identified in Note 2 of the accompanying financial statements.

### Progress on Prior Year Statute Compliance

There were no potential statute or Administrative Code violations noted in the June 30, 2014 audit.

### Prior Year Recommendations

We noted no material weaknesses and reported no significant deficiencies in internal controls in the 2014 audit.

### Current Year Recommendations

Our current year recommendations are included in the Schedule of Findings and Responses.



Reno, Nevada  
November 25, 2015