



Financial Statements
June 30, 2016

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, 2016, 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, 2016, 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.

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, 39-41, 42 and 43-44, 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 11, 2016, 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 11, 2016

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, 2016.

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 \$16,538,504 of which includes \$17,671,594 net investment in capital assets, \$659,745 restricted for wildland fire emergencies, \$7,022,011 restricted for capital projects, \$3,908,425 restricted for claims, and (\$12,723,271) 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 \$6,681,780 for this service in fiscal year 2016.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$19,225,623, an increase of \$2,183,840 or 12.8% in comparison with the prior year. This increase was primarily caused by a transfer of one-time savings to the capital projects fund in anticipation of funding capital project needs with cash instead of acquiring debt. Approximately 43.4% 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, 2016, were \$43,410,891 with capital assets, net of accumulated depreciation, accounting for \$17,671,594 of that total. Of the total liabilities of \$29,340,483, approximately 95% represent liabilities related to long-term liabilities of the District. This is an increase of \$3,282,085 in liabilities in comparison with the prior year which was primarily caused by the increase in the Net Pension Liability.

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, 2016 were \$26,630,645 consisting primarily of taxes and intergovernmental revenues, while total expenses were \$24,435,890. This resulted in an increase in net position of \$2,194,755, an indication that the financial condition of the District improved during the year which was primarily caused by an increase in general revenues of the 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 types of 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 governmental rather than business-type functions, it has 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 21-38 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 immediately following the notes to the financial statements. These reconciliations can be found on pages 41 and 46 of this report.

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, 2016, the District's total net position was \$16,538,504, which is a \$2,194,755 increase from the prior year. The primary reason for the increase was the increase in general revenues.

Truckee Meadows Fire Protection District's Net Position

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$25,739,297	\$25,100,374
Capital assets	<u>17,671,594</u>	<u>17,170,326</u>
Total assets	<u>43,410,891</u>	<u>42,270,700</u>
Deferred outflows of resources	<u>5,749,113</u>	<u>3,663,602</u>
Other liabilities	1,461,457	2,052,868
Long-term liabilities	<u>27,879,026</u>	<u>24,005,530</u>
Total liabilities	<u>29,340,483</u>	<u>26,058,398</u>
Deferred inflows of resources	<u>3,281,017</u>	<u>5,532,155</u>
Net position:		
Investment in capital assets	17,671,594	17,170,326
Restricted	11,590,181	9,670,103
Unrestricted	<u>(12,723,271)</u>	<u>(12,496,680)</u>
Total net position	<u>\$16,538,504</u>	<u>\$14,343,749</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 \$16,538,504. 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, 2016 was \$17,671,594. 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 \$11,590,181 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 (\$12,723,271).

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 balance sheet.

Truckee Meadows Fire Protection District's Changes in Net Position

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 7,230,944	\$ 6,917,724
Operating grants and contributions	82,699	128,966
General revenues:		
Property taxes	11,099,590	10,664,958
Consolidated taxes	5,874,270	5,630,395
Other taxes	818,165	740,766
Unrestricted investment earnings	509,202	219,725
Reimbursements	414,085	341,683
Other	<u>601,690</u>	<u>49,136</u>
Total revenues	<u>26,630,645</u>	<u>24,693,353</u>
Expenses:		
Public safety	<u>24,435,890</u>	<u>22,340,917</u>
Increase in net position	2,194,755	2,352,436
Net position, July 1	<u>14,343,749</u>	<u>11,991,313</u>
Net position, June 30	<u>\$16,538,504</u>	<u>\$14,343,749</u>

Total Revenues. The District's total revenues increased by \$1,937,292, or 7.8%. The primary increase was caused by an increase of property tax, consolidated tax revenue and other revenues which reflects a recovering economy.

Total Expenses. The District's total expenses increased by \$2,094,973 or by 9.3% which was primarily due to an increase in operating costs.

Net Position. The District's total net position increased by \$2,194,755 during the fiscal year ended June 30, 2016, and \$2,352,436 during the fiscal year ended June 30, 2015. The increase in total net position in the fiscal year ended June 30, 2016 was primarily caused by increased revenue due to the economic recovery.

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 \$19,225,623, an increase of \$2,183,840 or 12.8% in comparison with the prior year. This increase was primarily caused by a transfer of one-time savings to the capital projects fund in anticipation of funding capital project needs with cash instead of acquiring debt. Approximately 43.4% 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, 2016, the total fund balance for the General Fund was \$11,545,348. The total fund balance included \$3,189,040 assigned for encumbrances and appropriated fund balance and \$6,432 in nonspendable fund balance. The remaining fund balance of \$8,349,876 is unassigned and consists of the General Fund unassigned fund balance of \$7,423,819, the Stabilization Fund unassigned fund balance of \$590,932 and the Sick Annual Comp Benefits Fund unassigned fund balance of \$125,125.

The total fund balance for the General Fund in the amount of \$11,545,348 is an increase of \$89,979 from the prior year. This increase was generally attributable to the improving economy.

As a measure of the General Fund's liquidity, it may be useful to compare the June 30, 2016, total fund balance not attributable to the Stabilization Fund or the Sick Annual Comp Benefits Fund of \$10,619,291 to fund expenditures. The fund balance represents 48.8% 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 2016, 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 \$464,994. The Emergency Fund balance as of June 30, 2016 was \$658,264. The Capital Projects Fund activity in fiscal year 2016 included, among other things, the purchase of radios, land, 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, 2016, was \$3,291,881. The net position of the Health Benefits Fund was \$616,544. In fiscal year 2016, the District fully funded its workers' compensation and health benefits liabilities. In fiscal year 2017, 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, 2016, amounts to \$17,671,594 (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 2016 as demonstrated below.

Percentage Increase (Decrease) in Taxable Sales Over Prior Year

Entity	Fiscal Year			
	2013	2014	2015	2016
Statewide	5.2%	4.9%	7.1%	4.8%
Clark County	4.8%	7.6%	6.3%	4.7%
Washoe County	5.5%	9.4%	12.2%	10.7%

- Washoe County's taxable gaming revenues showed some growth with a 4.7% increase in fiscal year 2016 over the prior year which demonstrates the Northern Nevada economic recovery. Clark County saw a 1% increase over the prior year and the State of Nevada saw a 1.14% increase. The taxable gaming revenue trend reflects the modest national and statewide economic recovery.
- The June 2016 unemployment rate in Washoe County was 5.9% which compares favorably to the June 2015 unemployment rate of 6.4%. Washoe County's June 2016 unemployment rate of 5.9% is more favorable than the Clark County unemployment rate of 6.9%. The statewide unemployment rate was 6.8% at June 30, 2016 which compares slightly more favorably to the 6.9% statewide unemployment rate at June 30, 2015.

- The TMFPD increase in assessed valuation over the past three years demonstrates the District's recovery from the Great Recession. Due to the recession, the District experienced a 9.89% decline in assessed value in FY 13. However, with the economic recovery, the District's assessed value increased by 2.58% in FY 14, increased by 7.14% in FY 15 and experienced a strong increase of 11.13% in FY 16.

These factors were considered in preparing the District's budget for the 2017 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, 2016

	Governmental Activities
Assets	
Cash and investments	\$ 23,449,768
Accounts receivable	141,966
Taxes receivable	102,242
Due from other governments	1,451,072
Interest receivable	59,048
Deposits	6,432
Net OPEB asset	528,769
Capital assets, not being depreciated	2,279,729
Capital assets, net of accumulated depreciation	15,391,865
Total assets	43,410,891
Deferred Outflows of Resources	
Pension related amounts	5,749,113
Liabilities	
Accounts payable and accrued liabilities	1,314,967
Due to other governments	133,368
Unearned revenue	13,122
Noncurrent liabilities	
Due within one year	
Claims and judgments	533,000
Compensated absences	1,145,260
Due in more than one year	
Compensated absences	842,004
Net pension liability	25,358,762
Total liabilities	29,340,483
Deferred Inflows of Resources	
Pension related amounts	3,281,017
Net Position	
Investment in capital assets	17,671,594
Restricted for	
Wildland fire emergencies	659,745
Capital projects	7,022,011
Claims	3,908,425
Unrestricted	(12,723,271)
Total net position	\$ 16,538,504

Truckee Meadows Fire Protection District
Statement of Activities
Year Ended June 30, 2016

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	\$ 24,435,890	\$ 7,230,944	\$ -	\$ 82,699	\$ (17,122,247)
General Revenues					
Ad valorem taxes					11,099,590
Intergovernmental Revenues					
Consolidated taxes					5,874,270
SCCRT-AB104					781,089
Real property transfer tax					37,076
Licenses and permits					22,453
Reimbursements					414,085
Unrestricted investment earnings					509,202
Other					579,237
					19,317,002
Change in Net Position					2,194,755
Net Position, Beginning of Year					14,343,749
Net Position, End of Year					\$ 16,538,504

Truckee Meadows Fire Protection District
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund (GAAP Basis)	Emergency Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 11,207,763	\$ 653,549	\$ 7,092,976	\$ 18,954,288
Accounts receivable	141,966	-	-	141,966
Taxes receivable	102,242	-	-	102,242
Due from other governments	1,432,150	18,922	-	1,451,072
Interest receivable	31,126	-	17,188	48,314
Deposits	6,432	-	-	6,432
Total assets	\$ 12,921,679	\$ 672,471	\$ 7,110,164	\$ 20,704,314
Liabilities				
Accounts payable and accrued liabilities	\$ 1,227,210	\$ 12,726	\$ 75,031	\$ 1,314,967
Due to other governments	68,579	-	-	68,579
Unearned revenue	-	-	13,122	13,122
Total liabilities	1,295,789	12,726	88,153	1,396,668
Deferred Inflows of Resources				
Unavailable revenues				
Property taxes	80,542	-	-	80,542
Reimbursements	-	1,481	-	1,481
Total deferred inflows of resources	80,542	1,481	-	82,023
Fund Balances				
Nonspendable	6,432	-	-	6,432
Restricted	-	658,264	7,022,011	7,680,275
Assigned	3,189,040	-	-	3,189,040
Unassigned	8,349,876	-	-	8,349,876
Total fund balances	11,545,348	658,264	7,022,011	19,225,623
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,921,679	\$ 672,471	\$ 7,110,164	\$ 20,704,314

Truckee Meadows Fire Protection District
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2016

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

Total fund balances - total governmental funds		\$ 19,225,623
Capital assets used in governmental activities are not financial resources, and, therefore are not reported in the funds.		
Governmental capital assets	28,949,252	
Less accumulated depreciation	<u>(11,277,658)</u>	17,671,594
Deferred inflows of resources are not available to pay for current period expenditures, and, therefore, are deferred in the funds.		
		82,023
The net OPEB asset cannot be used as a current financial resource to finance general operations, and, therefore, is not reported in the funds.		
		528,769
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.		
Compensated absences	(1,987,264)	
Net pension liability	<u>(25,358,762)</u>	(27,346,026)
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	5,749,113	
Deferred inflows of resources related to pensions	<u>(3,281,017)</u>	2,468,096
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>3,908,425</u>
Net position of governmental activities		<u><u>\$ 16,538,504</u></u>

Truckee Meadows Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2016

	General Fund (GAAP Basis)	Emergency Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 11,114,153	\$ -	\$ -	\$ 11,114,153
Licenses and permits	22,453	-	-	22,453
Intergovernmental	13,994,976	-	-	13,994,976
Charges for services	11,102	-	-	11,102
Miscellaneous	818,369	478,944	151,702	1,449,015
Total revenues	25,961,053	478,944	151,702	26,591,699
Expenditures				
Current				
Public safety	21,864,623	464,994	526,455	22,856,072
Capital outlay	28,508	-	1,545,336	1,573,844
Total expenditures	21,893,131	464,994	2,071,791	24,429,916
Excess (Deficiency) of Revenues over Expenditures	4,067,922	13,950	(1,920,089)	2,161,783
Other Financing Sources (Uses)				
Proceeds from asset disposition	22,057	-	-	22,057
Transfers in	-	-	4,000,000	4,000,000
Transfers out	(4,000,000)	-	-	(4,000,000)
Total other financing sources (uses)	(3,977,943)	-	4,000,000	22,057
Net Change in Fund Balances	89,979	13,950	2,079,911	2,183,840
Fund Balances, Beginning of Year	11,455,369	644,314	4,942,100	17,041,783
Fund Balances, End of Year	\$ 11,545,348	\$ 658,264	\$ 7,022,011	\$ 19,225,623

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, 2016

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

Net change in fund balances - total governmental funds		\$ 2,183,840
<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>		
		501,268
<p>Some revenues reported in the governmental funds were reported on the statement of activities in the prior year.</p>		
		(264,904)
<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 in governmental funds:</p>		
Change in compensated absences	(287,805)	
Change in postemployment benefits	<u>(257,678)</u>	
		(545,483)
<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	2,085,511	
Pension expense	<u>(1,656,553)</u>	
		428,958
<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>(108,924)</u>
Change in net position of governmental activities		<u><u>\$ 2,194,755</u></u>

Truckee Meadows Fire Protection District
Statement of Net Position – Proprietary Fund
June 30, 2016

	<u>Governmental Activities Internal Service Funds</u>
Assets	
Current assets	
Cash and investments	\$ 4,495,480
Interest receivable	<u>10,734</u>
Total assets	<u>4,506,214</u>
Liabilities	
Current liabilities	
Due to other governments	64,789
Claims and judgments	<u>533,000</u>
Total liabilities	<u>597,789</u>
Net Position	
Restricted	<u><u>\$ 3,908,425</u></u>

Truckee Meadows Fire Protection District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2016

	Governmental Activities Internal Service Funds
Operating Expenses	
Services and supplies	
Claims	\$ 166,623
Nonoperating Revenues (Expenses)	
Investment earnings	54,913
Net increase in the fair value of investments	41,398
Interest expense	(38,612)
Total nonoperating revenues (expenses)	57,699
Change in Net Position	(108,924)
Net Position, Beginning of Year	4,017,349
Net Position, End of Year	\$ 3,908,425

Truckee Meadows Fire Protection District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2016

	Governmental Activities Internal Service Funds
Operating Activities	
Cash payments for services and supplies	<u>\$ (423,834)</u>
Noncapital Financing Activities	
Interest paid	<u>(38,612)</u>
Investing Activities	
Investment earnings	<u>98,874</u>
Net Change in Cash and Cash Equivalents	(363,572)
Cash and Cash Equivalents, Beginning of Year	<u>4,859,052</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,495,480</u></u>
Reconciliation of operating income (loss) to net cash from (used for) operating activities	
Operating income (loss)	\$ (166,623)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:	
Change in	
Due to other governments	64,789
Pending claims	<u>(322,000)</u>
Total adjustments	<u>(257,211)</u>
Net Cash used for Operating Activities	<u><u>\$ (423,834)</u></u>

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.

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 \$4.50 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. 72

As of July 1, 2015, the Truckee Meadows Fire Protection District adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The implementation of this standard requires governments to measure investments at fair value. The additional disclosures required by this standard are included in Note 3.

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 \$501,268 difference are as follows:

Capital outlay	\$ 1,573,844
Additional amounts capitalized	51,347
Less depreciation expense	<u>(1,123,923)</u>
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 501,268</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.

Note 3 - Cash and Investments

Fair Value Measurements

Investments are measured at fair value in the financial statements. Fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 related fair value is determined as follows:

	June 30, 2016	
	Fair Value	Level 2
Washoe County Investment Pool	\$ 23,449,768	\$ 23,449,768

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, 2016 was as follows:

Governmental Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated				
Land	\$ 721,545	\$ 1,351,629	\$ -	\$ 2,073,174
Construction in progress	154,131	52,424	-	206,555
Total capital assets, not being depreciated	<u>875,676</u>	<u>1,404,053</u>	<u>-</u>	<u>2,279,729</u>
Capital assets, being depreciated				
Land improvements	263,322	80,810	-	344,132
Buildings and building improvements	11,868,454	73,936	-	11,942,390
Vehicles and equipment	14,352,144	66,392	(35,535)	14,383,001
Total capital assets, being depreciated	<u>26,483,920</u>	<u>221,138</u>	<u>(35,535)</u>	<u>26,669,523</u>
Less accumulated depreciation for				
Land improvements	(183,777)	(14,599)	-	(198,376)
Buildings and building improvements	(3,979,382)	(361,703)	-	(4,341,085)
Vehicles and equipment	(6,026,111)	(747,621)	35,535	(6,738,197)
Total accumulated depreciation	<u>(10,189,270)</u>	<u>(1,123,923)</u>	<u>35,535</u>	<u>(11,277,658)</u>
Total capital assets, being depreciated, net	<u>16,294,650</u>	<u>(902,785)</u>	<u>-</u>	<u>15,391,865</u>
Governmental activities capital assets, net	<u>\$ 17,170,326</u>	<u>\$ 501,268</u>	<u>\$ -</u>	<u>\$ 17,671,594</u>

The increase in accumulated depreciation includes depreciation expense of \$1,123,923 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, 2016. Long-term liability activity for the year ended June 30, 2016, was as follows:

	Amount Outstanding July 1, 2015	Additions	Reductions	Amount Outstanding June 30, 2016	Due Within One Year
Compensated absences	\$ 1,699,459	\$ 1,310,732	\$ 1,022,927	\$ 1,987,264	\$ 1,145,260
Claims and judgments	855,000	166,623	488,623	533,000	533,000
	<u>\$ 2,554,459</u>	<u>\$ 1,477,355</u>	<u>\$ 1,511,550</u>	<u>\$ 2,520,264</u>	<u>\$ 1,678,260</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, 2016 consisted of the following:

	Transfer in
	Capital Projects
	Fund
Transfers out	
General Fund	\$ 4,000,000

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.

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, 2016 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>
2014	\$ 223,415	\$ -	0.00%	\$ (1,001,338)
2015	214,891	-	0.00%	(786,447)
2016	257,678	-	0.00%	(528,769)

The net OPEB obligation (asset) as of June 30, 2016, was calculated as follows:

Determination of Annual Required Contribution:

Normal cost	\$ 277,767
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>(42,843)</u>
Annual Required Contribution (ARC)	<u><u>\$ 234,924</u></u>

Determination of Net OPEB Obligation (Asset):

Annual Required Contribution	\$ 234,924
Interest on prior year net OPEB obligation (asset)	(55,051)
Adjustment to ARC	<u>77,805</u>
Annual OPEB Cost	257,678
Retiree benefit plan costs paid by district	-
District contributions made to OPEB Trust	<u>-</u>
Change in net OPEB obligation (asset)	257,678
Net OPEB Obligation (Asset), Beginning of Year	<u>(786,447)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>\$ (528,769)</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 (asset) (a-b)	<u>\$ (687,942)</u>
Funded ratio (b/a)	120.9%
Covered payroll* (active plan members) (c)	\$ 5,155,973
Unfunded actuarial accrued liability (asset) as a percentage of covered payroll [(a - b)/c]	-13.34%

*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, 2016 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, 2015 the Statutory Employer/employee matching rates were 13.25% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate for fiscal year ending June 30, 2015 was 25.75% for Regular and 40.50% for Police/Fire.

For the fiscal year ended June 30, 2016 the Statutory Employer/employee matching rates were 14.50% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate for fiscal year ending June 30, 2015 was 28.00% for Regular and 40.50% for Police/Fire.

The District's contributions were \$3,671,552 for the year ended June 30, 2016.

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, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 allocation percentage of the net pension liability was based on the District’s total contributions due on wages paid during the measurement period. The District’s proportion of the net pension liability is based on its combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2015. At June 30, 2015, the District’s proportion was 0.22129 percent, which is an increase of .01546 from the portion measured as of June 30, 2014.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the District as of June 30, 2015, 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	\$ 38,641,675	\$ 25,358,762	\$ 14,313,092

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, 2015, 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, 2015 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, 2015 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, 2015. 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, 2015, 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, 2015.

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,242,594. At June 30, 2016, 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	\$ -	\$ 1,907,418
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,373,599
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	2,077,561	-
District contributions subsequent to the measurement date	3,671,552	-
Total	\$ 5,749,113	\$ 3,281,017

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date in the amount of \$3,671,552 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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, 2014 (the beginning of the measurement period ended June 30, 2015) 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:

<u>Year ended June 30,</u>	
2017	\$ (639,975)
2018	(639,975)
2019	(639,975)
2020	571,066
2021	54,120
Thereafter	<u>91,283</u>
Total	<u>\$ (1,203,456)</u>

Additional Information

The PERS Comprehensive Annual Financial Report (CAFR) is available on the PERS website at 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, 2016, the District paid the City of Reno the amount of \$304,133 for the purpose of buying out its workers' compensation liability for fiscal year 2010.

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 past two years were as follows:

Claims liability, July 1, 2014	\$ 1,170,000
Claims and changes in estimates	104,862
Claims paid	<u>(419,862)</u>
Claims liability, June 30, 2015	855,000
Claims and changes in estimates	166,623
Claims paid	<u>(488,623)</u>
Claims liability, June 30, 2016	<u><u>\$ 533,000</u></u>

Note 10 - 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 occurred on July 1, 2016. Sierra Fire Protection District paid the District \$6,681,780 during the year ended June 30, 2016 in accordance with the terms of the interlocal agreement.

Note 11 - Subsequent Events

Effective July 1, 2016, the District merged with Sierra Fire Protection District in accordance with Washoe County Ordinance 1577. All of the Sierra Fire Protection District's fire services, powers, functions, responsibilities and obligations conferred upon and exercised by the Sierra Fire Protection District were assumed by the District.



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, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes				
Ad valorem, general	\$ 10,911,909	\$ 10,911,909	\$ 10,953,556	\$ 41,647
Ad valorem, AB 104	155,066	155,066	160,597	5,531
Licenses and permits				
Gaming, AB 104	1,000	1,000	21,028	20,028
Other	1,000	1,000	1,425	425
Intergovernmental				
Federal grants	108,837	108,837	82,699	(26,138)
Consolidated taxes	5,641,952	5,641,952	5,874,270	232,318
Real property transfer tax, AB 104	31,454	31,454	37,076	5,622
Supplemental city/county relief tax, AB 104	667,137	667,137	781,089	113,952
Interlocal cooperative agreement fire suppression	7,266,780	7,266,780	7,219,842	(46,938)
Charges for services				
Services to other agencies	10,700	10,700	10,000	(700)
Other	-	-	1,102	1,102
Miscellaneous				
Investment earnings	100,000	100,000	155,314	55,314
Net increase in the fair value of investments	-	-	93,039	93,039
Reimbursements	500	500	-	(500)
Other	13,892	13,892	557,180	543,288
Total revenues	<u>24,910,227</u>	<u>24,910,227</u>	<u>25,948,217</u>	<u>1,037,990</u>
Expenditures				
Public safety function				
Fire				
Salaries and wages	12,074,396	12,424,396	11,889,177	535,219
Employee benefits	6,674,069	6,674,069	6,215,611	458,458
Services and supplies	4,678,354	4,678,354	3,633,087	1,045,267
Capital outlay	-	-	28,508	(28,508)
Total expenditures	<u>23,426,819</u>	<u>23,776,819</u>	<u>21,766,383</u>	<u>2,010,436</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,483,408</u>	<u>1,133,408</u>	<u>4,181,834</u>	<u>3,048,426</u>
Other Financing Sources (Uses)				
Proceeds from asset disposition	-	-	22,057	22,057
Transfers out				
Capital Projects Fund	(4,000,000)	(4,000,000)	(4,000,000)	-
Contingency	(350,000)	-	-	-
Total other financing sources (uses)	<u>(4,350,000)</u>	<u>(4,000,000)</u>	<u>(3,977,943)</u>	<u>22,057</u>
Net Change in Fund Balances	(2,866,592)	(2,866,592)	203,891	3,070,483
Fund Balances, Beginning of Year	<u>8,832,310</u>	<u>8,832,310</u>	<u>10,415,400</u>	<u>1,583,090</u>
Fund Balances, End of Year	<u>\$ 5,965,718</u>	<u>\$ 5,965,718</u>	<u>\$ 10,619,291</u>	<u>\$ 4,653,573</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, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Other	\$ -	\$ -	\$ 478,944	\$ 478,944
Expenditures				
Public safety function				
Fire				
Salaries and wages	250,000	250,000	320,625	(70,625)
Employee benefits	25,000	25,000	8,506	16,494
Services and supplies	245,000	245,000	135,863	109,137
Total expenditures	520,000	520,000	464,994	55,006
Net Change in Fund Balances	(520,000)	(520,000)	13,950	533,950
Fund Balances, Beginning of Year	641,851	641,851	644,314	2,463
Fund Balances, End of Year	<u>\$ 121,851</u>	<u>\$ 121,851</u>	<u>\$ 658,264</u>	<u>\$ 536,413</u>

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, 2016

	General Fund (Budgetary Basis)	Internally Reported Funds	General Fund (GAAP Basis)
Revenues			
Taxes	\$ 11,114,153	\$ -	\$ 11,114,153
Licenses and permits	22,453	-	22,453
Intergovernmental	13,994,976	-	13,994,976
Charges for services	11,102	-	11,102
Miscellaneous	805,533	12,836	818,369
Total revenues	<u>25,948,217</u>	<u>12,836</u>	<u>25,961,053</u>
Expenditures			
Current			
Public safety	21,737,875	126,748	21,864,623
Capital Outlay	28,508	-	28,508
Total expenditures	<u>21,766,383</u>	<u>126,748</u>	<u>21,893,131</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,181,834</u>	<u>(113,912)</u>	<u>4,067,922</u>
Other Financing Sources (Uses)			
Proceeds from asset disposition	22,057	-	22,057
Transfers out	(4,000,000)	-	(4,000,000)
Total other financing sources (uses)	<u>(3,977,943)</u>	<u>-</u>	<u>(3,977,943)</u>
Net Change in Fund Balances	203,891	(113,912)	89,979
Fund Balances, Beginning of Year	<u>10,415,400</u>	<u>1,039,969</u>	<u>11,455,369</u>
Fund Balances, End of Year	<u>\$ 10,619,291</u>	<u>\$ 926,057</u>	<u>\$ 11,545,348</u>

Truckee Meadows Fire Protection District
Schedule of Funding Progress – Other Postemployment Benefits
June 30, 2016

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

	2015	2014
District's portion of net the pension liability	0.22129%	0.20583%
District's proportionate share of the net pension liability	\$ 25,358,762	\$ 21,451,071
District's covered-employee payroll	\$ 8,435,593	\$ 7,783,987
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	300.62%	275.58%
Plan fiduciary net position as a percentage of the total pension liability	75.13%	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 years 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

	2016	2015
Statutorily required contribution	\$ 3,671,552	\$ 3,415,736
Contributions in relation to the statutorily required contribution	\$ 3,671,552	\$ 3,415,736
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 9,271,513	\$ 8,435,593
Contributions as a percentage of covered-employee payroll	39.60%	40.49%

* 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 years 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. Covered payroll increased by \$4,236,598 since the last valuation due to temporarily opening the plan to allow enrollment of active employees hired prior to July 1, 2014.



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, 2016

	General Fund (Budgetary Basis)	Internally Reported Funds	General Fund (GAAP Basis)
Assets			
Cash and investments	\$ 10,283,130	\$ 924,633	\$ 11,207,763
Accounts receivable	141,966	-	141,966
Taxes receivable	102,242	-	102,242
Due from other governments	1,432,150	-	1,432,150
Interest receivable	29,702	1,424	31,126
Deposits	6,432	-	6,432
	<u>\$ 11,995,622</u>	<u>\$ 926,057</u>	<u>\$ 12,921,679</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 1,227,210	\$ -	\$ 1,227,210
Due to other governments	68,579	-	68,579
	<u>1,295,789</u>	<u>-</u>	<u>1,295,789</u>
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	80,542	-	80,542
	<u>80,542</u>	<u>-</u>	<u>80,542</u>
Fund Balances			
Nonspendable	6,432	-	6,432
Assigned	2,979,040	210,000	3,189,040
Unassigned	7,633,819	716,057	8,349,876
	<u>10,619,291</u>	<u>926,057</u>	<u>11,545,348</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,995,622</u>	<u>\$ 926,057</u>	<u>\$ 12,921,679</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, 2016

	Sick Annual Comp Benefits Fund	Stabilization Fund	Internally Reported Total
Assets			
Cash and investments	\$ 335,125	\$ 589,508	\$ 924,633
Interest receivable	-	1,424	1,424
Total assets	\$ 335,125	\$ 590,932	\$ 926,057
Fund Balances			
Assigned	\$ 210,000	\$ -	\$ 210,000
Unassigned	125,125	590,932	716,057
Total fund balances	\$ 335,125	\$ 590,932	\$ 926,057

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, 2016

	Sick Annual Comp Benefits Fund	Stabilization Fund	Internally Reported Total
Revenues			
Miscellaneous	\$ -	\$ 12,836	\$ 12,836
Expenditures			
Current			
Public safety	126,294	454	126,748
Excess (Deficiency) of Revenues over Expenditures	(126,294)	12,382	(113,912)
Fund Balances, Beginning of Year	461,419	578,550	1,039,969
Fund Balances, End of Year	\$ 335,125	\$ 590,932	\$ 926,057

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, 2016

	2016 Budgeted Amounts		2016	
	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	300,000	300,000	104,525	195,475
Employee benefits	8,000	8,000	21,769	(13,769)
Total expenditures	<u>308,000</u>	<u>308,000</u>	<u>126,294</u>	<u>181,706</u>
Excess (Deficiency) of Revenues over Expenditures	(298,000)	(298,000)	(126,294)	171,706
Fund Balance, Beginning of Year	<u>466,419</u>	<u>466,419</u>	<u>461,419</u>	<u>(5,000)</u>
Fund Balance, End of Year	<u><u>\$ 168,419</u></u>	<u><u>\$ 168,419</u></u>	<u><u>\$ 335,125</u></u>	<u><u>\$ 166,706</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, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 8,000	\$ 8,000	\$ 7,381	\$ (619)
Net increase in the fair value of investments	-	-	5,455	5,455
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>12,836</u>	<u>4,836</u>
Expenditures				
Public safety function				
Fire				
Services and supplies	<u>500,000</u>	<u>500,000</u>	<u>454</u>	<u>499,546</u>
Excess (Deficiency) of Revenues over Expenditures	(492,000)	(492,000)	12,382	504,382
Fund Balance, Beginning of Year	<u>580,698</u>	<u>580,698</u>	<u>578,550</u>	<u>(2,148)</u>
Fund Balance, End of Year	<u><u>\$ 88,698</u></u>	<u><u>\$ 88,698</u></u>	<u><u>\$ 590,932</u></u>	<u><u>\$ 502,234</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, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 50,000	\$ 50,000	\$ 76,294	\$ 26,294
Net increase in the fair value of investments	-	-	75,408	75,408
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>151,702</u>	<u>101,702</u>
Expenditures				
Public safety function				
Fire				
Services and supplies	624,546	630,756	526,455	104,301
Capital outlay	6,881,163	6,874,953	1,545,336	5,329,617
Total expenditures	<u>7,505,709</u>	<u>7,505,709</u>	<u>2,071,791</u>	<u>5,433,918</u>
Excess (Deficiency) of Revenues over Expenditures	(7,455,709)	(7,455,709)	(1,920,089)	5,535,620
Other Financing Sources (Uses)				
Transfers in				
General Fund	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Net Change in Fund Balance	(3,455,709)	(3,455,709)	2,079,911	5,535,620
Fund Balance, Beginning of Year	<u>4,033,674</u>	<u>4,033,674</u>	<u>4,942,100</u>	<u>908,426</u>
Fund Balance, End of Year	<u>\$ 577,965</u>	<u>\$ 577,965</u>	<u>\$ 7,022,011</u>	<u>\$ 6,444,046</u>

Truckee Meadows Fire Protection District
Combining Statement of Net Position – Internal Service Funds
June 30, 2016

	Governmental Activities		Total
	Workers' Compensation Internal Service Fund	Health Benefits Internal Service Fund	
Assets			
Current assets			
Cash and investments	\$ 3,880,203	\$ 615,277	\$ 4,495,480
Interest receivable	9,467	1,267	10,734
Total assets	<u>3,889,670</u>	<u>616,544</u>	<u>4,506,214</u>
Liabilities			
Current liabilities			
Due to other governments	64,789	-	64,789
Claims and judgments	533,000	-	533,000
Total liabilities	<u>597,789</u>	<u>-</u>	<u>597,789</u>
Net Position			
Restricted	<u>\$ 3,291,881</u>	<u>\$ 616,544</u>	<u>\$ 3,908,425</u>

Truckee Meadows Fire Protection District
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
Year Ended June 30, 2016

	Governmental Activities		Total
	Workers' Compensation Internal Service Fund	Health Benefits Internal Service Fund	
Operating Expenses			
Services and supplies			
Claims	\$ 166,623	\$ -	\$ 166,623
Nonoperating Revenues (Expenses)			
Investment earnings	48,754	6,159	54,913
Net increase in the fair value of investments	36,548	4,850	41,398
Interest expense	(38,612)	-	(38,612)
Total nonoperating revenues (expenses)	46,690	11,009	57,699
Change in Net Position	(119,933)	11,009	(108,924)
Net Position, Beginning of Year	3,411,814	605,535	4,017,349
Net Position, End of Year	\$ 3,291,881	\$ 616,544	\$ 3,908,425

Truckee Meadows Fire Protection District
Combining Statement of Cash Flows – Internal Service Funds
Year Ended June 30, 2016

	Governmental Activities		Total
	Workers' Compensation Internal Service Fund	Health Benefits Internal Service Fund	
Operating Activities			
Cash payments for services and supplies	\$ (423,834)	\$ -	\$ (423,834)
Noncapital Financing Activities			
Interest paid	(38,612)	-	(38,612)
Investing Activities			
Investment earnings	87,489	11,385	98,874
Net Change in Cash and Cash Equivalents	(374,957)	11,385	(363,572)
Cash and Cash Equivalents, Beginning of Year	4,255,160	603,892	4,859,052
Cash and Cash Equivalents, End of Year	\$ 3,880,203	\$ 615,277	\$ 4,495,480
Reconciliation of operating income (loss) to net cash from (used for) operating activities			
Operating income (loss)	\$ (166,623)	\$ -	\$ (166,623)
Adjustments to reconcile operating loss to net cash used for operating activities			
Change in			
Due to other governments	64,789	-	64,789
Pending claims	(322,000)	-	(322,000)
Total adjustments	(257,211)	-	(257,211)
Net Cash used for Operating Activities	\$ (423,834)	\$ -	\$ (423,834)

Truckee Meadows Fire Protection District
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Workers’ Compensation
Fund
Year Ended June 30, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Operating Expenses				
Services and supplies				
Claims	\$ 1,000,000	\$ 1,000,000	\$ 166,623	\$ 833,377
Nonoperating Revenues (Expenses)				
Investment earnings	50,000	50,000	48,754	(1,246)
Net increase in the fair value of investments	-	-	36,548	36,548
Interest expense	-	-	(38,612)	(38,612)
Total nonoperating revenues (expenses)	<u>50,000</u>	<u>50,000</u>	<u>46,690</u>	<u>(3,310)</u>
Change in Net Position	<u>\$ (950,000)</u>	<u>\$ (950,000)</u>	(119,933)	<u>\$ 830,067</u>
Net Position, Beginning of Year			<u>3,411,814</u>	
Net Position, End of Year			<u>\$ 3,291,881</u>	

Truckee Meadows Fire Protection District
Schedule of Cash Flows – Budget and Actual – Workers’ Compensation Fund
Year Ended June 30, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Operating Activities				
Cash payments for services and supplies	\$ (1,000,000)	\$ (1,000,000)	\$ (423,834)	\$ 576,166
Noncapital Financing Activities				
Interest paid	-	-	(38,612)	(38,612)
Investing Activities				
Investment earnings	50,000	50,000	87,489	37,489
Net Change in Cash and Cash Equivalents	(950,000)	(950,000)	(374,957)	575,043
Cash and Cash Equivalents, Beginning of Year	4,441,940	4,441,940	4,255,160	(186,780)
Cash and Cash Equivalents, End of Year	\$ 3,491,940	\$ 3,491,940	\$ 3,880,203	\$ 388,263
Reconciliation of operating income (loss) to net cash from (used for) operating activities				
Operating income (loss)			\$ (166,623)	
Adjustments to reconcile operating loss to net cash used for operating activities				
Change in				
Due to other governments			64,789	
Pending claims			(322,000)	
Total adjustments			(257,211)	
Net Cash Provided used for Operating Activities			\$ (423,834)	

Truckee Meadows Fire Protection District
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Health Benefits Fund
Year Ended June 30, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Operating Expenses				
Services and supplies	\$ 611,030	\$ 611,030	\$ -	\$ 611,030
Nonoperating Revenues (Expenses)				
Investment earnings	-	-	6,159	6,159
Net increase in the fair value of investments	-	-	4,850	4,850
Total nonoperating revenues (expenses)	-	-	11,009	11,009
Change in Net Position	<u>\$ (611,030)</u>	<u>\$ (611,030)</u>	11,009	<u>\$ 622,039</u>
Net Position, Beginning of Year			<u>605,535</u>	
Net Position, End of Year			<u>\$ 616,544</u>	

Truckee Meadows Fire Protection District
Schedule of Cash Flows – Budget and Actual – Health Benefits Fund
Year Ended June 30, 2016

	2016 Budgeted Amounts		2016	
	Original	Final	Actual	Variance with Final Budget
Operating Activities				
Cash payments for services and supplies	\$ (611,030)	\$ (611,030)	\$ -	\$ 611,030
Investing Activities				
Investment earnings (loss)	-	-	11,385	11,385
Net Change in Cash and Cash Equivalents	(611,030)	(611,030)	11,385	622,415
Cash and Cash Equivalents, Beginning of Year	611,030	611,030	603,892	(7,138)
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ 615,277	\$ 615,277

**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, 2016, 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 11, 2016.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2016-A, that we consider to be a significant deficiency.

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 Finding

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

Purpose of this Report

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



Reno, Nevada
November 11, 2016

**2016-A Financial Statement Preparation
Significant Deficiency**

Criteria: 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.

Condition: 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.

Effect: 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.

Cause: 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.

Recommendation: 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.

Management's Response: Management concurs with the Auditor's Findings. With the consolidation of the Sierra Fire Protection District into the Truckee Meadows Fire Protection District in FY 16-17, the audit work load in the future will be significantly reduced giving staff more time to prepare the financial statements and related financial statement disclosures. In addition, the District is currently in the process of hiring a new Fiscal Officer which will give the District the opportunity to hire the staff necessary to prepare 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, 2016, 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 cited 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.

Progress on Prior Year Statute Compliance

Transfers were monitored during the current year to avoid potential violations with NRS.

Prior Year Recommendations

The prior year finding 2015-A was corrected. The prior year finding 2015-B is repeated as finding 2016-A in the current year.

Current Year Recommendations

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



Reno, Nevada
November 11, 2016