



Financial Statements
June 30, 2017

Tahoe Douglas Fire Protection District

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Independent Auditor's Report

To the Board of Trustees
Tahoe Douglas Fire Protection District
Zephyr Cove, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Tahoe Douglas Fire Protection District (the "District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed Notes 1 and 11 to the financial statements, the District has adopted the provisions of GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which has resulted in restatement of net position as of July 1, 2016. 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, the budgetary comparison schedules for the General Fund and major special revenue funds and reconciliation, the schedule of funding progress, the schedule of proportionate share of the net pension liability, the schedule of District contributions, and the notes to the required supplementary information on pages 4-11, 40-45, 46, 47, 48, and 49, 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 management's discussion and analysis, the schedule of funding progress, the schedule of proportionate share of the net pension liability, the schedule of District contributions 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.

The budgetary comparison and reconciliation information for the General Fund and major special revenue funds and related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion the budgetary comparison and reconciliation information for the General Fund and major special revenue funds and related notes are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 individual fund schedules, including budgetary comparisons are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the basic financial statements.

The individual fund schedules, including budgetary comparisons and the schedule of expenditures of federal awards 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 individual fund schedules, including budgetary comparisons and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 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, 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
February 14, 2018

Management for the Tahoe Douglas Fire Protection District (TDFPD or District) offers readers of TDFPD's financial statements this narrative overview and analysis of the financial activities of TDFPD for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with our comprehensive annual budget and financial statements.

Financial Highlights

- The assets of TDFPD exceeded its liabilities at June 30, 2017 by \$3,923,998 (*net position*). As of June 30, 2017, the unrestricted deficit was \$(1,671,938).
- At June 30, 2017, TDFPD's governmental funds reported combined ending fund balances of \$7,649,591, a decrease of \$(219,564) in comparison with prior year restated ending fund balances.
- At June 30, 2017, the unassigned fund balance of the General Fund was \$4,371,543 or 47% of total general fund expenditures.
- TDFPD'S total debt at June 30, 2017 remained at zero.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's financial statements. TDFPD's financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of TDFPD'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 deferred outflows and liabilities and deferred inflows 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 TDFPD is improving or deteriorating.

The *statement of activities* presents information showing how the government'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, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, and pension related deferred inflow/outflows of resources and liability).

The government-wide financial statements report distinct functions of TDFPD: 1) those functions principally supported by taxes and intergovernmental revenue (*governmental activities*), and 2) other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of TDFPD are primarily public safety. The business-type activities of TDFPD include the operation of the ambulance service.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TDFPD, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities. All of the funds of TDFPD can be divided into two categories: governmental funds and 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 the District'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 government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

TDFPD maintains seven individual governmental funds. Information is presented separately in governmental fund balance sheets and in the governmental fund statements of revenue, expenditures, and changes in fund balances – budget and actual for the General Fund, Capital Projects Fund, and all Special Revenue Funds (Sick Leave Reserve, Special Services, Fire Safe Community Service Fund, Health Insurance Reserve, and Fire Flow Initiative Fund). All of these funds are considered to be major funds. Individual fund data for each of these governmental funds is provided in this report.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary Fund – TDFPD maintains one proprietary fund. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. TDFPD uses the proprietary fund to account for its ambulance operation.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

TDFPD adopts an annual appropriated budget. Budgetary comparison schedules have been provided for the funds of the District to demonstrate compliance with this budget.

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 governmental fund financial statements. The notes to the financial statements can be found on pages 21-39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. TDFPD's assets exceeded its liabilities by \$3,923,998 at June 30, 2017.

The largest portion of TDFPD's net position reflects its investment in capital assets (e.g., buildings, machinery, and equipment). TDFPD uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. TDFPD's investment in its capital assets is reported net of related debt. It should be noted that the District does not currently, nor does it intend to incur debt to finance the acquisition of the District assets.

	<u>Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(as restated)		(as restated)		(as restated)	
Assets						
Current and other assets	\$ 14,473,400	\$ 13,068,954	\$ 106,021	\$ 461,942	\$ 14,579,421	\$ 13,530,896
Capital assets	5,463,402	5,087,457	132,534	181,416	5,595,936	5,268,873
Total assets	<u>19,936,802</u>	<u>18,156,411</u>	<u>238,555</u>	<u>643,358</u>	<u>20,175,357</u>	<u>18,799,769</u>
Deferred outflows of resources	<u>2,733,473</u>	<u>570,239</u>	<u>1,439,350</u>	<u>305,976</u>	<u>4,172,823</u>	<u>876,215</u>
Total assets and deferred outflows of resources	<u>\$ 22,670,275</u>	<u>\$ 18,726,650</u>	<u>\$ 1,677,905</u>	<u>\$ 949,334</u>	<u>\$ 24,348,180</u>	<u>\$ 19,675,984</u>
Liabilities						
Long-term liabilities outstanding	\$ 11,925,935	\$ 8,775,532	\$ 4,805,141	\$ 3,374,079	\$ 16,731,076	\$ 12,149,611
Other liabilities	766,526	618,218	5,205	353,898	771,731	972,116
Total liabilities	<u>12,692,461</u>	<u>9,393,750</u>	<u>4,810,346</u>	<u>3,727,977</u>	<u>17,502,807</u>	<u>13,121,727</u>
Deferred inflows of resources	<u>1,906,520</u>	<u>2,409,788</u>	<u>1,014,855</u>	<u>1,278,530</u>	<u>2,921,375</u>	<u>3,688,318</u>
Total liabilities and deferred inflows of resources	<u>14,598,981</u>	<u>11,803,538</u>	<u>5,825,201</u>	<u>5,006,507</u>	<u>20,424,182</u>	<u>16,810,045</u>
Net Position						
Net investment in capital assets	5,463,402	5,087,457	132,534	181,416	5,595,936	5,268,873
Unrestricted	2,607,892	1,835,655	(4,279,830)	(4,238,589)	(1,671,938)	(2,402,934)
Total net position	<u>\$ 8,071,294</u>	<u>\$ 6,923,112</u>	<u>\$ (4,147,296)</u>	<u>\$ (4,057,173)</u>	<u>\$ 3,923,998</u>	<u>\$ 2,865,939</u>

At June 30, 2017, TDFPD is able to report positive balances for the governmental activities and for the government as a whole.

There was a decrease of \$(90,123) in net position reported in connection with TDFPD's business-type activities. Total operating expenses including transfers were \$2,783,452 and total revenue was \$2,693,329.

Governmental Activities

Governmental activities increased TDFPD's net position by \$1,148,182 thereby accounting for a 16.6% increase in the total net position. Key elements of this increase are as follows:

	<u>Changes in Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	
Revenues						
<u>Program revenues</u>						
Charges for services	\$ 952,899	\$ 1,301,625	\$ 910,965	\$ 930,896	\$ 1,863,864	\$ 2,232,521
Operating grants and contributions	1,013,757	640,733	-	-	1,013,757	640,733
<u>General revenues</u>						
Ad valorem taxes	3,973,904	3,862,561	1,743,088	1,735,454	5,716,992	5,598,015
Consolidated tax	4,318,596	4,195,965	-	-	4,318,596	4,195,965
Plan check fee	32,959	220,980	-	-	32,959	220,980
Interest income	2,071	3,123	-	-	2,071	3,123
Miscellaneous revenue	581,943	48,240	39,276	31,951	621,219	80,191
Transfers	534,489	553,161	(534,489)	(553,161)	-	-
Total revenues	<u>11,410,618</u>	<u>10,826,388</u>	<u>2,158,840</u>	<u>2,145,140</u>	<u>13,569,458</u>	<u>12,971,528</u>
Expenses						
Public safety	10,262,436	9,391,532	-	-	10,262,436	9,391,532
Ambulance	-	-	2,248,963	2,195,896	2,248,963	2,195,896
Total expenses	<u>10,262,436</u>	<u>9,391,532</u>	<u>2,248,963</u>	<u>2,195,896</u>	<u>12,511,399</u>	<u>11,587,428</u>
Increase (decrease) in net position	1,148,182	1,434,856	(90,123)	(50,756)	1,058,059	1,384,100
Net position - July 1	<u>6,923,112</u>	<u>5,488,256</u>	<u>(4,057,173)</u>	<u>(4,006,417)</u>	<u>2,865,939</u>	<u>1,481,839</u>
Net position - June 30	<u>\$ 8,071,294</u>	<u>\$ 6,923,112</u>	<u>\$ (4,147,296)</u>	<u>\$ (4,057,173)</u>	<u>\$ 3,923,998</u>	<u>\$ 2,865,939</u>

Revenue by Source

The two major revenue sources for the governmental activities are ad valorem taxes of \$3,973,904 and consolidated taxes (CTX) of \$4,318,596. These sources have historically grown at a rate that equals or exceeds inflation. We can reasonably expect ad valorem growth to remain consistent moving forward. The consolidated tax (CTX) distribution has exceeded inflation since its inception seven years ago. For the fiscal year, CTX revenue was \$24,782 above State projections.

Reconsideration of state projections must be a concern with this effect on budgeting of revenue and expenditures in future budgets. What still remains a significant concern are the long-term effects of Nevada State Assembly Bill 489 (3% ad valorem revenue cap limitations) and the unintended consequences on the District's ability to meet future obligations. Additionally, a new Redevelopment plan was approved and adopted for the Stateline, NV area within the District. The District will be faced with providing increased fire and ambulance services to the designated redevelopment area, but will not be receiving any additional ad valorem revenue. The ad valorem revenue is designated for the redevelopment area only for the next 30 years.

Expenditures

For the most part, increases in expenses closely paralleled inflation and the growth in the demand for services.

Business-type Activities

The Ambulance Enterprise Fund is a proprietary fund that is used to account for the operations of the Ambulance services department. Enterprise funds are used to account for activities similar to those found in the private sector, where the Board has decided that the determination of revenue earned, costs incurred, and net income is necessary for management accountability. Goods and/or services from such activities are provided to outside parties and there is a charge for those goods and/or services. The Ambulance Enterprise Fund was created in the fiscal year ended June 30, 1986 with a voter approved 6-cent ad valorem tax override.

The District allocates twelve Firefighter/Paramedics to the ambulance fund, which requires an ad valorem tax rate of 20 cents for fiscal year 2016/17.

The 2016/2017 Ambulance Enterprise Fund budget reported budgeted user fees of \$1,120,100. Actual user fees for the fiscal year ended June 30, 2017 were \$910,965. \$1,743,088 of ad valorem tax revenue from the 6-cent tax override plus .14 cent rate applied at the discretion of the Board was received for the fiscal year ended June 30, 2017. The Fund also received miscellaneous revenue of \$39,276. The total revenue of \$2,693,329 will allow the District to allocate the costs of twelve Firefighter/Paramedics to this fund.

Revenue

	Fiscal Years Ended June 30,		Difference
	2017	2016	
Ad valorem taxes	\$ 1,743,088	\$ 1,735,454	\$ 7,634
Fee income	910,965	930,896	(19,931)
Interest	-	-	-
Other income	39,276	31,951	7,325
Total revenue	<u>\$ 2,693,329</u>	<u>\$ 2,698,301</u>	<u>\$ (4,972)</u>

Charges for business-type activities decreased by 2.1%. Total Fund Revenue decreased by \$(4,972) due to a decrease in fee income.

Expenses

Total expenses were \$2,783,452 for the fiscal year ended June 30, 2017. Operating transfers of \$534,489 to the General Revenue Fund are included in the total expenditure amount. Salaries, wages and benefits account for the largest percentage of expenses. Total salary, wage, and benefit expenses for the fiscal year ended June 30, 2017 were \$1,533,978. This is the result of allocating the total salaries, wages and benefits of twelve Firefighters/Paramedics to this fund. Service and supplies expenses were \$230,166 bad debt expense was \$430,800, and depreciation expense was \$54,019.

Depreciation is calculated on all of the capital assets that are purchased for the Enterprise Fund. These include ambulances, defibrillators, laptop computers, and some miscellaneous smaller items. These items are depreciated on the straight-line basis (equally) over each asset's estimated life from their date of purchase.

	Actual Fiscal Year 2017	Actual Fiscal Year 2016	Difference
Salaries and wages, benefits	\$ 1,533,978	\$ 1,621,622	\$ (87,644)
Transfer to general fund	534,489	553,161	(18,672)
Services and supplies	230,166	258,669	(28,503)
Bad debts	430,800	244,416	186,384
Depreciation	54,019	71,189	(17,170)
Total expenses	<u>\$ 2,783,452</u>	<u>\$ 2,749,057</u>	<u>\$ 34,395</u>

Business-type activities decreased the TDFPD's net position by \$(90,123).

Financial Analysis of the Government's Funds

Governmental Funds – The purpose TDFPD's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spend-able* resources. Such information is useful in assessing TDFPD's financing requirements. In particular, *unreserved 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 end of the current fiscal year, TDFPD's governmental funds reported combined ending fund balances of \$7,649,591 a decrease of \$(219,564) over the prior year.

Of the total fund balance, approximately 23% percent is assigned to specific expenses, and the remaining 77% or \$5,855,673 is unassigned and is available for spending at the Board's discretion.

The TDFPD's General Fund Ending Balance decreased by \$212,805 during the current fiscal year.

Proprietary Funds

TDFPD's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position (deficit) of the Ambulance Enterprise Fund at the end of the year amounted to \$(4,147,296). The total net increase in position (deficit) was \$(90,123).

General Fund Budgetary Highlights

The District experienced an increase in state projections for CTX of \$142,750 in projecting revenue and future year budgeting must now consider increased significant reliance on CTX and the reduced reliance on ad valorem taxes.

Capital Asset and Debt Administration

Capital Assets – TDPFD’s investment in capital assets for its governmental fund and business type activities as of June 30, 2017 amounts to \$5,595,936 (net of accumulated depreciation). This investment in capital assets includes building and improvements, fire fighting vehicles, motor vehicles, equipment, and furniture and fixtures.

Capital asset events during the current fiscal year included the following:

Monitor PM Machine-Fluke Electronics	\$ 5,136
Station 25-Air conditioner	5,500
Station 23-Ceiling speakers, horn	3,461
Fire crew - Station 22 parking lot asphalt paving	53,760
Fire crew - chipping machine repairs	7,331
Fire crew building - Bandit track chipping machine	60,000
Fire crew capitalized carrying costs and land coverage	1,809
New Fire Engine & Accessories (E0917)	586,889
Station 23 - office furniture	5,441
Station 23 - office furniture	10,517
Computer workstations (3)	3,887
Station 23 - office furniture	984
Vehicle radio (U1216)	3,486
Vehicle lights package (U1216)	2,838
Vehicle snow plow attachments	5,848
Large diameter fire hose	37,060
EOD vehicle upgrades (U0915)	4,750
Total additions	<u>\$ 798,697</u>

Capital Assets
(Net of depreciation)

	2017	2016
Ambulance motor vehicle equipment	\$ 21,719	\$ 40,298
Ambulance machinery and equipment	110,815	141,118
Fire Safe motor vehicle equipment	21,555	28,897
Fire Safe machinery and equipment	80,460	20,478
Fire Safe land	82,822	82,822
Fire Safe facility building and building improvements	402,581	358,928
Land	90,395	90,395
Buildings and building improvement	1,541,485	1,587,248
Firefighting vehicles	1,895,377	1,453,504
Motor vehicle equipment	1,239,543	1,350,424
Furniture and fixtures	109,184	114,760
	\$ 5,595,936	\$ 5,268,873
Total capital assets		

Additional information on TDFPD’s capital assets can be found at Note 4 on page 37 of this report.

Long-Term Debt

At the end of the current fiscal year, the TDFPD had no bonded debt outstanding.

Economic Factors and Next Year’s Budgets and Rates

- Due to the current economic environment, the State has maintained their projections in CTX revenue compared to last year’s projections. The District remains restrained to reach the total allowable ad valorem due to Nevada State Assembly Bill 489, which imposes \$1,534,607 abatement on our available tax revenue. Our assessed valuation increased \$10,985,696 over the fiscal year ended June 30, 2017.
- An increase in revenue will continue to be required to meet the long-term liability associated with retiree health insurance cost projections. The District has implemented a seven-year plan to attend to the long-term liability of retiree health insurance. The plan is to allocate 3% base salary per year, compounded until 23% of base salary is reached. Budget year 2017/18 reflects a continuing allocation toward this liability. Additional funding may be required to meet this liability.

Both of these factors were considered in preparing TDFPD’s budget for the 2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of TDFPD’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Tahoe Douglas Fire Protection District, P.O. Box 919, Zephyr Cove, NV 89448.

Tahoe Douglas Fire Protection District
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 6,553,342	\$ 164,116	\$ 6,717,458
Accounts receivable	-	264,444	264,444
Taxes receivable	780,870	4,461	785,331
Grant receivables	636,332	-	636,332
Other receivables	277,707	-	277,707
Internal balances	327,000	(327,000)	-
Net OPEB asset	5,898,149	-	5,898,149
Capital assets, net	5,463,402	132,534	5,595,936
Total assets	<u>19,936,802</u>	<u>238,555</u>	<u>20,175,357</u>
Deferred Outflows of Resources			
Pension related	<u>2,733,473</u>	<u>1,439,350</u>	<u>4,172,823</u>
Total Assets and Deferred Outflows of Resources	<u>22,670,275</u>	<u>1,677,905</u>	<u>24,348,180</u>
Liabilities			
Accounts payable	400,526	5,205	405,731
Accrued payroll and benefits	313,398	-	313,398
Deposits	15,939	-	15,939
Net pension liability	9,102,183	4,805,141	13,907,324
Net OPEB liability	25,876	-	25,876
Compensated absences			
Due within one year	36,663	-	36,663
Due in more than one year	2,797,876	-	2,797,876
Total liabilities	<u>12,692,461</u>	<u>4,810,346</u>	<u>17,502,807</u>
Deferred Inflows of Resources			
Pension related	<u>1,906,520</u>	<u>1,014,855</u>	<u>2,921,375</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,598,981</u>	<u>5,825,201</u>	<u>20,424,182</u>
Net Position			
Net investment in capital assets	5,463,402	132,534	5,595,936
Unrestricted (deficit)	<u>2,607,892</u>	<u>(4,279,830)</u>	<u>(1,671,938)</u>
Total net position	<u>\$ 8,071,294</u>	<u>\$ (4,147,296)</u>	<u>\$ 3,923,998</u>

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Public safety	\$ 10,262,436	\$ 952,899	\$ 1,013,757
Business-type activities			
Ambulance	2,248,963	910,965	-
Total primary government	<u>\$ 12,511,399</u>	<u>\$ 1,863,864</u>	<u>\$ 1,013,757</u>

General Revenues

Ad valorem taxes

Unrestricted intergovernmental revenues - consolidated taxes

Plan check fee

Unrestricted interest income

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year, as Originally Reported

Prior Period Adjustment

Net Position, Beginning of Year, as Restated

Net Position, End of Year

Tahoe Douglas Fire Protection District
Statement of Activities
Year Ended June 30, 2017

Net (Expense) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (8,295,780)	\$ -	\$ (8,295,780)
-	(1,337,998)	(1,337,998)
(8,295,780)	(1,337,998)	(9,633,778)
3,973,904	1,743,088	5,716,992
4,318,596	-	4,318,596
32,959	-	32,959
2,071	-	2,071
581,943	39,276	621,219
534,489	(534,489)	-
9,443,962	1,247,875	10,691,837
1,148,182	(90,123)	1,058,059
7,517,554	(3,745,729)	3,771,825
(594,442)	(311,444)	(905,886)
6,923,112	(4,057,173)	2,865,939
\$ 8,071,294	\$ (4,147,296)	\$ 3,923,998

Tahoe Douglas Fire Protection District
Balance Sheet – Governmental Funds
June 30, 2017

	General	Capital Projects	Sick Leave Reserve	Special Services	Fire Safe Community Service	Fire Flow Initiative	Total Governmental Funds
Assets							
Cash and investments	\$ 4,642,554	\$ 106,182	\$ 467,729	\$ 238,275	\$ 614,407	\$ 484,195	\$ 6,553,342
Receivables							
Taxes receivable	778,691	446	222	-	1,511	-	780,870
Grant receivables	541,404	-	-	-	94,928	-	636,332
Due from other funds	-	-	-	-	327,000	-	327,000
Other receivables	1,906	-	-	8,000	267,801	-	277,707
Total assets	\$ 5,964,555	\$ 106,628	\$ 467,951	\$ 246,275	\$ 1,305,647	\$ 484,195	\$ 8,575,251
Liabilities							
Accounts payable	\$ 365,699	\$ 721	\$ -	\$ 4,736	\$ 29,370	\$ -	\$ 400,526
Deposits	15,939	-	-	-	-	-	15,939
Accrued payroll and benefits	164,410	-	36,664	-	112,324	-	313,398
Total liabilities	546,048	721	36,664	4,736	141,694	-	729,863
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	23,000	172,797	-	195,797
Fund Balances							
Assigned to subsequent years' budget shortfall	1,046,964	-	139,598	164,780	442,576	-	1,793,918
Unassigned	4,371,543	105,907	291,689	53,759	548,580	484,195	5,855,673
Total fund balances	5,418,507	105,907	431,287	218,539	991,156	484,195	7,649,591
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,964,555	\$ 106,628	\$ 467,951	\$ 246,275	\$ 1,305,647	\$ 484,195	\$ 8,575,251

Tahoe Douglas Fire Protection District
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2017

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

Total fund balances - total governmental funds		\$ 7,649,591
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds		
Governmental capital assets	11,317,415	
Less accumulated depreciation	<u>(5,854,013)</u>	5,463,402
Net OPEB asset is not a financial resource and, therefore, is not reported in the governmental funds		
		5,898,149
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds		
Net OPEB liability	(25,876)	
Compensated absences payable	(2,834,539)	
Net pension liability	<u>(9,102,183)</u>	(11,962,598)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds		
Deferred outflows of resources related to pensions	2,733,473	
Deferred inflows of resources related to pensions	<u>(1,906,520)</u>	826,953
Deferred inflows of resources represent amounts that are not available to fund current expenditures, and therefore, are not reported as revenues in the governmental funds		
		<u>195,797</u>
Net position of governmental activities		<u><u>\$ 8,071,294</u></u>

Tahoe Douglas Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2017

	General	Capital Projects	Sick Leave Reserve	Special Services	Fire Safe Community Service	Fire Flow Initiative	Total Governmental Funds
Revenues							
Taxes							
Ad valorem	\$ 3,122,078	\$ 174,366	\$ 86,898	\$ -	590,562	\$ -	\$ 3,973,904
Intergovernmental							
Consolidated tax	4,318,596	-	-	-	-	-	4,318,596
Plan check fee	32,959	-	-	-	-	-	32,959
Interest income	2,012	11	7	-	41	-	2,071
Grants	665,135	-	-	4,184	260,985	-	930,304
Contracts and strike team	322,955	-	-	31,500	575,444	-	929,899
Other income	24,412	-	-	5,218	68,118	484,195	581,943
Total revenues	8,488,147	174,377	86,905	40,902	1,495,150	484,195	10,769,676
Expenditures							
Current - public safety							
Salaries and wages	3,955,902	-	82,944	80,000	934,910	-	5,053,756
Employee benefits	4,337,993	-	-	-	201,722	-	4,539,715
Services and supplies	918,306	-	-	54,586	163,806	-	1,136,698
Capital outlay	72,698	593,212	-	4,750	122,900	-	793,560
Total expenditures	9,284,899	593,212	82,944	139,336	1,423,338	-	11,523,729
Excess (Deficiency) of Revenues Over Expenditures	(796,752)	(418,835)	3,961	(98,434)	71,812	484,195	(754,053)
Other Financing Sources (Uses)							
Transfers in (out)	583,947	-	-	100,000	(149,458)	-	534,489
Net Change in Fund Balances	(212,805)	(418,835)	3,961	1,566	(77,646)	484,195	(219,564)
Fund Balances, Beginning of Year	5,631,312	524,742	427,326	216,973	1,068,802	-	7,869,155
Fund Balance, End of Year	\$ 5,418,507	\$ 105,907	\$ 431,287	\$ 218,539	\$ 991,156	\$ 484,195	\$ 7,649,591

Tahoe Douglas Fire Protection District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds		\$ (219,564)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives</p>		
Expenditures for capital assets	793,561	
Current year depreciation	<u>(417,615)</u>	375,946
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>		
Change in unavailable revenue - charges for services	27,983	
Change in unavailable revenue - grants	<u>78,470</u>	106,453
<p>Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds</p>		
Change in net pension liability	(2,731,419)	
Change in net OPEB asset	1,350,569	
Change in net OPEB liability	(12,355)	
Change in deferred outflows of resources - pension related	2,163,234	
Change in deferred inflows of resources - pension related	503,268	
Change in long-term compensated absences payable	<u>(387,950)</u>	<u>885,347</u>
Change in net position of governmental activities		<u>\$ 1,148,182</u>

Tahoe Douglas Fire Protection District
Statement of Net Position – Ambulance Fund
June 30, 2017

Assets	
Current assets	
Cash	\$ 164,116
Accounts receivable (net of allowance for uncollectible amounts of \$312,505)	264,444
Taxes receivable	4,461
	<u>433,021</u>
Total current assets	<u>433,021</u>
Equipment	
Motor vehicles	542,050
Other equipment	543,300
	<u>1,085,350</u>
Less accumulated depreciation	<u>(952,816)</u>
Equipment, net	<u>132,534</u>
Total assets	<u>565,555</u>
Deferred Outflows of Resources	
Pension related	<u>1,439,350</u>
Liabilities	
Current liabilities	
Accounts payable	5,205
Due to other funds	327,000
	<u>332,205</u>
Total current liabilities	<u>332,205</u>
Net pension liability	<u>4,805,141</u>
Total liabilities	<u>5,137,346</u>
Deferred Inflows of Resources	
Pension related	<u>1,014,855</u>
Net Position	
Net investment in capital assets	132,534
Unrestricted (deficit)	(4,279,830)
	<u>(4,147,296)</u>
Total net position	<u>\$ (4,147,296)</u>

Tahoe Douglas Fire Protection District
Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Ambulance Fund
Year Ended June 30, 2017

	<u>Actual Amounts</u>
Operating Revenues	
Charges for services	<u>\$ 910,965</u>
Operating Expenses	
Salaries and wages	1,020,601
Employee benefits	513,377
Services and supplies	230,166
Bad debts	430,800
Depreciation	<u>54,019</u>
Total operating expenses	<u>2,248,963</u>
Operating Income (Loss)	<u>(1,337,998)</u>
Non-operating Revenues	
Ad valorem taxes	1,743,088
Other income	39,276
Interest income	<u>-</u>
Total non-operating revenues	<u>1,782,364</u>
Income (Loss) Before Transfers to Other Funds	444,366
Transfers to Other Funds	
General Fund	<u>(534,489)</u>
Change in Net Position	<u>(90,123)</u>
Net Position, Beginning of Year, as Originally Reported	(3,745,729)
Prior Period Adjustment	<u>(311,444)</u>
Net Position, Beginning of Year, as Restated	<u>(4,057,173)</u>
Net Position, End of Year	<u><u>\$ (4,147,296)</u></u>

Tahoe Douglas Fire Protection District
Statement of Cash Flows – Ambulance Fund
Year Ended June 30, 2017

Operating Activities	
Cash received from customers	\$ 896,420
Cash paid to suppliers for goods and services	(237,757)
Cash paid to employees for benefits	<u>(1,768,120)</u>
Net Cash (used for) Operating Activities	<u>(1,109,457)</u>
Noncapital Financing Activities	
Cash from ad valorem taxes	1,739,605
Proceeds - miscellaneous income	39,276
Transfer to Health Insurance Fund	<u>(534,489)</u>
Net Cash from Noncapital Financing Activities	<u>1,244,392</u>
Capital and Related Financing Activities Purchase of equipment	<u>(5,136)</u>
Net Change in Cash and Cash Equivalents	129,799
Cash and Cash Equivalents, Beginning of Year	<u>34,317</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 164,116</u></u>
Operating loss	<u>\$ (1,337,998)</u>
Adjustments to reconcile operating loss to net cash from (used for) operating activities	
Depreciation and amortization	54,019
Changes in	
Accounts receivable	162,203
Accounts payable	(7,591)
Unearned revenue	(14,102)
Pension related amounts	<u>34,012</u>
Total adjustments	<u>228,541</u>
Net Cash (used for) Operating Activities	<u><u>\$ (1,109,457)</u></u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Tahoe Douglas Fire Protection District (the “District”) provides fire protection and ambulance services. The District is located in Douglas County, Nevada.

The District is governed by an elected Board of Trustees. The financial statements of the District consist only of the funds of the District for which the District is considered to be financially accountable. The District is not financially accountable for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or fiscal dependence is determined on the basis of budget adopting authority, taxing authority, funding and appointment of the respective governing board.

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are specifically associated with a specific function or business-type activity. *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 or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items properly not included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the funds of the District. Separate financial statements are provided for each fund category – *governmental funds and proprietary funds*. Major individual governmental funds, and the major individual enterprise fund, are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due, but will not be collected within this 60 day period, the receivable is recorded and an offsetting deferred inflow of resources account is established. Thus in subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed and revenue is recognized. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, expenditures related to compensated absences, postemployment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue (consolidated tax), and interest 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's ambulance function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for resources to be used for the acquisition of general capital assets.

The *Sick Leave Reserve* fund is a special revenue fund dedicated specifically and exclusively to fund the District's sick leave obligation. Expenses are funded primarily through dedicated ad valorem taxes.

The *Special Services Fund* is a special revenue fund used to account for the operations of all non-fire related activities of the District. Funding is primarily derived from grants obtained during the year.

The *Fire Safe Community Service Fund* is a special revenue fund used for all aspects of the fuels management program. Funding is primarily derived from the voter-approved tax override, passed in November of 2008, and federal grants obtained during the year.

The *Fire Flow Initiative* fund is a special revenue fund for the acquisition, operations and maintenance of water supply apparatus, including fireboat(s), water tender(s), a Public Safety Pier, and other infrastructure, capital improvements, or equipment necessary to meet the Fire Flow Initiative Business Plan. Funding is primarily derived through donations and fees by homeowners who have opted to participate in the program.

The District reports the following major enterprise fund:

The *Ambulance Enterprise Fund* is used to account for the operations of the ambulance department. Enterprise funds are used to account for activities similar to those found in the private sector, where the Board has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability. Goods or services from such activities are provided to outside parties.

Budgetary Information

The 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 Trustees files a tentative budget with the Nevada Department of Taxation for all funds.
2. Public hearings on the tentative budget are held and 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.
3. 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.
4. Budgets for all externally reported funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
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 Trustees, 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.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with an original maturity of three months or less.

Investments

Investments are reported at fair value determined by quoted market prices, and changes in fair value are included in investment income.

Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The District makes no provision for estimated uncollectible ad valorem taxes receivable. Adequate legal remedies are presently available to enforce the collection of such taxes and any taxes which may prove uncollectible should not be material in amount. Therefore, management does not anticipate any material collection losses in respect to the receivable balances.

Accounts receivable in the proprietary fund are due for ambulance services. Accounts receivable are net of an allowance for uncollectible accounts.

Inventories and Prepaid Items

Inventories of governmental funds in the fund financial statements are considered consumable supplies and as such are recorded as expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include buildings, improvements, equipment and vehicles, are capitalized and reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For governmental fund types, outlays for capital assets are expensed during the current period. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

Capital assets are recorded at cost for purchased or constructed assets. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Ambulances	5
Equipment	3-20
Building and improvements	50

The District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2017.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences is calculated under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. 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 and Inflows of Resources

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

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

Equity Classifications

In the government-wide and proprietary fund 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 fund financial statements, governmental fund equity is reported as fund balances and is classified into hierarchy that is based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
- Committed fund balance – Amounts that can only be used for specific purposes imposed by majority vote by quorum of the District's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.
- Assigned fund balance – The portion of fund balance that the District intends to use for specific purposes imposed by majority vote by quorum of the District's governing body (highest level of decision-making authority). Any changes or removal of assignment requires majority action by the governing body.
- Unassigned fund balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Implementation of GASB No. 77 and GASB Statement No. 82

As of July 1, 2016, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The implementation of this standard requires governments that enter into tax abatement agreements to disclose certain information. As of July 1, 2016, the District also adopted GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* that clarified certain guidance related to payroll and contribution amounts included in the financial statements, disclosures, and required supplementary information. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions to be classified as employee contributions. The effect of implementation of this standard on beginning net position is disclosed in Note 11.

Note 2 - Compliance with Nevada Revised Statutes and Administrative Code

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

Note 3 - Cash and Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1 or Level 3 inputs.

The District's cash and investments, including the recurring fair value measurement of investments, is as follows at June 30, 2017:

Certificates of deposit (Level 2)	\$ 599,756
Cash equivalents	
Money market accounts (cost)	1,029,402
Cash	<u>5,088,300</u>
 Total Cash and Investments	 <u><u>\$ 6,717,458</u></u>

Pursuant to Nevada Revised Statutes 355.170, the District may invest in the following types of securities:

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Certificates of deposit from commercial banks and insured savings and loan associations.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain securities issued by local governments of the State of Nevada.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.

The District has not adopted a formal investment policy that would further limit its exposure to certain risks as set forth below.

Interest Rate Risk – the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute. At June 30, 2017, the District's certificates of deposit all had maturities of less than one year.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Governmental Activities				
Nondepreciable assets				
Land	\$ 173,217	\$ -	\$ -	\$ 173,217
Depreciable assets				
Building and improvements	3,697,088	64,529	-	3,761,617
Firefighting vehicles	3,592,576	586,889	(297,787)	3,881,678
Motor vehicles and equipment	2,731,277	121,313	-	2,852,590
Furniture and fixtures	627,484	20,830	-	648,314
Total depreciable assets	10,648,425	793,561	(297,787)	11,144,199
Less accumulated depreciation	(5,734,185)	(417,615)	297,787	(5,854,013)
Capital assets being depreciated, net	4,914,240	375,946	-	5,290,186
Governmental activities capital assets, net	<u>\$ 5,087,457</u>	<u>\$ 375,946</u>	<u>\$ -</u>	<u>\$ 5,463,403</u>
Business-type Activities				
Depreciable assets				
Motor vehicles	\$ 542,050	\$ -	\$ -	\$ 542,050
Other equipment	538,163	5,137	-	543,300
	1,080,213	5,137	-	1,085,350
Less accumulated depreciation	(898,797)	(54,019)	-	(952,816)
Business-type activities capital assets, net	<u>\$ 181,416</u>	<u>\$ (48,882)</u>	<u>\$ -</u>	<u>\$ 132,534</u>

The increase in accumulated depreciation includes depreciation expense of \$417,615 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, 2017. Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Due in One Year</u>
Compensated absences	\$ 2,446,590	\$ 933,541	\$ (545,592)	\$ 2,834,539	\$ 36,663

Compensated absences are generally liquidated from the General Fund.

Note 6 - Interfund Activity

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fire Safe Community Service Fund	Ambulance Fund	<u>\$ 327,000</u>

The above interfund balances as of June 30, 2017 are generally short-term loans to cover temporary cash deficits in various funds. They are expected to be repaid in the next fiscal year.

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	<u>Transfers in:</u>		
<u>Transfers out:</u>	<u>Special Services Fund</u>	<u>General Fund</u>	<u>Total</u>
General Fund	\$ 100,000	\$ -	\$ 100,000
Proprietary (Ambulance Fund)	-	534,489	534,489
Fire Safe Community Service Fund	-	149,458	149,458
	<u>\$ 100,000</u>	<u>\$ 683,947</u>	<u>\$ 783,947</u>

Transfers are used primarily to move funds to the General Fund to ensure appropriate funds are accumulated for future needs and to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

The transfer from the General Fund to the Special Services fund was used for certain payroll costs.

Note 7 - 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 multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier, and for members entering 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. Members entering PERS on or after July 1, 2015 are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service, or at age 55 with thirty years of service, or at 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, 2016 and 2017, the Statutory Employer/employee matching rates were 14.50% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate was 28.00% for Regular and 40.50% for Police/Fire.

The District’s contributions were \$1,752,433 for the year ended June 30, 2017.

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, 2016:

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, 2016, PERS’ long-term inflation assumption was 3.5%.

Net Pension Liability

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016. At June 30, 2016, the District's proportion was 0.10335 percent, which is an increase of .01831 from the portion measured as of June 30, 2015.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the District measured as of June 30, 2016, calculated using the discount rate of 8.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 20,385,420	\$ 13,907,324	\$ 8,517,628

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, 2016, 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	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increases	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.5%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

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

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. 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, 2016, 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, 2016.

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

For the year ended June 30, 2017, the District recognized pension expense of \$975,147. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 931,270
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	1,292,859	-
Changes in proportion and difference between actual contributions and proportionate share of contributions	2,003,748	1,990,105
Contributions subsequent to the measurement date	876,216	-
Total	\$ 4,172,823	\$ 2,921,375

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date in the amount of \$876,216 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 6.48 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:

Fiscal Year Ending June 30,		
2017	\$	(173,080)
2018		(173,080)
2019		392,514
2020		150,552
2021		21,731
Thereafter		156,595
	\$	375,232

Note 8 - Other Post-Employment Benefits

Eligible employees who retire from the District are eligible to continue their coverage under the self-insured health plans offered by the District to its active employees (District Plan) or, if they retired prior to September 1, 2008, could elect to participate in the State of Nevada Public Employees' Benefit Plan (PEBP).

Benefits for PEBP Retirees

Those retirees who were eligible and elected PEBP coverage are entitled to a subsidy toward their premium cost based on their years of covered employment under Nevada PERS. The subsidy is borne on a pro-rata basis by the employers for which the retiree has worked and earned PERS service credit. Thus, the District is obligated to subsidize health care premiums for former employees as well as those who retired directly from the District.

Access to District Plan Coverage and Benefits Paid

Retirees and their spouses under age 65 may elect to continue their medical, dental, vision coverage under the programs made available to the District's active employees. The District currently contributes toward the cost of retiree healthcare coverage as follows:

Employees hired prior to June 1, 2003 retiring from the District after June 30, 1999 at age 50 or older with at least 15 years of service who elect to remain in the District's plans receive a percentage of the employee and spouse premium paid by the District for their lifetimes. The percentage is based on the following service schedule:

Years of District Service	% of Employee Premium Paid	% of Spouse Premium Paid
Less than 15	0%	0%
15	50%	50%
16	60%	60%
17	70%	70%
18	80%	80%
19	90%	90%
20 or more	100%	100%

Employees hired on or after June 1, 2003 and retiring from the District at age 55 or older with at least 20 years of service who elect to remain in the District's plans receive a percentage of the employee and spouse premium paid by the District until they become eligible for Medicare benefits after which the District contribution ceases. The percentage is based on the following service schedule:

<u>Years of District Service</u>	<u>% of Employee Premium Paid</u>	<u>% of Spouse Premium Paid</u>
Less than 20	0%	0%
20	100%	0%
21	100%	20%
22	100%	40%
23	100%	60%
24	100%	80%
25 or more	100%	100%

If an employee completes the minimum service requirement (as determined based on his or her employment date), but terminates employment with the District prior to reaching the minimum required age, the employee may still remain qualified for future post-employment healthcare benefits from the District. If, after leaving District employment, the employee retains District coverage and pays the entire premium; once the employee reaches the minimum required benefit age, the District will provide the post-employment healthcare benefits to which the employee would have been entitled had he or she terminated employment after meeting the minimum age requirement.

Retirees are no longer permitted to remain on the District's plans after age 65.

- Upon eligibility for Medicare, the District's monthly allowance toward health insurance for a retired employee is equal to \$225 multiplied by his or her vested percentage. Similarly, eligible spouses receive a monthly health insurance allowance equal to \$225 multiplied by their applicable vested percentage.
- The District will also pay the same vested percentage of Medicare Part A premiums for retired employees and their spouses who are not Part A Medicare premium qualified. The premium is \$451 in 2015.

Plan Description

District Plan

The District administers a single-employer defined benefit healthcare plan. The District Plan provides lifetime healthcare insurance for eligible retirees and spouses through the District's health insurance plan, which covers both active and retired employees. The Plan does not issue a publicly available financial report. As of the January 1, 2015 actuarial report, there were 40 retirees participating in the District Plan.

PEBP

PEBP is an agent multiple-employer post-employment healthcare plan that is self-insured for medical, dental, vision, mental health and substance abuse benefits and also fully insured HMO products. Accidental death and dismemberment, travel accident, long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, rate setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies. PEBP was closed to new retirees September 1, 2008. Complete financial statements for the State Retirees' Health and Welfare Benefits Fund can be obtained from the Accounting Department at the Public Employees Benefit Program, 901 South Stewart Street, Carson City, Nevada, 89701. As of the January 1, 2015 actuarial report, there were 5 retirees participating in the PEBP Plan.

Funding Policy

The District's Board established the Tahoe Douglas Fire Protection District Trust (the Trust) in 2011. The Trust was created for the sole purpose of making irrevocable contributions to the Trust in order to provide post-retirement health insurance benefits to current and future eligible retirees of the District in accordance with the terms of the District healthcare plan. The Trust issues stand-alone financial statements which can be obtained by contacting the District.

The employer contribution or funding of the District's other post-employment benefit obligation (OPEB) is at the discretion of management and the District's Board. For the year ended June 30, 2012, the Trust began depositing funds into the Retirement Benefits Investment Fund (RBIF) sponsored through the State of Nevada. The RBIF portfolio is designed to generate an 8% annual return over long-term time frames.

District Plan

The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees. For the year ended June 30, 2017, the required contributions are based on projected prefunded financing requirements. Retirees who elect to continue their medical coverage under the District Plan may be eligible for a District-paid benefit depending on their years of service up to 100% of the premiums for the retiree and their spouse.

PEBP

Those retirees who were eligible and elected PEBP coverage are entitled to a subsidy toward their premium cost based on their years of covered employment under Nevada PERS.

Annual OPEB Cost and Net OPEB Obligations (Asset)

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Tahoe Douglas Fire Protection District
Notes to Financial Statements
June 30, 2017

The net OPEB obligation (asset) as of June 30, 2017, was calculated as follows:

	<u>PEBP</u>	<u>District</u>	<u>Total</u>
Discount rate	4%	8%	
Annual required contribution (ARC)	\$ 9,854	\$ 486,120	\$ 495,974
Interest on net OPEB contribution	541	(363,806)	(363,265)
ARC adjustment	(910)	342,596	341,686
Annual OPEB cost	<u>9,485</u>	<u>464,910</u>	<u>474,395</u>
Payments made on behalf of retirees	-	597,931	597,931
Contributions made to trust	(2,870)	1,002,870	1,000,000
Implicit subsidy credit	-	214,678	214,678
Total employer contributions	<u>(2,870)</u>	<u>1,815,479</u>	<u>1,812,609</u>
Increase in net OPEB obligation (asset)	12,355	(1,350,569)	(1,338,214)
Net OPEB obligation (asset), beginning of year	<u>13,521</u>	<u>(4,547,580)</u>	<u>(4,534,059)</u>
Net OPEB obligation (asset), end of year	<u>\$ 25,876</u>	<u>\$ (5,898,149)</u>	<u>\$ (5,872,273)</u>
Actual contribution rate	<u>-30%</u>	<u>391%</u>	

The District's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the Plans, and the net OPEB obligation (asset), by plan, for fiscal year 2017 and the two preceding years were as follows:

<u>Plan</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
District	2015	\$ 539,360	\$ 1,723,697	320%	\$ (3,329,110)
	2016	517,498	1,735,968	335%	(4,547,850)
	2017	464,910	1,815,479	391%	(5,898,149)
PEBP	2015	6,184	6,184	100%	-
	2016	19,738	6,217	31%	13,521
	2017	9,485	(2,870)	-30%	25,876

For governmental activities, the net OPEB obligation is liquidated by those funds with salaries and related benefits, resulting in the majority of the obligation being liquidated by the General Fund.

The number of participants as of January 1, 2015, the effective date of the OPEB valuation, is as follows:

	District Plan	PEBP Plan
Active employees	51	-
Retirees enrolled in the District Plan	40	-
Retirees enrolled in PEBP	91	5

Funded Status and Funding Progress

The funded status of the Plan as of the most recent actuarial valuation (January 1, 2015) was as follows:

	PEBP	District	Total
Actuarial accrued liability (AAL) (a)	\$ 156,315	\$ 11,118,816	\$ 11,275,131
Actuarial value of plan assets (b)	-	6,646,334	6,646,334
Unfunded actuarial accrued liability (UAAL) (a-b)	\$ 156,315	\$ 4,472,482	\$ 4,628,797
Funded ration (actuarial value of plan assets/ AAL) (b/a)	0%	60%	59%
Covered payroll (c)	N/A	\$ 3,933,282	\$ 3,933,282
UAAL as a percentage of covered payroll [(a-b)/c]	N/A	114%	118%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides current year information and will provide multi-year trend information, when available, that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The most recent actuarial valuation of OPEB liabilities was dated January 1, 2015 and is based on a closed group of members. Current employees and retirees only are considered; no provision is made for future hires. Using the actuarial assumptions, the number of retired participants is projected each year in the future. The valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. Amortization of the unfunded PEBP liability is calculated with level dollar payments; amortization of the unfunded District plan liability is calculated with payments calculated as a level percentage of projected payroll and increasing by 3% per year, reflecting the general inflation rate assumed. The amortization period for PEBP and District plans is over the remainder of the closed 30-year period established on July 1, 2009. Healthcare cost trend rates used for medical were 7.75% initially, reduced by decrements to an ultimate rate of 5% after eight years, and dental/vision rates used were 4.5% annually.

Note 9 - Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

Note 10 - Tax Abatement

The District's Consolidated Tax revenues were reduced by \$7,673 under agreements entered into by the State Nevada.

Note 11 - Adoption of New Standard

As of July 1, 2016, the District adopted GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* that clarified certain guidance related to payroll and contribution amounts included in the financial statements, disclosures, and required supplementary information. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions to be classified as employee contributions. Accordingly, net position as of July 1, 2016 has been restated for the cumulative effect of this change. The following table shows the change to beginning net position as of July 1, 2016 for the District:

	June 30, 2016 (as previously reported)	Adjustment	July 1, 2016 (as restated)
Governmental Activities			
Deferred outflows of resources, pension related	\$ 1,164,681	\$ (594,442)	\$ 570,239
Unrestricted net position	\$ 2,430,097	\$ (594,442)	\$ 1,835,655
Total net position	\$ 7,517,554	\$ (594,442)	\$ 6,923,112
Business-type Activities/Proprietary Fund			
Deferred outflows of resources, pension related	\$ 617,420	\$ (311,444)	\$ 305,976
Unrestricted deficit	\$ (3,927,145)	\$ (311,444)	\$ (4,238,589)
Total net position	\$ (3,745,729)	\$ (311,444)	\$ (4,057,173)



Required Supplementary Information
June 30, 2017

Tahoe Douglas Fire Protection District

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General Fund (Budgetary Basis)
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 3,091,895	\$ 3,091,895	\$ 3,122,078	\$ 30,183
Intergovernmental				
Consolidated tax	4,293,814	4,293,814	4,318,596	24,782
Plan check fee	75,000	75,000	32,959	(42,041)
Interest income	900	900	1,724	824
Grants	581,190	581,190	665,135	83,945
Strike team	-	-	322,955	322,955
Other income	-	-	24,412	24,412
	<u>8,042,799</u>	<u>8,042,799</u>	<u>8,487,859</u>	<u>445,060</u>
Expenditures				
Current - public safety				
Salaries and wages	4,454,855	4,604,855	3,955,902	648,953
Employee benefits	1,903,248	2,053,248	1,724,003	329,245
Services and supplies	1,363,037	1,513,037	916,370	596,667
Capital outlay	125,000	275,000	72,698	202,302
	<u>7,846,140</u>	<u>8,446,140</u>	<u>6,668,973</u>	<u>1,777,167</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>196,659</u>	<u>(403,341)</u>	<u>1,818,886</u>	<u>2,222,227</u>
Other Financing Sources (Uses)				
Contingency	(150,000)	(150,000)	-	150,000
Transfers out	(1,463,037)	(1,463,037)	(1,463,037)	-
	<u>(1,613,037)</u>	<u>(1,613,037)</u>	<u>(1,463,037)</u>	<u>150,000</u>
Net Change in Fund Balances	(1,416,378)	(2,016,378)	355,849	2,372,227
Fund Balances, Beginning of Year	<u>2,482,869</u>	<u>4,083,001</u>	<u>4,083,001</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,066,491</u>	<u>\$ 2,066,623</u>	<u>\$ 4,438,850</u>	<u>\$ 2,372,227</u>

Tahoe Douglas Fire Protection District

Reconciliation of the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budgetary Basis) to the General Fund Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
Year Ended June 30, 2017

	General Fund (Budgetary Basis)	Health Insurance Reserve Fund (Internally Reported)	Eliminations	General Fund (GAAP Basis)
Revenues				
Taxes				
Ad valorem	\$ 3,122,078	\$ -	\$ -	\$ 3,122,078
Intergovernmental				
Consolidated tax	4,318,596	-	-	4,318,596
Plan check fee	32,959	-	-	32,959
Interest income	1,724	288	-	2,012
Grants	665,135	-	-	665,135
Contracts and strike team	322,955	-	-	322,955
Other income	24,412	-	-	24,412
Total revenues	8,487,859	288	-	8,488,147
Expenditures				
Current - public safety				
Salaries and wages	3,955,902	-	-	3,955,902
Employee benefits	1,724,003	2,613,990	-	4,337,993
Services and supplies	916,370	1,936	-	918,306
Capital outlay	72,698	-	-	72,698
Total expenditures	6,668,973	2,615,926	-	9,284,899
Excess (Deficiency) of Revenues Over Expenditures	1,818,886	(2,615,638)	-	(796,752)
Other Financing Sources (Uses)				
Transfers in (out)	(1,463,037)	2,046,984	-	583,947
Net Change in Fund Balances	355,849	(568,654)	-	(212,805)
Fund Balances, Beginning of Year	4,083,001	1,548,311	-	5,631,312
Fund Balance, End of Year	\$ 4,438,850	\$ 979,657	\$ -	\$ 5,418,507

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Special Revenue Fund
Sick Leave Reserve
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 86,342	\$ 86,342	\$ 86,898	\$ 556
Interest income	100	100	7	(93)
Total revenues	<u>86,442</u>	<u>86,442</u>	<u>86,905</u>	<u>463</u>
Expenditures				
Salaries and wages	<u>195,000</u>	<u>195,000</u>	<u>82,944</u>	<u>112,056</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(108,558)</u>	<u>(108,558)</u>	<u>3,961</u>	<u>112,519</u>
Fund Balances, Beginning of Year	<u>238,632</u>	<u>238,632</u>	<u>427,326</u>	<u>188,694</u>
Fund Balance, End of Year	<u><u>\$ 130,074</u></u>	<u><u>\$ 130,074</u></u>	<u><u>\$ 431,287</u></u>	<u><u>\$ 301,213</u></u>

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Special Revenue Fund
Special Services
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Contracts	\$ 31,000	\$ 31,000	\$ 31,500	\$ 500
Interest income	20	20	-	(20)
Grants	-	-	4,184	4,184
Other income	-	-	5,218	5,218
Total revenues	<u>31,020</u>	<u>31,020</u>	<u>40,902</u>	<u>9,882</u>
Expenditures				
Current - public safety				
Salaries and wages	80,000	80,000	80,000	-
Services and supplies	98,900	98,900	54,586	44,314
Capital outlay	12,000	12,000	4,750	7,250
Total expenditures	<u>190,900</u>	<u>190,900</u>	<u>139,336</u>	<u>51,564</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(159,880)</u>	<u>(159,880)</u>	<u>(98,434)</u>	<u>61,446</u>
Other Financing Sources (Uses)				
Operating transfer in	-	-	100,000	100,000
Net Change in Fund Balance	(159,880)	(159,880)	1,566	161,446
Fund Balances, Beginning of Year	<u>129,579</u>	<u>129,579</u>	<u>216,973</u>	<u>87,394</u>
Fund Balance, End of Year	<u>\$ (30,301)</u>	<u>\$ (30,301)</u>	<u>\$ 218,539</u>	<u>\$ 248,840</u>

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Special Revenue Fund
Fire Safe Community Service Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 585,053	\$ 585,053	\$ 590,562	\$ 5,509
Grants	30,000	30,000	260,985	230,985
Contracts and strike team	785,000	785,000	575,444	(209,556)
Other income	-	-	68,118	68,118
Interest income	100	100	41	(59)
Total revenues	1,400,153	1,400,153	1,495,150	94,997
Expenditures				
Current - public safety				
Salaries and wages	1,004,906	1,179,906	934,910	244,996
Employee benefits	268,985	343,985	201,722	142,263
Services and supplies	321,300	552,168	163,806	388,362
Capital outlay	125,000	200,000	122,900	77,100
Total expenditures	1,720,191	2,276,059	1,423,338	852,721
Excess (Deficiency) of Revenues Over Expenditures	(320,038)	(875,906)	71,812	947,718
Other Financing Sources (Uses)				
Operating transfer out	(149,458)	(149,458)	(149,458)	-
Net Change in Fund Balance	(469,496)	(1,025,364)	(77,646)	947,718
Fund Balances, Beginning of Year	512,934	1,068,802	1,068,802	-
Fund Balance, End of Year	\$ 43,438	\$ 43,438	\$ 991,156	\$ 947,718

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Special Revenue Fund
Fire Flow Initiative Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fees and donations	\$ -	\$ -	\$ 484,195	\$ 484,195
Excess of Revenues Over Expenditures	-	-	484,195	484,195
Net Change in Fund Balance	-	-	484,195	484,195
Fund Balances, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ 484,195	\$ 484,195

Tahoe Douglas Fire Protection District
 Schedule of Funding Progress
 Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a-b)/c]
District Plan						
1/1/2015	\$ 6,646,734	\$ 11,118,816	\$ 4,472,082	60%	\$ 3,933,282	114%
1/1/2012	-	10,259,778	10,259,778	0%	3,138,529	327%
1/1/2011	-	21,911,603	21,911,603	0%	4,130,208	531%
PEBP						
1/1/2015	-	156,315	156,315	0%	N/A	N/A
1/1/2012	-	132,987	132,987	0%	N/A	N/A
1/1/2011	-	520,319	520,319	0%	N/A	N/A

District Plan

The significant change in the Actuarial Accrued Liability (AAL) from the 2011 valuation to the 2012 valuation largely relates to the change in the discount rate, from 4% to 8%. This change was made to reflect the assumed rate of return in the RBIF, the District's establishment of an OPEB trust account and intent to contribute an amount greater than or equal to the ARC each year. Further, the subsidy for retired employees over age 65 was changed to a health reimbursement account contribution of \$225 per month (increasing annually), which also contributed to the decrease in the AAL.

The significant decrease in the Unfunded AAL from 2012 to 2015 relates to transfers of over \$6,000,000 in assets from the District to an irrevocable Trust of the benefit of OPEB, therefore, the assets offset the Unfunded AAL.

Tahoe Douglas Fire Protection District
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System of Nevada
Last Ten Fiscal Years*

	2016	2015	2014
District's portion of net the pension liability	0.10335%	0.08504%	0.10690%
District's proportionate share of the net pension liability	\$ 13,907,324	\$ 9,744,843	\$ 11,140,127
District's covered payroll	\$ 4,189,290	\$ 4,105,972	\$ 4,288,744
District's proportional share of the net pension liability as a percentage of its covered payroll	331.97%	237.33%	259.75%
Plan fiduciary net position as a percentage of the total pension liability	72.23%	75.13%	76.30%

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

Tahoe Douglas Fire Protection District
Schedule of District Contributions
Public Employees' Retirement System of Nevada
Last Ten Fiscal Years*

	2017	2016	2015
Statutorily required contribution	\$ 1,752,433	\$ 1,622,455	\$ 1,590,284
Contributions in relation to the statutorily required contribution	\$ (1,752,433)	\$ (1,622,455)	\$ (1,590,284)
Contribution (deficiency) excess	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 4,229,349	\$ 4,189,290	\$ 4,105,972
Contributions as a percentage of covered payroll	41.44%	38.73%	38.73%

* 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 the internally reported fund of the District does not meet the definition of a special revenue fund and does not qualify to be separately presented for external reporting purposes.

The internally reported special revenue fund of the District (Health Insurance Reserve Fund) is combined with the General Fund for external reporting purposes.



Supplementary Information
June 30, 2017

Tahoe Douglas Fire Protection District

Tahoe Douglas Fire Protection District
Reconciliation of the General Fund Balance Sheet (Budgetary Basis) to the General Fund Balance Sheet
(GAAP Basis) – Governmental Funds
June 30, 2017

	General Fund (Budgetary Basis)	Health Insurance Reserve Fund (Internally Reported)	Eliminations	General Fund (GAAP Basis)
Assets				
Cash and investments	\$ 3,641,666	\$ 1,000,888	\$ -	\$ 4,642,554
Receivables				
Taxes receivable	778,691	-	-	778,691
Grant receivables	541,404	-	-	541,404
Other receivables	1,906	-	-	1,906
Total assets	\$ 4,963,667	\$ 1,000,888	\$ -	\$ 5,964,555
Liabilities				
Accounts payable	\$ 360,407	\$ 5,292	\$ -	\$ 365,699
Deposits	-	15,939	-	15,939
Accrued payroll and benefits	164,410	-	-	164,410
Total liabilities	524,817	21,231	-	546,048
Fund Balances				
Assigned to subsequent years' budget shortfall	67,307	979,657	-	1,046,964
Unassigned	4,371,543	-	-	4,371,543
Total fund balances	4,438,850	979,657	-	5,418,507
Total liabilities and fund balances	\$ 4,963,667	\$ 1,000,888	\$ -	\$ 5,964,555

Tahoe Douglas Fire Protection District
Balance Sheet – Internally Reported (Budgetary Basis) – Health Insurance Reserve
June 30, 2017

	Health Insurance Reserve
Assets	
Cash and investments	<u>\$ 1,000,888</u>
Liabilities	
Accounts payable	5,292
Deposits	<u>15,939</u>
Total liabilities	<u>21,231</u>
Fund Balances	
Assigned for subsequent year's budget deficit	<u>979,657</u>
Total liabilities and fund balances	<u>\$ 1,000,888</u>

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Internally Reported (Budgetary Basis) –
Health Insurance Reserve (Budgetary Basis)
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest income	\$ 200	\$ 200	\$ 288	\$ 88
Expenditures				
Employee benefits	2,922,319	2,922,319	2,613,990	308,329
Services and supplies	40,000	40,000	1,936	38,064
Total expenditures	2,962,319	2,962,319	2,615,926	346,393
Excess (Deficiency) of Revenues Over Expenditures	(2,962,119)	(2,962,119)	(2,615,638)	346,481
Other Financing Sources (Uses)				
Operating transfer in	2,432,917	2,432,917	2,046,984	(385,933)
Net Change in Fund Balance	(529,202)	(529,202)	(568,654)	(39,452)
Fund Balances, Beginning of Year	4,470,289	4,470,289	1,548,311	(2,921,978)
Fund Balance, End of Year	\$ 3,941,087	\$ 3,941,087	\$ 979,657	\$ (2,961,430)

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Capital Projects Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 172,683	\$ 172,683	\$ 174,366	\$ 1,683
Interest income	100	100	11	(89)
Total revenues	<u>172,783</u>	<u>172,783</u>	<u>174,377</u>	<u>1,594</u>
Expenditures				
Capital outlay	<u>670,000</u>	<u>676,798</u>	<u>593,212</u>	<u>83,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(497,217)</u>	<u>(504,015)</u>	<u>(418,835)</u>	<u>85,180</u>
Fund Balances, Beginning of Year	<u>517,944</u>	<u>524,742</u>	<u>524,742</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 20,727</u>	<u>\$ 20,727</u>	<u>\$ 105,907</u>	<u>\$ 85,180</u>

Tahoe Douglas Fire Protection District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Ambulance Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services	\$ 1,120,100	\$ 1,120,100	\$ 910,965	\$ (209,135)
Operating Expenses				
Salaries and wages	1,275,751	1,275,751	1,020,601	255,150
Employee benefits	599,205	599,205	513,377	85,828
Services and supplies	361,300	361,300	230,166	131,134
Bad debts	490,000	490,000	430,800	59,200
Depreciation	100,000	100,000	54,019	45,981
Total operating expenses	<u>2,826,256</u>	<u>2,826,256</u>	<u>2,248,963</u>	<u>577,293</u>
Operating Income (Loss)	<u>(1,706,156)</u>	<u>(1,706,156)</u>	<u>(1,337,998)</u>	<u>368,158</u>
Non-operating Revenues				
Ad valorem taxes	1,726,833	1,726,833	1,743,088	16,255
Other income	12,300	12,300	39,276	26,976
Interest income	200	200	-	(200)
Total non-operating revenue	<u>1,739,333</u>	<u>1,739,333</u>	<u>1,782,364</u>	<u>43,031</u>
Income (Loss) Before Transfers to Other Funds	33,177	33,177	444,366	411,189
Transfers to Other Funds General Fund	<u>(534,489)</u>	<u>(534,489)</u>	<u>(534,489)</u>	<u>-</u>
Change in Net Position	<u>\$ (501,312)</u>	<u>\$ (501,312)</u>	<u>(90,123)</u>	<u>\$ 411,189</u>
Net Position, Beginning of Year			(3,745,729)	
Prior Period Adjustment			<u>(311,444)</u>	
Net Position, Beginning of Year, as Restated			<u>(4,057,173)</u>	
Net Position, End of Year			<u>\$ (4,147,296)</u>	

Tahoe Douglas Fire Protection District
Schedule of Cash Flows – Budget and Actual – Ambulance Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating Activities				
Cash received from customers	\$ 1,120,100	\$ 1,120,100	\$ 896,420	\$ (223,680)
Cash paid to suppliers for goods and services	(361,300)	(361,300)	(237,757)	123,543
Cash paid to employees for benefits	(1,874,956)	(1,874,956)	(1,768,120)	106,836
Net Cash (used for) Operating Activities	<u>(1,116,156)</u>	<u>(1,116,156)</u>	<u>(1,109,457)</u>	<u>6,699</u>
Investing Activities				
Proceeds - interest income	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Noncapital Financing Activities				
Cash from ad valorem taxes	1,726,833	1,726,833	1,739,605	12,772
Proceeds - miscellaneous income	12,300	12,300	39,276	26,976
Transfer to General Fund	(534,489)	(534,489)	(534,489)	-
Net Cash from Noncapital Financing Activities	<u>1,204,644</u>	<u>1,204,644</u>	<u>1,244,392</u>	<u>39,748</u>
Capital and Related Financing Activities				
Purchase of equipment	<u>(50,000)</u>	<u>(50,000)</u>	<u>(5,136)</u>	<u>44,864</u>
Net Change in Cash and Cash Equivalents	38,688	38,688	129,799	91,111
Cash and Cash Equivalents, Beginning of Year	<u>259,932</u>	<u>259,932</u>	<u>34,317</u>	<u>(225,615)</u>
Cash and Cash Equivalents, End of Year	<u>\$ 298,620</u>	<u>\$ 298,620</u>	<u>\$ 164,116</u>	<u>\$ (134,504)</u>



Compliance Section

Tahoe Douglas Fire Protection
District



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 Board of Trustees
Tahoe Douglas Fire Protection District
Zephyr Cove, Nevada

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of Tahoe Douglas Fire Protection District, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 14, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as finding 2017-A, to be a material weakness.

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

Compliance and Other Matters

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

The District's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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
February 14, 2018



Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Tahoe Douglas Fire Protection District
Zephyr Cove, Nevada

Report on Compliance for the Major Federal Program

We have audited Tahoe Douglas Fire Protection District's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Reno, Nevada
February 14, 2018



Auditor's Comments

To the Board of Trustees
Tahoe Douglas Fire Protection District
Zephyr Cove, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Tahoe Douglas Fire Protection District (the "District") as of and for the year ended June 30, 2017, 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 relate to accounting matters.

Statute Compliance

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

Progress on Prior Year Statute Compliance

The statute violation reported in the June 30, 2016 report appears to have been corrected.

Prior Year Recommendations

See the Summary Schedule of Prior Year Audit Findings under separate cover.

Current Year Recommendations

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

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

Reno, Nevada
February 14, 2018

Tahoe Douglas Fire Protection District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Payments to Subrecipients
<u>U.S. Department of the Interior</u>				
Pass through from Nevada Bureau of Land Management				
Southern Nevada Public Land Management	15.235	L13AC00049	\$ 2,618	\$ -
Southern Nevada Public Land Management	15.235	L14AC00293	23,276	-
Total U.S. Department of the Interior			25,894	-
<u>U.S. Department of Agriculture</u>				
Direct Award				
Watershed Restoration and Enhancement Agreement A	10.693	15-CA-11051900-013	14,734	-
Watershed Restoration and Enhancement Agreement A	10.693	15-CA-11051900-012	36,978	-
Watershed Restoration and Enhancement Agreement A	10.693	16-CA-11051900-025	46,778	-
Watershed Restoration and Enhancement Agreement A	10.693	16-CA-11051900-038	129,071	-
			227,561	-
Pass through from Nevada Division of Forestry				
Cooperative Forestry Assistance	10.664	USDA/SFA/15/05	11,513	-
Total U.S. Department of Agriculture			239,074	-
<u>U.S. Department of Homeland Security</u>				
Direct Award				
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2014-FH-00691	593,111	-
Pass through from Douglas County				
Pre-Disaster Mitigation	97.047	9704709-3000	4,777	-
Pre-Disaster Mitigation	97.047	9704709-3100	3,615	-
			8,392	-
Total U.S. Department of Homeland Security			601,503	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 866,471	\$ -

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

This Schedule of Expenditures of Federal Awards (SEFA) includes the Federal grant activity of the Tahoe Douglas Fire Protection (the District). The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Tahoe Douglas Fire Protection District received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B - Significant Accounting Policies

Governmental fund types primarily account for the District's federal grant activity. Therefore, expenditures in the SEFA are recognized on the modified accrual basis – when they become a demand on current available financial resources. The District's summary of significant accounting policies is presented in Note 1 to its District's basic financial statements.

The District has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies not considered to be material weaknesses?	None reported
Noncompliance material to financial statements notes?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified?	No
Significant deficiencies not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Staffing for Adequate Fire and Emergency Response	97.083
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

**2017-A Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited in all material respects. In conjunction with the completion of our audit, we were requested to draft the financial statements, assist with the conversion of the fund financial statements to government-wide financial statements, and prepare the accompanying notes to those financial statements. In addition, we proposed several material audit adjustments to current end of year balances. The absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected in a timely manner. It is the responsibility of those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Cause: Due to a shortage of personnel with the ability to prepare full disclosure financial statements, the District has chosen to contract with Eide Bailly LLP to prepare its financial statements and related financial statement disclosures. However, management has not implemented sufficient procedures to capture the necessary information needed for the financial statements and related disclosures to be prepared in all material respects.

Effect: The District’s financial records required material audit adjustments in order for the financial statements to be in accordance with GAAP. Internally prepared financial information may not be accurate and full disclosure financial statements may not be available as timely as they would be if prepared by District personnel.

Recommendation: We recommend District staff continue to obtain training in the preparation of financial statements and related financial statement disclosures in order to gain the knowledge needed to prepare the financial statements and related financial statement disclosures in all material respects.

View of Responsible Officials: Management agrees with this finding.

**2017-001: U.S. Department of Homeland Security
Staffing for Adequate Fire and Emergency Response, CFDA 97.083**

**Reporting
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects grant award EMW-2014-FH-00691 included under CFDA 97.083 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The audit objectives of the <i>OMB Compliance Supplement</i> specify that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.
<i>Condition:</i>	Operational staff numbers reported on the <i>Hiring Performance Reports</i> for the periods October 7, 2016 through January 6, 2017 and January 7, 2017 through April 6, 2017 were not supported by the applicable records.
<i>Cause:</i>	The District did not have adequate internal controls to ensure that performance figures reported to the Federal agency were supported by the applicable records.
<i>Effect:</i>	Inaccurate information may have been reported to the Federal agency.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of two out of four <i>Hiring Performance Reports</i> submitted to report activity during fiscal year 2017 were selected for testing. Operational staff numbers reported on both reports were not supported by the applicable records.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the District enhance internal controls to ensure that performance figures reported to the Federal agency are supported by the applicable records.
<i>Views of Responsible Officials:</i>	Management agrees with this finding.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2017

Prepared by Management of
Tahoe Douglas
Fire Protection District

Finding 2016-001

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP drafts the financial statements, assists with the conversion of the fund financial statements to government-wide financial statements, and prepares the accompanying notes to the financial statements. In addition, Eide Bailly LLP posts audit adjustments to the general ledger as part of their audit.

Status: Ongoing. Due to limited staffing in the administration of the District, we will continue to contract with Eide Bailly LLP for the preparation of the financial statements and the related disclosures.

Finding 2017-A

Finding Summary: Eide Bailly LLP prepares our financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individual: Scott Baker, Fire Chief

Corrective Action Plan: Due to limited staffing in the administration of the District, it was determined that contracting with Eide Bailly LLP for the preparation of the financial statements and the related statement disclosures provided the best cost benefit to the District. For the future, staffing will continue to be evaluated to determine the needs and best benefits of the District in the preparation of the financial statements.

Anticipated Completion Date: Ongoing

Finding 2017-001

Federal Agency Name: U.S. Department of Homeland Security
Program Name: Staffing for Adequate Fire and Emergency Response
CFDA #: 97.083

Finding Summary: Eide Bailly LLP determined that operational staff numbers reported on the *Hiring Performance Reports* for the periods October 7, 2016 through January 6, 2017 and January 7, 2017 through April 6, 2017 were not supported by the applicable records.

Responsible Individuals: Scott Baker, Fire Chief

Corrective Action Plan: Internal controls have been put in place for the accurate reporting of district staffing levels. District staff now reports exact staffing numbers at the end of each reporting period to the SAFER grant consultant for submittal to the federal agency.

Completion Date: December 2017