

Truckee Meadows Fire Protection District

June 30, 2018



Financial Statements
June 30, 2018

**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, 2018, 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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 and 11 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Correction of an Error

As discussed in Note 11 to the financial statements, certain errors occurred in the determination or classification of payments to satisfy employee contribution requirements in the adoption, as of July 1, 2016, of GASB Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*, resulting in the overstatement of amounts previously reported for deferred outflows of resources, net pension liability-related amounts for the year ended June 30, 2017, and were discovered by management during the current year based on communications from the Public Employee's Retirement System of Nevada (PERS), including a restated Schedule of Employer Allocations for GASB 82 Implementation. Accordingly, amounts for deferred outflows of resources, net pension liability-related amounts, have resulted in a restatement of net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net other postemployment benefit liability and related ratios, schedule of District's contributions – other postemployment benefits, schedule of District's share of the net pension liability, and schedule of District's contributions – PERS on pages 4-9, 37-40, 41, 42, 43, and 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 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 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

The image shows a handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in dark ink and is positioned in the lower-left area of the page.

Reno, Nevada
November 29, 2018

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, 2018.

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 \$15,255,245 which includes \$27,518,018 net investment in capital assets, \$1,184,963 restricted for wildland fire emergencies, \$5,385,308 restricted for capital projects, \$838,733 restricted for claims, and (\$19,671,777) which is the unrestricted net position. Governmental activities include all funds of the District.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,117,998 a decrease of \$5,945,989 or 25.78% in comparison with the prior year. This decrease was primarily caused by the construction of a new fire station completed with cash. Approximately 41.27% 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, 2018, were \$50,052,781 with capital assets, net of accumulated depreciation, accounting for \$27,518,018 of that total. Of the total liabilities of \$37,185,572, approximately 92.33% represent liabilities related to long-term liabilities of the District. This is a decrease of \$1,064,608 in liabilities in comparison with the prior year which was primarily caused by the decrease in the other postemployment benefits related to the implementation of a new accounting standard and a decrease in 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, 2018 were \$29,617,584 consisting primarily of taxes and intergovernmental revenues, while total expenses were \$31,855,973. This resulted in a decrease in net position of \$2,238,389 or 12.19% from prior year. The decrease was primarily caused by non-cash related expenses, including depreciation expense, change in other postemployment benefit liability and an increase in compensate absences liability. The District's net position as of year-end is strong.

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 10 and 11 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 12 through 15 of this report.

Proprietary funds. The District maintains one type of proprietary fund, which is an internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's functions. The District the internal service funds to account for its workers' compensation 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 fund is reported in the proprietary fund financial statements and can be found on pages 16 through 18 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 19 through 36 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 40 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, 2018, the District's total net position was \$15,255,245, which is a \$3,100,468 decrease from the prior year. The primary reason for the decrease was the prior period adjustment of \$862,079 and current year expenses of \$569,426 related to other postemployment benefits and pension, \$450,851 in change in compensated absences liability balance, and \$252,207 in workers' compensation claims expense.

Truckee Meadows Fire Protection District's Net Position

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$22,534,763	\$28,082,898
Capital assets	<u>27,518,018</u>	<u>22,514,395</u>
Total assets	<u>50,052,781</u>	<u>50,597,293</u>
Deferred outflows of resources	<u>5,315,274</u>	<u>8,437,304</u>
Other liabilities	2,852,656	2,221,324
Long-term liabilities	<u>34,332,916</u>	<u>36,028,856</u>
Total liabilities	<u>37,185,572</u>	<u>38,250,180</u>
Deferred inflows of resources	<u>2,927,238</u>	<u>2,428,704</u>
Net position:		
Investment in capital assets	27,518,018	22,514,395
Restricted	7,409,004	12,491,464
Unrestricted	<u>(19,671,777)</u>	<u>(16,650,146)</u>
Total net position	<u>\$ 15,255,245</u>	<u>\$ 18,355,713</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 \$15,255,245. 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, 2018 was \$27,518,018. 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 \$7,409,004 represents resources that are subject to external restrictions on how they may be used, such as the workers' compensation claims, capital projects and emergencies. The remaining balance of unrestricted net position was (\$19,671,777).

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>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 558,158	\$ 602,279
Capital grants and contributions	4,900	13,122
Operating grants and contributions	1,350	15,599
General revenues:		
Property taxes	17,635,993	17,100,142
Consolidated taxes	8,346,596	7,713,537
Other taxes	1,404,966	1,298,648
Unrestricted investment earnings	104,431	38,285
Reimbursements	1,460,477	1,403,146
Other	<u>100,713</u>	<u>139,068</u>
Total revenues	<u>29,617,584</u>	<u>28,323,826</u>
Expenses:		
Public safety	<u>31,855,973</u>	<u>30,595,260</u>
Increase (Decrease) in net position	(2,238,389)	(2,271,434)
Net position, July 1	18,355,713	16,538,504
Prior period adjustment	<u>(862,079)</u>	<u>4,088,643</u>
Net position, June 30	<u>\$15,255,245</u>	<u>\$18,355,713</u>

Total Revenues. The District's total revenues increased by \$1,293,758, or 4.57%. 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 \$1,260,713 or by 4.12% which was primarily due to salaries and wages due to continued growth of the District.

Net Position. The District's total net position decreased by \$3,100,468 during the fiscal year ended June 30, 2018, and \$1,817,209 during the fiscal year ended June 30, 2017. The decrease in total net position in the fiscal year ended June 30, 2018 was primarily caused by non-cash expenses, including change in other postemployment benefit liability and an increase in compensate absences liability.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,117,998, a decrease of \$5,945,989 or 25.78% in comparison with the prior year. This decrease

was primarily caused by the construction of a new fire station completed with cash. Approximately 41.27% 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, 2018, the total fund balance for the General Fund was \$9,269,123. The total fund balance includes an assigned fund balance of \$2,193,169 which consists of \$722,884 assigned for encumbrances and appropriated fund balance, \$878,705 assigned to pay out accrued sick and annual compensation balances, and \$591,580 assigned for stabilization needs. The remaining fund balance consists of, \$11,632 in nonspendable fund balance, and \$7,064,322 unassigned.

The total fund balance for the General Fund in the amount of \$9,269,123 is a decrease of \$2,317,522 from the prior year. This decrease is primarily caused by a transfer to the Capital Projects Fund.

As a measure of the General Fund's liquidity, it may be useful to compare the June 30, 2018, total fund balance not attributable to the Stabilization Fund or the Sick Annual Comp Benefits Fund of \$7,798,838 to fund expenditures. The fund balance represents 29.4% of total General Fund expenditures. This represents approximately 3.5 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 2018, the District incurred large wildland fires within its jurisdiction; and 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 \$1,024,421. The Emergency Fund balance as of June 30, 2018 was \$1,184,963. The Capital Projects Fund activity in fiscal year 2018 included, among other things, the purchase of radios, command vehicles, and the construction of a new station.

Proprietary funds. The District's proprietary fund provides information on the workers' compensation program of the District. The net position of the Workers' Compensation Internal Service Fund as of June 30, 2018, was \$838,733. In fiscal year 2018, the District fully funded its workers' compensation liabilities. In fiscal year 2019, the District budgeted to continue to fully fund the District's workers' compensation liabilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's net investment in capital assets as of June 30, 2018, amounts to \$27,518,018 (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

- The District relies primarily on two types of tax revenues. The first of these is ad valorem or property taxes and is directly affected by the assessed property tax values in Washoe County, Nevada. Property tax revenues are projected to increase for 2018-2019. Assessed values increased by 7.25% for the coming fiscal year.

- The second significant tax revenue for the District, the consolidated tax, consists primarily of sales taxes. For the year ended June 30, 2018, taxable sales in Washoe County increased by 6.8% over the previous fiscal year. The District budgeted sales tax revenue consistent with projections obtained from the State of Nevada Department of Taxation.

These factors were considered in preparing the District's budget for the 2019 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, 1001 East Ninth Street, Reno, Nevada 89512.

Truckee Meadows Fire Protection District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 18,270,851
Accounts receivable	89,269
Taxes receivable	119,818
Due from other governments	2,688,334
Interest receivable	76,255
Deposits	1,290,236
Capital assets, not being depreciated	2,544,336
Capital assets, net of accumulated depreciation	24,973,682
Total assets	<u>50,052,781</u>
Deferred Outflows of Resources	
Pension related amounts	<u>5,315,274</u>
Liabilities	
Accounts payable and accrued liabilities	1,615,874
Retainage payable	105,189
Due to other governments	1,131,593
Noncurrent liabilities	
Due within one year	
Claims and judgments	64,314
Compensated absences	1,783,195
Tax refund	253,082
Due in more than one year	
Claims and judgments	1,297,002
Compensated absences	997,399
Tax refund	120,190
Net other postemployment benefits liability	1,529,568
Net pension liability	28,288,166
Total liabilities	<u>37,185,572</u>
Deferred Inflows of Resources	
Unavailable revenues	10,081
Other postemployment benefits related amounts	201,731
Pension related amounts	2,715,426
Total deferred inflows of resources	<u>2,927,238</u>
Net Position	
Investment in capital assets	27,518,018
Restricted for	
Wildland fire emergencies	1,184,963
Capital projects	5,385,308
Claims	838,733
Unrestricted	<u>(19,671,777)</u>
Total net position	<u>\$ 15,255,245</u>

Truckee Meadows Fire Protection District

Statement of Activities

June 30, 2018

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	\$ 31,855,973	\$ 558,158	\$ 4,900	\$ 1,350	\$(31,291,565)
General Revenues					
Ad valorem taxes					17,635,993
Intergovernmental Revenues					
Consolidated taxes					8,346,596
SCCRT-AB104					1,315,765
Real property transfer tax					89,201
Licenses and permits					80,380
Reimbursements					1,460,477
Unrestricted investment earnings					104,431
Other					20,333
Total general revenues					29,053,176
Change in Net Position					(2,238,389)
Net Position, Beginning of Year					18,355,713
Prior Period Adjustment					(862,079)
Net Position, Beginning of Year, as restated					17,493,634
Net Position, End of Year					\$ 15,255,245

Truckee Meadows Fire Protection District

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund (GAAP Basis)	Emergency Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 8,781,354	\$ 1,239,659	\$ 5,773,229	\$ 15,794,242
Accounts receivable	89,269	-	-	89,269
Taxes receivable	119,818	-	-	119,818
Due from other governments, net of allowance for doubtful accounts	2,424,123	264,211	-	2,688,334
Interest receivable	43,361	-	23,315	66,676
Deposits	11,632	-	1,278,604	1,290,236
	<u>11,469,557</u>	<u>1,503,870</u>	<u>7,075,148</u>	<u>20,048,575</u>
Liabilities				
Accounts payable and accrued liabilities	1,253,526	56,301	306,047	1,615,874
Retainage payable	-	-	105,189	105,189
Due to other governments	839,177	6,277	-	845,454
	<u>2,092,703</u>	<u>62,578</u>	<u>411,236</u>	<u>2,566,517</u>
Deferred Inflows of Resources				
Unavailable revenues				
Property taxes	97,650	-	-	97,650
Reimbursements	10,081	256,329	-	266,410
	<u>107,731</u>	<u>256,329</u>	<u>-</u>	<u>364,060</u>
Fund Balances				
Nonspendable	11,632	-	1,278,604	1,290,236
Restricted	-	1,184,963	5,385,308	6,570,271
Assigned	2,193,169	-	-	2,193,169
Unassigned	7,064,322	-	-	7,064,322
	<u>9,269,123</u>	<u>1,184,963</u>	<u>6,663,912</u>	<u>17,117,998</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,469,557</u>	<u>\$ 1,503,870</u>	<u>\$ 7,075,148</u>	<u>\$ 20,048,575</u>

Truckee Meadows Fire Protection District
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2018

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

Total fund balances - total governmental funds		\$ 17,117,998
Capital assets used in governmental activities are not financial resources, and, therefore are not reported in the funds.		
Governmental capital assets	42,892,220	
Less accumulated depreciation	<u>(15,374,202)</u>	27,518,018
Deferred inflows of resources are not available to pay for current period expenditures, and, therefore, are deferred in the funds.		
		353,979
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.		
Compensated absences	(2,780,594)	
Tax refund	(373,272)	
Net other postemployment benefits liability	(1,529,568)	
Net pension liability	<u>(28,288,166)</u>	(32,971,600)
Deferred outflows and inflows of resources related to other post-employment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the funds.		
Deferred inflows of resources related to OPEB		(201,731)
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	5,315,274	
Deferred inflows of resources related to pensions	<u>(2,715,426)</u>	2,599,848
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>838,733</u>
Net position of governmental activities		<u><u>\$ 15,255,245</u></u>

Truckee Meadows Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
June 30, 2018

	General Fund (GAAP Basis)	Emergency Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 17,731,359	\$ -	\$ -	\$ 17,731,359
Licenses and permits	80,380	-	-	80,380
Intergovernmental	10,286,727	-	-	10,286,727
Charges for services	22,993	-	-	22,993
Miscellaneous	463,647	1,016,994	39,023	1,519,664
Total revenues	<u>28,585,106</u>	<u>1,016,994</u>	<u>39,023</u>	<u>29,641,123</u>
Expenditures				
Current				
Public safety	26,589,288	1,024,421	1,529,609	29,143,318
Capital outlay	13,340	-	6,488,631	6,501,971
Total expenditures	<u>26,602,628</u>	<u>1,024,421</u>	<u>8,018,240</u>	<u>35,645,289</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,982,478</u>	<u>(7,427)</u>	<u>(7,979,217)</u>	<u>(6,004,166)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	4,300,000	4,300,000
Transfers out	(4,300,000)	-	-	(4,300,000)
Sale of capital assets	-	-	58,177	58,177
Total other financing sources (uses)	<u>(4,300,000)</u>	<u>-</u>	<u>4,358,177</u>	<u>58,177</u>
Net Change in Fund Balances	(2,317,522)	(7,427)	(3,621,040)	(5,945,989)
Fund Balances, Beginning of Year	<u>11,586,645</u>	<u>1,192,390</u>	<u>10,284,952</u>	<u>23,063,987</u>
Fund Balances, End of Year	<u>\$ 9,269,123</u>	<u>\$ 1,184,963</u>	<u>\$ 6,663,912</u>	<u>\$ 17,117,998</u>

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
June 30, 2018

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

Net change in fund balances - total governmental funds \$ (5,945,989)

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.

Expenditures for capital assets	6,507,181	
Less current year depreciation/amortization	<u>(1,365,661)</u>	
		5,141,520

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Thus, the change in net position differs from the change in fund balances by the change in unavailable revenue. (26,638)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	(450,851)	
Other postemployment benefits expense	<u>(487,377)</u>	
		(938,228)

In the statement of activities, the gain or loss on the disposal of capital assets is reported. In the governmental funds, the gain or loss is not reported. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold less the balance in accumulated depreciation. (137,897)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense.

Pension contributions	2,156,034	
Pension expense	<u>(2,238,083)</u>	
		(82,049)

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. (249,108)

Change in net position of governmental activities \$ (2,238,389)

Truckee Meadows Fire Protection District
Statement of Net Position - Proprietary Fund - Workers' Compensation Internal Service Fund
June 30, 2018

	Governmental Activities Internal Service Funds
Assets	
Current assets	
Cash and investments	\$ 2,476,609
Interest receivable	9,579
	2,486,188
Total assets	2,486,188
Liabilities	
Current liabilities	
Due to other governments	286,139
Claims and judgments	64,314
	350,453
Total current liabilities	350,453
Noncurrent liabilities	
Claims and judgments	1,297,002
	1,647,455
Total liabilities	1,647,455
Net Position	
Restricted	\$ 838,733

Truckee Meadows Fire Protection District
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
June 30, 2018

	Governmental Activities Internal Service Funds
Operating Expenses	
Services and supplies	
Claims	\$ 250,433
Miscellaneous	1,774
Total operating expenses	252,207
Nonoperating Revenues (Expenses)	
Investment earnings	40,868
Net decrease in the fair value of investments	(37,769)
Total nonoperating revenues (expenses)	3,099
Change in Net Position	(249,108)
Net Position, Beginning of Year	1,087,841
Net Position, End of Year	\$ 838,733

Truckee Meadows Fire Protection District

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2018

	Governmental Activities Internal Service Funds
Operating Activities	
Cash payments for services and supplies	\$ (132,957)
Investing Activities	
Investment earnings	(109)
Net Change in Cash and Cash Equivalents	(133,066)
Cash and Cash Equivalents, Beginning of Year	2,609,675
Cash and Cash Equivalents, End of Year	<u>\$ 2,476,609</u>
Reconciliation of operating income (loss) to net cash from (used for) operating activities	
Operating income (loss)	(252,207)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:	
Change in	
Due to other governments	87,063
Pending claims	32,187
Total adjustments	<u>119,250</u>
Net Cash used for Operating Activities	<u>\$ (132,957)</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.

The County has no financial benefit or burden relationship with the District and the District is a legally separate organization from the County. However, the Board of County Commissioners act as the Board of Fire Commissioners of the District and as such, as defined in governmental accounting standards generally accepted in the United States of America, the District has been classified as a discretely presented component unit of the County.

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 fund's 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 Fund is the only proprietary fund. The financial statements of the Internal Service Fund is 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 Fund, proprietary fund, accounts for the workers' compensation 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 Fund 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. 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 and the net other postemployment 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 fund, 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 and amounts internally reported for sick and annual compensation benefits and stabilization purposes. 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.

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. 75

As of July 1, 2017, the Truckee Meadows Fire Protection District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The implementation of this standard requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. The additional disclosures required by this standard are included in Note 7.

Implementation of GASB Statement No. 85

As of July 1, 2017, the Truckee Meadows Fire Protection District adopted GASB Statement No. 85, *Omnibus 2017*. The implementation of this standard clarified the payroll related disclosures included in required supplementary information related to OPEB. The payroll disclosures required by this standard are included the Schedule of Changes in Net OPEB liability and Related Ratios and the Schedule of District's Contributions.

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

While it appears that the actual expenses of the Workers' Compensation Internal Service Fund is over the statutory limit of \$250,000, per NRS 354.626 subsection 2, the NRS provides an exception directly related to a program of insurance. The District conformed to all significant statutory and administrative code constraints on its financial administration during the year.

Note 3 - Cash and Investments

The District is a voluntary participant 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 \$ 18,270,851 as of June 30, 2018.

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, 2018 was as follows:

Government Activities

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated				
Land	\$ 2,194,174	\$ -	\$ -	\$ 2,194,174
Construction in progress	1,009,212	6,257,131	(6,916,181)	350,162
Total capital assets, not being depreciated	<u>3,203,386</u>	<u>6,257,131</u>	<u>(6,916,181)</u>	<u>2,544,336</u>
Capital assets, being depreciated				
Land improvements	393,347	13,340	-	406,687
Buildings and building improvements	14,868,139	6,739,038	(101,319)	21,505,858
Vehicles and equipment	18,314,939	413,853	(293,453)	18,435,339
Total capital assets, being depreciated	<u>33,576,425</u>	<u>7,166,231</u>	<u>(394,772)</u>	<u>40,347,884</u>
Less accumulated depreciation for				
Land improvements	(227,829)	(15,861)	-	(243,690)
Buildings and building improvements	(5,174,608)	(409,669)	51,926	(5,532,351)
Vehicles and equipment	(8,862,979)	(940,131)	204,949	(9,598,161)
Total accumulated depreciation	<u>(14,265,416)</u>	<u>(1,365,661)</u>	<u>256,875</u>	<u>(15,374,202)</u>
Total capital assets, being depreciated, net	<u>19,311,009</u>	<u>5,800,570</u>	<u>(137,897)</u>	<u>24,973,682</u>
Governmental activities capital assets, net	<u>\$ 22,514,395</u>	<u>\$ 12,057,701</u>	<u>\$ (7,054,078)</u>	<u>\$ 27,518,018</u>

The increase in accumulated depreciation includes depreciation expense of \$1,365,661 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, 2018. Long-term liability activity for the year ended June 30, 2018, was as follows:

	Amount Outstanding July 1, 2017	Additions	Reductions	Amount Outstanding June 30, 2018	Due Within One Year
Compensated absences	\$2,329,743	\$1,705,872	\$1,255,021	\$ 2,780,594	\$1,783,195
Claims and judgments	1,329,129	250,433	218,246	1,361,316	64,314
Tax refund	373,272	-	-	373,272	253,082
	<u>\$4,032,144</u>	<u>\$1,956,305</u>	<u>\$1,473,267</u>	<u>\$ 4,515,182</u>	<u>\$2,100,591</u>

The tax refund liability of \$373,272 consists of a pending refund due to the State of Nevada-Department of Taxation for overpaid Nevada State Use taxes. 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. The tax refund will be liquidated from the General Fund.

Note 6 - Interfund Activity

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers out:	Transfer in
General Fund	Capital Projects Fund
	<u>\$ 4,300,000</u>

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 Benefits Other than Pensions (OPEB)

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.

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.

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.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments:	49
Active employees:	135

Actuarial assumptions and other inputs

The District's total OPEB liability of \$6,846,342 as of June 30, 2017 was based on the valuation date of July 1, 2016. Projections of the sharing of benefit-related costs are based on established pattern of practice. Actuary valuations include projections of the sharing of benefit-related costs that are based on an established pattern of practice. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial funding method	Entry Age Normal
Amortization method	Level Percent of Pay
Inflation	3%
Salary increases	
0-4 years of service	8.00%
5 + years of service	3.00%
Discount rate	7.00%
Healthcare cost trend rates	9.84% decreasing to 4.75% percent for pre-Medicare and 7.00% decreasing to 5.00% for Medicare
Retirees' share of benefit-related costs	
Retirees before June 30, 2012 under City of Reno Plan	
(Pre-65)	40% retiree and dependent
(Post-65)	50% retiree and 100% dependent
Retirees hired on or before July 1, 2014	50% retiree and 100% dependent
Retirees hired after July 1, 2014	100% retiree and dependent

Truckee Meadows Fire Protection District

Notes to Financial Statements

June 30, 2018

The investment rate of return of 7.00%, net of investment expenses, was selected by the District. This is based on the investment policy of State of Nevada's Retiree Benefit Investment Fund (RBIF) where the District invests its assets to fund its OPEB liabilities. This rate is derived based on the RBIF's investment policy (shown in the table below), and includes a 2.50% long-term inflation assumption.

<u>Asset Class</u>	<u>Asset allocation</u>
Foreign Developed Equity	21.00%
U.S. Fixed Income	30.00%
U.S. Large Cap Equity	49.00%

The discount was based on the long term rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits to the extent that plan assets are projected to cover benefit payments and administrative costs. Based on the District's current funding policy of funding the Trust annually to maintain a funded percentage of at least 80%, the Fiduciary Net Position and future expected contributions and earnings are projected to be sufficient such that the Trust remains solvent. Therefore, a discount rate of 7.00% is used in calculating the total OPEB liability.

Mortality rates for healthy life were based on the RP-2000 Combined Mortality for Males and Females projected to 2025 with Scale AA. Mortality rates for disabled life were based on the RP-2000 Combined Mortality for Males and Females projected to 2025 with Scale AA set forward two years.

The number of participants in the plan is not large enough to provide credible data to perform an experience study to establish demographic assumptions for termination, retirement, and mortality. The demographic assumptions used in the June 30, 2017 valuation of OPEB liabilities were developed based on expectations of TMFPD regarding its workforce, demographic patterns for similar safety groups, and actuarial judgment. TMFPD and its actuary monitor assumptions and experience with every valuation and make adjustments to assumptions as needed as experience emerges.

Changes in the OPEB Liability

	<u>Total OPEB Liability</u>	<u>Increase/ (Decrease) in Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2016	<u>\$ 6,216,600</u>	<u>\$ 4,972,678</u>	<u>\$ 1,243,922</u>
Charges for the year:			
Service Cost	405,061	-	405,061
Interest on the total OPEB liability	455,572	-	455,572
Benefit payments	(230,891)	(230,891)	-
Net investment income	-	591,731	(591,731)
Administrative expense	-	(16,744)	16,744
Total Changes	<u>629,742</u>	<u>344,096</u>	<u>285,646</u>
Balance at June 30, 2017	<u>\$ 6,846,342</u>	<u>\$ 5,316,774</u>	<u>\$ 1,529,568</u>

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net OPEB liability	\$ 2,432,859	\$ 1,529,568	\$ 767,907

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.84% decreasing to 3.75% percent for pre-Medicare and 6.00% decreasing to 4.00% for Medicare) or 1-percentage-point higher (10.84% decreasing to 5.75% percent for pre-Medicare and 8.00% decreasing to 6.00% for Medicare) than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend	Healthcare Cost Trend	1% Increase in Healthcare Cost Trend
Net OPEB liability	\$ 618,730	\$ 1,529,568	\$ 2,648,308

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$487,377. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings	-	201,731
District contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 201,731</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	Recognized Deferred (Inflows)/Outflows of Resources
2019	\$ (50,433)
2020	(50,433)
2021	(50,433)
2022	(50,432)
2023	-
Thereafter	-
Total	\$ <u>(201,731)</u>

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 and July 1, 2015. 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 factor is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering PERS on or after July 1, 2015, there is a 2.25% factor. 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. Regular members who entered PERS on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 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 years ended June 30, 2017 and 2018 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 years ending June 30, 2016 and 2017 was 28.00% for Regular and 40.50% for Police/Fire.

The District's contributions were \$2,156,034 for the year ended June 30, 2018.

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, 2017:

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, 2017, PERS' long-term inflation assumption was 2.75%.

Net Pension Liability

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017. At June 30, 2017, the District's proportion was .21270%, which is a decrease of .00426 from the portion measured as of June 30, 2016.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the District as of June 30, 2017, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability	\$ 42,763,809	\$ 28,288,166	\$ 16,265,918

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, 2017, 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	2.75%
Payroll Growth	5.00% including inflation
Investment Rate of Return	7.50%
Productivity Pay Increase	0.50%
Projected Salary Increases	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 13.9%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.75%
Other Assumptions	Same as those used in the June 30, 2017 funding actuarial valuation

Mortality rates for regular and police/fire members are based on the following table:

Healthy:	Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50, mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50. The mortality rates are then projected to 2020 with Scale MP-2016.
Disabled:	Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years.
Pre-Retirement:	Headcount-Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2017. 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, 2017, 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, 2017.

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

For the year ended June 30, 2018, the District recognized pension expense of \$2,238,083. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,856,276
Changes in assumptions or other inputs	1,876,651	
Net difference between projected and actual earnings on pension plan investments	183,670	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	1,098,919	859,150
District contributions subsequent to the measurement date	<u>2,156,034</u>	<u>-</u>
Total	<u>\$ 5,315,274</u>	<u>\$ 2,715,426</u>

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date in the amount of \$2,156,034 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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, 2016 (the beginning of the measurement period ended June 30, 2017) is 6.39 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>	
2019	\$ (371,730)
2020	792,269
2021	305,163
2022	(466,141)
2023	110,051
Thereafter	<u>74,202</u>
Total	<u>\$ 443,814</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 is fully insured for property and auto loss and liability with a \$2,500 to \$5,000 deductible. This District is covered up to \$22,879,807 for property and equipment breakdown per occurrence, up to \$32,170,000 in total for auto physical damage, and \$11,000,000 per occurrence in general liability. The District's policy contains various sub-limits established for earthquake, flood, equipment breakdown, errors and omissions and other items.

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). The District established the Workers' Compensation Fund to account for this program. The District brought out all workers' compensation liability for all claims incurred prior to July 1, 2012. Claims incurred prior to fiscal year 2012 remain the liability of the City of Reno under the buyout agreement. TMFPD will remain responsible for future Heart and Lung related workers' compensation claims on a "pay as you go" system.

Claims' liability and activity for the past two years were as follows:

Claims liability, July 1, 2016	\$ 533,000
Claims and changes in estimates	2,543,610
Claims paid	<u>(1,747,481)</u>
Claims liability, June 30, 2017	1,329,129
Claims and changes in estimates	250,433
Claims paid	<u>(218,246)</u>
Claims liability, June 30, 2018	<u>\$ 1,361,316</u>

Note 10 - Tax Abatement

The District's tax revenues were reduced by \$232,929 under agreements entered into by the State Nevada. The state agreements include a partial abatement of one or more of personal property and local sales and use taxes imposed on aircraft, components of aircraft and other personal property used for certain purposes related to aircraft, a partial abatement of one or more of property and local sales and use taxes imposed on a new or expanded data center and on renewable energy facilities, and use taxes imposed on eligible machinery or equipment used by certain new or expanded businesses.

Note 11 – Accounting Changes**Correction of an Error**

During 2018, the District identified misstatements in the June 30, 2017 financial statements related to the determination or classification of payments to satisfy employee contribution requirements in the adoption, as of July 1, 2016, of GASB Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*. Based on the restated Schedule of Employer Allocations for GASB 82 Implementation provided by the Public Employee’s Retirement System of Nevada (PERS), beginning net position was restated as of July 1, 2017 to report the previous overstatement of the balances reported for deferred outflows of resources, net pension-liability amounts at June 30, 2017.

Adoption of a New Standard

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability as follows.

Net position at June 30, 2017, as previously reported	<u>\$ 18,355,713</u>
Restatement of deferred outflows of resources, net pension-liability amounts	(2,417,666)
Implementation of GASB 75 amounts	<u>1,555,587</u>
Prior period adjustment	<u>(862,079)</u>
Net position at July 1, 2017, as restated	<u>\$ 17,493,634</u>

Note 12 - Subsequent Events

On July 12, 2018, the District sold property located at 12300 Old Virginia Road, the previous location of a rebuilt fire station, for total consideration of \$950,000.

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, 2018
 (Page 1 of 2)

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes				
Ad valorem, general	\$ 17,251,335	\$ 17,251,335	\$ 17,481,770	\$ 230,435
Ad valorem, AB 104	219,213	219,213	249,589	30,376
Licenses and permits				
Gaming, AB 104	3,500	3,500	78,755	75,255
Other	1,000	1,000	1,625	625
Intergovernmental				
Consolidated taxes	8,076,088	8,076,088	8,346,596	270,508
Real property transfer tax, AB 104	42,925	42,925	89,201	46,276
Supplemental city/county relief tax, AB 104	892,156	892,156	1,315,765	423,609
Interlocal cooperative agreement fire suppression	585,000	585,000	535,165	(49,835)
Charges for services				
Services to other agencies	70,000	70,000	21,553	(48,447)
Other	800	800	1,440	640
Miscellaneous				
Investment earnings	130,000	130,000	201,811	71,811
Net increase (decrease) in the fair value of investments	-	-	(135,281)	(135,281)
Reimbursements	112,888	112,888	374,755	261,867
Other	121,299	123,299	21,683	(101,616)
Total revenues	<u>27,506,204</u>	<u>27,508,204</u>	<u>28,584,427</u>	<u>1,076,223</u>
Expenditures				
Current				
Public safety function				
Fire				
Salaries and wages	14,759,435	14,759,435	14,955,851	(196,416)
Employee benefits	7,696,344	7,696,344	6,966,602	729,742
Services and supplies	5,184,610	5,186,610	4,591,693	594,917
Capital outlay	404,500	404,500	13,340	391,160
Total expenditures	<u>28,044,889</u>	<u>28,046,889</u>	<u>26,527,486</u>	<u>1,519,403</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(538,685)</u>	<u>(538,685)</u>	<u>2,056,941</u>	<u>2,595,626</u>

Continued

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, 2018
(Page 2 of 2)

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Other Financing Sources (Uses)				
Transfers in				
Workers' Compensation	\$ 1,254,476	\$ 1,254,476	\$ -	\$ (1,254,476)
Transfers out				
Capital Projects Fund	(4,300,000)	(4,300,000)	(4,300,000)	-
Emergency Fund	(100,000)	(100,000)	-	100,000
Sick Annual Comp Benefits	(100,000)	(100,000)	(100,000)	-
Contingency	(350,000)	(350,000)	-	350,000
Total other financing sources (uses)	<u>(3,595,524)</u>	<u>(3,595,524)</u>	<u>(4,400,000)</u>	<u>(804,476)</u>
Net Change in Fund Balances	(4,134,209)	(4,134,209)	(2,343,059)	1,791,150
Fund Balances, Beginning of Year	<u>10,008,230</u>	<u>10,008,230</u>	<u>10,141,897</u>	<u>133,667</u>
Fund Balances, End of Year	<u><u>\$ 5,874,021</u></u>	<u><u>\$ 5,874,021</u></u>	<u><u>\$ 7,798,838</u></u>	<u><u>\$ 1,924,817</u></u>

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, 2018

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Other	\$ 300,000	\$ 300,000	\$ 1,016,994	\$ 716,994
Expenditures				
Current				
Public safety function				
Fire				
Salaries and wages	850,000	850,000	704,991	145,009
Employee benefits	25,000	25,000	10,091	14,909
Services and supplies	308,400	308,400	309,339	(939)
Total expenditures	1,183,400	1,183,400	1,024,421	158,979
Excess (Deficiency) of Revenues over Expenditures	(883,400)	(883,400)	(7,427)	875,973
Other Financing Sources (Uses)				
Transfers in				
General Fund	100,000	100,000	-	(100,000)
Net Change in Fund Balances	(783,400)	(783,400)	(7,427)	775,973
Fund Balances, Beginning of the Year	1,117,232	1,117,232	1,192,390	75,158
Fund Balances, End of Year	\$ 333,832	\$ 333,832	\$ 1,184,963	\$ 851,131

Truckee Meadows Fire Protection District

Reconciliation of the General Fund Schedule of Revenue, 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, 2018

	General Fund (Budgetary Basis)	Internally Reported Funds	Eliminations	General Fund (GAAP Basis)
Revenues				
Taxes	\$ 17,731,359	\$ -	\$ -	\$ 17,731,359
Licenses and permits	80,380	-	-	80,380
Intergovernmental	10,286,727	-	-	10,286,727
Charges for services	22,993	-	-	22,993
Miscellaneous	462,968	679	-	463,647
Total revenues	<u>28,584,427</u>	<u>679</u>	<u>-</u>	<u>28,585,106</u>
Expenditures				
Current				
Public safety	26,514,146	75,142	-	26,589,288
Capital Outlay	13,340	-	-	13,340
Total expenditures	<u>26,527,486</u>	<u>75,142</u>	<u>-</u>	<u>26,602,628</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,056,941</u>	<u>(74,463)</u>	<u>-</u>	<u>1,982,478</u>
Other Financing Sources (Uses)				
Transfers in	-	100,000	(100,000)	-
Transfers out	(4,400,000)	-	100,000	(4,300,000)
Total other financing sources (uses)	<u>(4,400,000)</u>	<u>100,000</u>	<u>-</u>	<u>(4,300,000)</u>
Net Change in Fund Balances	(2,343,059)	25,537	-	(2,317,522)
Fund Balances, Beginning of Year	<u>10,141,897</u>	<u>1,444,748</u>	<u>-</u>	<u>11,586,645</u>
Fund Balances, End of Year	<u>\$ 7,798,838</u>	<u>\$ 1,470,285</u>	<u>\$ -</u>	<u>\$ 9,269,123</u>

Truckee Meadows Fire Protection District
Schedule of Changes in Net Other Postemployment Benefit Liability and Related Ratios
Last Ten Fiscal Years

	2017
Total OPEB liability	
Service cost	\$ 405,061
Interest on the total OPEB liability	455,572
Benefit payments	(230,891)
Net change in total OPEB liability	629,742
Total OPEB liability-beginning	6,216,600
Total OPEB liability-ending (a)	\$ 6,846,342
Plan fiduciary net position	
Benefit payments	\$ (230,891)
Net investment income	591,731
Administrative expense	(16,744)
Net change in plan fiduciary net position	344,096
Plan fiduciary net position-beginning	4,972,678
Plan fiduciary net position-ending (b)	\$ 5,316,774
District's net OPEB liability-ending (a) - (b)	\$ 1,529,568
Plan fiduciary net position as a percentage of the total OPEB liability	77.7%
Covered-employee payroll	\$ 13,199,783
District's net OPEB liability as a percentage of covered-employee payroll	11.6%

* GASB Statement No. 75 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 - Other Postemployment Benefits
 Last Ten fiscal Years

	2018
Actuarially determined contribution	\$ 650,895
Contributions in relation to the actuarially determined contribution	-
Contribution (deficiency) excess	\$ 650,895
Covered-employee payroll	\$ 15,660,842
Contributions as a percentage of covered payroll	0.00%

* GASB Statement No. 75 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 Share of Net Pension Liability
Public Employee's Retirement System of Nevada (PERS)
Last Ten fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's portion of the net pension liability	0.21270%	0.21696%	0.22129%	0.20583%
District's proportionate share of the net pension liability	\$ 28,288,166	\$ 29,197,203	\$ 25,358,762	\$ 21,451,071
District's covered-employee payroll	\$ 9,712,107	\$ 9,271,513	\$ 8,435,593	\$ 7,783,987
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	291.27%	314.91%	300.62%	275.58%
Plan fiduciary net position as a percentage of the total pension liability	74.42%	72.23%	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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,156,034	\$ 1,896,920	\$ 1,835,776	\$ 1,707,868
Contributions in relation to the statutorily required contribution	<u>2,156,034</u>	<u>1,896,920</u>	<u>1,835,776</u>	<u>1,707,868</u>
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 11,003,348	\$ 9,712,107	\$ 9,271,513	\$ 8,435,593
Contributions as a percentage of covered payroll	19.59%	19.53%	19.80%	20.25%

* 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 - Schedule of District’s Contributions, OPEB

Actuarially determined contribution rates are calculated as of July 1, 2016, two years prior to the end of the fiscal year in which contributions are reported and projected forward to June 30, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial funding method	Entry Age Normal
Amortization method	Level Percent of Pay
Inflation	3%
Salary increases	
0-4 years of service	8.00%
5 + years of service	3.00%
Discount rate	7.00%
Healthcare cost trend rates	9.84% decreasing to 4.75% percent for pre-Medicare and 7.00% decreasing to 5.00% for Medicare
Retirees’ share of benefit-related costs	
Retirees before June 30, 2012 und City of Reno Plan	
(Pre-65)	40% retiree and dependent
(Post-65)	50% retiree and 100% dependent
Retirees hired on or before July 1, 2014	50% retiree and 100% dependent
Retirees hired after July 1, 2014	100% retiree and dependent

Note 3 - Schedule of District’s Contributions, Public Employee’s Retirement System of Nevada

During 2018, the District identified misstatements in the June 30, 2017 financial statements related to the determination or classification of payments to satisfy employee contribution requirements in the adoption, as of July 1, 2016, of GASB Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*. Based on the restated Schedule of Employer Allocations for GASB 82 Implementation provided by the Public Employee’s Retirement System of Nevada (PERS), statutorily required contributions and contributions in relation to the statutorily required contribution were restated for all years presented.

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, 2018

	General Fund (Budgetary Basis)	Internally Reported Funds	General Fund (GAAP Basis)
Assets			
Cash and investments	\$ 7,313,337	\$ 1,468,017	\$ 8,781,354
Accounts receivable	89,269	-	89,269
Taxes receivable	119,818	-	119,818
Due from other governments	2,424,123	-	2,424,123
Interest receivable	41,093	2,268	43,361
Deposits	11,632	-	11,632
Total assets	<u>9,999,272</u>	<u>1,470,285</u>	<u>11,469,557</u>
Liabilities			
Accounts payable and accrued liabilities	1,253,526	-	1,253,526
Due to other governments	839,177	-	839,177
Total liabilities	<u>2,092,703</u>	<u>-</u>	<u>2,092,703</u>
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	97,650	-	97,650
Reimbursement	10,081	-	10,081
Total deferred inflows of resources	<u>107,731</u>	<u>-</u>	<u>107,731</u>
Fund Balances			
Nonspendable	11,632	-	11,632
Assigned	722,884	1,470,285	2,193,169
Unassigned	7,064,322	-	7,064,322
Total fund balances	<u>7,798,838</u>	<u>1,470,285</u>	<u>9,269,123</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,999,272</u>	<u>\$ 1,470,285</u>	<u>\$ 11,469,557</u>

Truckee Meadows Fire Protection District

Combining Balance Sheet - Internally Reported (Budgetary Basis) Funds Reported as Part of the General Fund
 for External Reporting Purposes
 (GAAP Basis) - Governmental Funds
 June 30, 2018

	Sick Annual Comp Benefits Fund	Stabilization Fund	Internally Reported Total
Assets			
Cash and investments	\$ 878,705	\$ 589,312	\$ 1,468,017
Interest receivable	-	2,268	2,268
Total assets	<u>878,705</u>	<u>591,580</u>	<u>1,470,285</u>
Fund Balances			
Assigned	<u>\$ 878,705</u>	<u>\$ 591,580</u>	<u>\$ 1,470,285</u>

Truckee Meadows Fire Protection District
Combining 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, 2018

	Sick Annual Comp Benefits Fund	Stabilization Fund	Internally Reported Total
Revenues			
Miscellaneous	\$ -	\$ 679	\$ 679
Expenditures			
Current			
Public safety	74,729	413	75,142
Excess (Deficiency) of Revenues over Expenditures	(74,729)	266	(74,463)
Other Financing Sources (Uses)			
Transfers in	100,000	-	100,000
Net Change in Fund Balances	25,271	266	25,537
Fund Balances, Beginning of Year	853,434	591,314	1,444,748
Fund Balances, End of Year	\$ 878,705	\$ 591,580	\$ 1,470,285

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, 2018

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Expenditures				
Public safety function				
Fire				
Salaries and wages	\$ 800,000	\$ 800,000	\$ 71,270	\$ 728,730
Employee benefits	25,000	25,000	3,459	21,541
Total expenditures	<u>825,000</u>	<u>825,000</u>	<u>74,729</u>	<u>750,271</u>
Other Financing Sources (Uses)				
Transfers in				
General Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(725,000)	(725,000)	25,271	750,271
Fund Balance, Beginning of Year	<u>807,125</u>	<u>807,125</u>	<u>853,434</u>	<u>46,309</u>
Fund Balance, End of Year	<u>\$ 82,125</u>	<u>\$ 82,125</u>	<u>\$ 878,705</u>	<u>\$ 796,580</u>

Truckee Meadows Fire Protection District

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Stabilization Fund
Year Ended June 30, 2018

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 5,000	\$ 5,000	\$ 9,565	\$ 4,565
Net increase (decrease) in the fair value of investments	-	-	(8,886)	(8,886)
Total revenues	5,000	5,000	679	(4,321)
Expenditures				
Current:				
Public safety function				
Fire				
Services and supplies	500,000	500,000	413	499,587
Excess (Deficiency) of Revenues over Expenditures	(495,000)	(495,000)	266	495,266
Fund Balance, Beginning of Year	590,432	590,432	591,314	882
Fund Balance, End of Year	\$ 95,432	\$ 95,432	\$ 591,580	\$ 496,148

Truckee Meadows Fire Protection District

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -
 Capital Projects Fund
 Year Ended June 30, 2018

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Revenues				
Miscellaneous				
Investment earnings	\$ 10,000	\$ 10,000	\$ 117,027	\$ 107,027
Net decrease in the fair value of investments	-	-	(82,904)	(82,904)
Other	-	-	4,900	4,900
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>39,023</u>	<u>29,023</u>
Expenditures				
Current:				
Public safety function				
Fire				
Services and supplies	1,868,467	1,868,467	1,529,609	338,858
Capital outlay	11,366,504	11,366,504	6,488,631	4,877,873
Total expenditures	<u>13,234,971</u>	<u>13,234,971</u>	<u>8,018,240</u>	<u>5,216,731</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(13,224,971)</u>	<u>(13,224,971)</u>	<u>(7,979,217)</u>	<u>5,245,754</u>
Other Financing Sources (Uses)				
Proceeds from asset disposition	750,000	750,000	58,177	(691,823)
Transfers in General Fund	<u>4,300,000</u>	<u>4,300,000</u>	<u>4,300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,050,000</u>	<u>5,050,000</u>	<u>4,358,177</u>	<u>(691,823)</u>
Net Change in Fund Balance	(8,174,971)	(8,174,971)	(3,621,040)	4,553,931
Fund Balance, Beginning of Year	<u>8,426,274</u>	<u>8,426,274</u>	<u>10,284,952</u>	<u>1,858,678</u>
Fund Balance, End of Year	<u>\$ 251,303</u>	<u>\$ 251,303</u>	<u>\$ 6,663,912</u>	<u>\$ 6,412,609</u>

Truckee Meadows Fire Protection District
Schedule of Revenue, Expenses, and Changes in Net Position - Budget and Actual - Workers'
Compensatin Fund
Year Ended June 30, 2018

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Operating Expenses				
Services and supplies				
Claims	\$ 250,000	\$ 250,000	\$ 250,433	\$ (433)
Miscellaneous	-	-	1,774	(1,774)
Total operating expenses	<u>250,000</u>	<u>250,000</u>	<u>252,207</u>	<u>(2,207)</u>
Nonoperating Revenues (Expenses)				
Investment earnings	-	-	40,868	40,868
Net increase (decrease) in the fair value of investments	<u>-</u>	<u>-</u>	<u>(37,769)</u>	<u>(37,769)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>3,099</u>	<u>3,099</u>
Income (Loss) Before Transfers	(250,000)	(250,000)	(249,108)	892
Transfers In (Out)				
Transfers out				
General Fund	<u>(1,254,476)</u>	<u>(1,254,476)</u>	<u>-</u>	<u>1,254,476</u>
Change in Net Position	<u>\$ (1,504,476)</u>	<u>\$ (1,504,476)</u>	\$ (249,108)	<u>\$ 1,255,368</u>
Net Position, Beginning of Year			<u>1,087,841</u>	
Net Position, End of Year			<u>\$ 838,733</u>	

Truckee Meadows Fire Protection District
Schedule of Cash Flows - Budget and Actual - Worker's Compensation Fund
Year Ended June 30, 2018

	2018 Budgeted Amounts		2018	
	Original	Final	Actual	Variance with Final Budget
Operating Activities				
Cash payments for services and supplies	\$ (250,000)	\$ (250,000)	\$ (132,957)	\$ 117,043
Noncapital Financing Activities				
Transfers out	(1,254,476)	(1,254,476)	-	1,254,476
Investing Activities				
Investment earnings	-	-	(109)	(109)
Net Change in Cash and Cash Equivalents	(1,504,476)	(1,504,476)	(133,066)	1,371,410
Cash and Cash Equivalents, Beginning of Year	<u>2,254,476</u>	<u>2,254,476</u>	<u>2,609,675</u>	<u>355,199</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 750,000</u></u>	<u><u>\$ 750,000</u></u>	<u><u>\$ 2,476,609</u></u>	<u><u>\$ 1,726,609</u></u>
Reconciliation of operating income (loss) to net cash from (used for) operating activities				
Operating income (loss)			\$ (252,207)	
Adjustments to reconcile operating loss to net cash used for operating activities				
Change in				
Due to other governments			87,063	
Pending claims			<u>32,187</u>	
Total adjustments			<u>119,250</u>	
Net Cash Provided used for Operating Activities			<u><u>\$ (132,957)</u></u>	



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, 2018, 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 29, 2018.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Reno, Nevada
November 29, 2018



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, 2018, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the 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 required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 of the financial statements.

Progress on Prior Year Statute Compliance

The District reported no instances of noncompliance with significant constraints on its financial administration during the year ended June 30, 2017.

Prior Year Recommendations

There were no findings for the year ended June 30, 2017.

Current Year Recommendations

We noted no material weaknesses and reported no significant deficiencies in internal control for the current year.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Reno, Nevada
November 29, 2018