

NORTH TAHOE FIRE PROTECTION DISTRICT  
PLACER COUNTY, CALIFORNIA

BASIC FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2015

# NORTH TAHOE FIRE PROTECTION DISTRICT

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***North Tahoe Fire Protection District  
Management's Discussion and Analysis  
June 30, 2015***

**Purpose**

This discussion and analysis of the North Tahoe Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015, and the District's financial status at June 30, 2015. Together with the District's Financial Statements and Independent Auditors' Report, and the required supplementary information they form the District's annual report. This report is designed to provide our citizens, taxpayers, employees and customers with a general overview of the District's finances and to show the District's accountability for the money it receives.

**Financial Highlights**

- The District's cash and investment balance is \$6,345,118. \$55,175 of this balance is restricted. Net assets at June 30, 2015 are (\$6,858,533) of which (\$8,653,131) is unrestricted.
- The District used 100% of its property tax, special tax and fire assessment revenues to fund operations.
- Approximately \$1,372,000 of property tax revenues that would have been otherwise allocated to the District will be reallocated to other governmental agencies. The State of California is shifting property taxes from local government to help reduce the State's budget deficit and the Placer County Redevelopment Successor Agency has frozen property tax appreciation in each of three geographically defined areas within the Fire District and subject to a 2% pass-through, retains the balance of the District's tax.
- For every dollar of payroll for Tier I Safety employees, the District is responsible to pay approximately \$0.44 in retirement (PERS) expense. For every dollar of payroll for Tier II Safety employees, the District is responsible to pay approximately \$0.22 in retirement expense. For every dollar of payroll for Tier III Safety employees, the District is responsible to pay approximately \$0.11 in retirement expense. For every dollar of payroll for Tier I Miscellaneous employees, the District is responsible to pay approximately \$0.33 in retirement (PERS) expense. For every dollar of payroll for Tier II Miscellaneous employees, the District is responsible to pay approximately \$0.18 in retirement expense. For every dollar of payroll for Tier III Miscellaneous employees, the District is responsible to pay approximately \$0.06 in retirement expense.
- Regarding workers compensation, \$8.22 of every \$100.00 in gross payroll is allocated to safety personnel and \$4.70 of every \$100.00 in gross payroll to miscellaneous personnel.
- These along with other employee-related fringe benefits helps to illustrate how employee costs are the largest and most significant portion of the District budget.
- With regards to PERS retirement, having a defined benefit plan historically resulted in broad swings in employer contributions directly tied to gains and losses out of District control. The District participates in a pooled plan with other agencies which has stabilized contribution rates in the short-term. Similar pooling with other agencies has stabilized workers compensation rates. District staff anticipates increases in both programs in the coming years.

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**Overview of the Financial Statements**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that provide different views of the District.

- The *government-wide financial statements* consist of the Statement of Net Assets and the Statement of Activities. These statements provide both long-term and short-term information about the District's overall financial status.
- The *fund financial statements* consist of the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. These statements provide the District's activity on a fund basis. The *fund financial statements* tell how the District's services were financed in the short-term, as well as what remains for future spending.

**Government-wide Statements**

The government-wide statements report information about the District's financial activities as a whole in a way that helps determine if the District is better or worse off as a result of the year's activities. The Statement of Net Assets includes all of the District's assets and liabilities at the end of the year. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. These statements use the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies.

These statements report the District's net assets and the changes in them. The District's net assets – the difference between assets and liabilities – provide one measure of the District's financial health. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the property tax base and the condition of the District's facilities.

**Fund Financial Statements**

The fund financial statements are reported side-by-side with the Statement of Net Assets and the Statement of Activities. These statements provide information by fund. The fund financial statements provide a short-term view of the District's operations and the service it provides, which is providing full service, all-risk fire protection, fire prevention, paramedic ambulance and rescue services within the boundaries of the District and contractual areas in El Dorado County, Meeks Bay Fire Protection District and Alpine Meadows. The District has only one fund, the General Fund, which serves as the general operating fund.

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**Financial Analysis of the District as a Whole**

Registered voters within the District passed a special tax increase in August 2005 which provided for approximately \$2,417,000 of revenue in the current year. Additionally, property owners within the District passed a special assessment in the fall of 2007 which provided for approximately \$675,000 of revenue in the current year. Following direction of the Board of Directors, the District has begun a program of rebuilding unrestricted reserves as a "rainy day" fund and designating restricted reserves for refurbishing and replacing the District's apparatus and fire stations.

**Condensed Financial Information**

***NET POSITION***

ASSETS:	<b>2015</b>	<b>2014</b>
Non-capital	\$ 6,948,235	\$ 5,774,305
Capital	\$ 11,962,372	\$ 11,545,623
Total Assets	<u>\$ 18,910,607</u>	<u>\$ 17,319,928</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Prepaid debt service costs	\$ -	\$ 149,022
Change in employer proportions & differences in contributions	\$ 297,023	
Employer contributions made after measurement date	\$ 1,433,672	
Total Deferred Outflows	<u>\$ 1,730,695</u>	<u>\$ 149,022</u>
<b>LIABILITIES:</b>		
Current	\$ 1,657,253	\$ 1,563,172
Long-term	\$ 23,405,900	\$ 11,619,261
Total Liabilities	<u>\$ 25,063,153</u>	<u>\$ 13,182,433</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Difference between expected & actual earning on plan investments	\$ 2,436,682	\$ -
<b>NET POSITION:</b>		
Net Investment in capital assets	\$ 1,777,944	\$ 1,848,541
Restricted	\$ 16,654	\$ 9,592
Unrestricted	\$ (8,653,131)	\$ 2,428,384
Total Net Assets	<u>\$ (6,858,533)</u>	<u>\$ 4,286,517</u>

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The figures noted above reflect an increase in Total Assets of 9%. These changes are the result of additional grant revenues reflected in "Cash" and receivables. The 90% increase in total liabilities is the result of reporting the cumulative Other Post Retirement Benefit Liability and new equipment leases. Finally, a decrease in Total Net Position of (260%) is noted from the prior fiscal year and a result of implementing GASB No. 68.

**Changes in Net Position - Governmental Activities**

The following presents a summary of revenues and expenses for the fiscal year ending June 30, 2015. The percentage is in relationship to the annual totals for revenue and expenses.

	<b>2015</b>		<b>2014</b>	
REVENUES:	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Taxes	\$ 8,305,016	68%	\$ 7,844,557	73%
Ambulance services	\$ 1,522,796	13%	\$ 1,544,968	14%
Interest/grants/other	\$ 1,143,526	9%	\$ 590,353	5%
Contract services	\$ 1,180,237	10%	\$ 787,480	7%
Total Revenues	<u>\$ 12,151,575</u>	<u>100%</u>	<u>\$ 10,767,358</u>	<u>100%</u>
EXPENSES:				
Salaries	\$ 5,267,804	46%	\$ 4,562,061	43%
Benefits	\$ 3,055,988	27%	\$ 3,125,121	30%
Operating expenses	\$ 2,121,030	19%	\$ 1,776,990	17%
Bad debt	\$ 273,304	2%	\$ 410,650	4%
Depreciation	\$ 739,702	6%	\$ 702,161	7%
Total Expenses	<u>\$ 11,457,828</u>	<u>100%</u>	<u>\$ 10,576,983</u>	<u>100%</u>
Change in Net Assets	\$ 693,747		\$ 190,375	
Beginning Net Assets	\$ (7,552,280)		\$ 4,540,911	
Ending Net Assets	<u>\$ (6,858,533)</u>		<u>\$ 4,731,286</u>	

Property tax revenue remains the single largest source of revenue for the Fire District. Beginning in the 2008-2009 fiscal year, the District levied a property owner approved Fire Suppression Assessment. Proceeds from this Assessment were used 1) to obtain, furnish, operate and maintain fire suppression services and apparatus including, but not limited to, emergency communication systems, property inspection and chipping programs, fire engines and station equipment, and 2) to pay the cost of firefighting personnel as to assure that there are always enough personnel available to effectively respond to a fire emergency during periods of peak demand.

In Fiscal year 2014/2015 total property tax revenues increased 6%, the District received some of the anticipated pass through monies for the Placer County Redevelopment Successor Agency. Additionally, the District received some of the residual disbursement of these funds. During the

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previous year the District received pass through monies as well as an unanticipated residual disbursement from the Placer County Redevelopment Successor Agency of approximately \$218,000.

Revenue received from ambulance service fees decreased 1%. During the previous year the District received reimbursements for the Medi-Cal transport through the Ground Emergency Medical Transport (GEMT) program for several previous years. During the current year the District only received one year of GEMT revenues of approximately \$127,000.

Overall contract revenues have increased by 33%. Contract revenues are based partly on property taxes (as is the case in the District's contract with Alpine Springs County Water District and El Dorado County) and since Property Taxes revenues increased; we would expect to see an increase in these revenues. In fiscal year 2013/2014 the District entered into a contract with Meeks Bay Fire Protection District to provide Fire Management Services and other related services. All of these factors combined account for the increase in contract revenues.

Grant revenues have increased significantly from the prior year. This increase is due primarily to the award of the FEMA SAFER grant; allowing the District to hire 9 additional safety personnel.

While revenues have increased 11%, expenditures have only increased 8%. Salaries have increased 15%; while Benefits had decreased 2%. The increase in salaries is a result of the 9 additional employees hired through the FEMA SAFER grant and the addition of 3 other firefighting personnel. The decreases in benefit expenses are due in part to retirements as well all employees are now paying their employee contribution to PERS and 2% of the employers contribution to PERS.

**General Fund Budgetary Highlights**

A budget is prepared annually and includes proposed expenditures and the means of financing them for the upcoming year. This includes estimates for the current year and actual data for the preceding year. The budget is reviewed at a properly noticed Board meeting to obtain taxpayer comment. Prior to June 30<sup>th</sup>, the budget is legally enacted through passage of a resolution. The District's Board of Directors reviews reports of operations and examines any variance from the approved budget at least monthly. Formal budgetary integration is employed as a management control device during the year. Appropriations lapse at the end of each fiscal year. The District may authorize supplemental appropriations during the year.

**Capital Asset & Debt Administration**

On June 30, 2015, the District had \$16,865,982 invested in capital assets. There was approximately \$1,156,000 purchases of fixed assets made during the 2015 fiscal year. Fixed asset

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additions made during the 2015 year included 2 new Type I Fire engines, new ambulance, radios and mobile data terminals (MDT). Disposals included several vehicles.

	2015	2014
Land	\$ 73,455	\$ 73,455
Buildings and improvements	\$ 10,596,918	\$ 10,596,918
Equipment	\$ 6,269,064	\$ 5,407,673
CIP	\$ -	\$ -
Total	\$ 16,939,437	\$ 16,078,046

**Long-Term Obligations**

At year end, the majority of the District's long-term obligations consist of the financing obligation for the new fire station, long term post-retirement benefits, leases and accrued leave payouts. The total long term liability at June 30, 2015 is \$23,405,900.

**Economic Factors**

The Fire District completed the Station 51 Public Safety Center construction project in FY 12/13 earning a LEED Gold accreditation. This project was accomplished in part with the cooperation of the Tahoe City Public Utility District who made the property available for \$1.00 per year in a long-term lease arrangement. New Station 51 serves both as a Fire Station and as the District's Headquarters, thus centralizing executive, administrative and community services for our customers. Station 51 has been designed to meet the community's needs for the next 50 years to come.

Most of the District's other fire stations were built in the 1950s and 1960s. As such, they were built with volunteer firefighters in mind versus full-time 24 hour staff and could not anticipate the garaging capacity required for today's larger fire equipment/apparatus. These older facilities fail to meet seismic standards, Best Management Practices (BMP) required by TRPA, parking and ADA requirements. In addition, they weren't designed with gender diversity requirements of a 24 hour work force and are operationally expensive to heat and repair. Challenges of replacing aging infrastructure will continue to be a theme for many years with Station 52 (Kings Beach) and Station 53 (Homewood) as priorities.

After the voter-approved special tax increase implemented in the 2005-2006 fiscal year, the District carefully followed a plan of re-building reserves. Funds are internally segregated into categories including "unrestricted", "facilities" and "apparatus replacement". This effort was consistent with the District's campaign pledge to its constituents. Funds from that tax have also been allocated to maintain staffing levels, training and equipment. While no specific reserve levels have been established by the Board Members, the District is at a point in its "unrestricted" category that more emphasis can be placed on establishing funds for re-building its aging infrastructure and apparatus.



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Reserve funds were largely impacted in the past by broad swings in PERS contributions and “raids” on District revenue by the State of California and Placer County Redevelopment Agency.

Beginning in the 2008-2009 fiscal year, the District levied a property owner approved Fire Suppression Assessment. Proceeds from this Assessment were used 1) to obtain, furnish, operate and maintain fire suppression services and apparatus including, but not limited to, emergency communication systems, property inspection and chipping programs, fire engines and station equipment, and 2) to pay the cost of firefighting personnel as to assure that there are always enough personnel available to effectively respond to a fire emergency during periods of peak demand. An independent citizen’s financial oversight committee was formed to advise the Board on an annual expenditure plan for this assessment and the special tax.

The District’s 15 year agreement with the Alpine Springs County Water District for full fire suppression and prevention services stipulates the District’s requirement to staff the fire station in Alpine Meadows a minimum of 150 days per year for the term of the agreement. Revenues representing 80% of property tax are provided to offset these new costs. The District has funded a storage building adjacent to the Alpine Meadows fire station to facilitate storage needs of the entire Fire District. The District’s 2012 FEMA S.A.F.E.R grant provides funding for additional Firefighters in order to meet the NFPA 1410 response assembly standard and keep part-time stations (including the Alpine Meadows station) staffed more regularly. As a result, the District has exceeded the minimum contractual days for staffing this fire station for the past two years.

The District has implemented a voter-approved Community Facilities District (CFD) No. 2012-1 (Ladder Truck O&M). Only larger, taller, buildings/structures and dense developments are required to join the CFD and provide funding. The purpose of this CFD is to provide funding of an aerial apparatus which is designed to provide greater fire suppression capabilities for these types of commercial developments. While the District may use this apparatus during various different types of incidents, its primary function would be to respond to larger, taller, dense properties within the District. The Domus housing project(s) was the originating entity and the funds remain dormant until another qualified entity joins. If by 2020 another qualified entity does not enter into the CFD, the CFD will expire and residual funds will be returned to the originator.

The District will continue to provide a high level of fire suppression, rescue and emergency medical services to property owners and visitors to the area. However, current revenues don’t address the need for additional staffing, aging infrastructure and specialized equipment such as an aerial ladder truck. It will provide for a gradual replacement of equipment and apparatus through a combination of “Municipal Leasing”, “pay as you go” and grant funding techniques.

In April of 2014, the North Tahoe Fire Protection District (North Tahoe) and the Meeks Bay Fire Protection District (Meeks Bay) entered in to a mutual aid management agreement, whereby North Tahoe will provide fire services management and related administrative and operational services to Meeks Bay.

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The scope of services within the agreement includes a delegation of authority for all duties required by law previously performed by the Meeks Bay Fire Chief including but not limited to; fire suppression operations, fire prevention, rescue services, training, emergency medical services, hazardous materials responses, forest fuels management, defensible space programs, equipment, facilities, supplementary staffing and personnel management. The Meeks Bay Fire Protection District pays the full salary and benefits for one North Tahoe Division Chief and reimburses the District for direct and indirect costs associated with the management agreement.

The State of California's adoption of the Insurance Services Office (ISO) 2012 Fire Suppression Rating Schedule (FSRS™) places greater emphasis on Fire Prevention, public education and catastrophic wildfire avoidance. In-turn, the District must respond with programs that address these priorities in-order to protect the communities we serve economic and environmental interests.

Fire prevention programs beyond current levels are necessary to avoid the risk of catastrophic fires. To offset the associated costs of such programs, District staff has implemented a cost recovery program that includes plan check and inspection fees to help fund the fire prevention bureau. The District's Capital Facilities and Mitigation Fee Study justifies the need for these fees and was adopted by the Board of Directors in 2008 with the most recent update being completed 2013. These monies are intended to address, in part, the impacts that new projects and developments have on Fire District service delivery.

Significant effort has gone into reducing the threat of catastrophic wildfire through funding for fuels reduction and defensible space. These activities are reliant on outside funding and dollars generated by the property-owner approved fire suppression assessment. To meet this end, the District continues an ongoing aggressive grant writing campaign and has developed strategic partnerships in Forest Fuels management with both the North Lake Tahoe Fire Protection District and the Meeks Bay Fire Protection District. As fire knows no boundaries, so should our prevention activities.

In the fall of 2012 the Insurance Services Office (ISO) reevaluated the District's structure fire suppression capabilities; subsequently in April of 2013 ISO proposed a Public Protection Classification (PPC) retrogression from our community's historic classification of 4/8B to a 5/8B. The North Tahoe Fire Protection District's Board recognized the reclassification would have a significant financial impact on our constituents in the form of higher insurance premiums. Understanding the important relationship between funding of community fire protection and community insurability as a pillar of economic vitality, the Board authorized District staff to develop and implement a retention plan and invested in specific equipment necessary to retain the 4/8B classification, saving the community potentially millions of dollars in excess premiums. In order to sustain or improve the ISO 4/8B Classification, Fire Prevention, Public Education and fire-flow water supply systems must remain District priorities.

The District adopted a GASB 45 Plan in 2009/2010 that addresses the financial liability the District will face in funding post-employment benefits such as medical insurance. The Plan

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Management's Discussion and Analysis  
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requires the District to set aside a percentage of revenues annually to help offset the costs associated with future retirements. The District completes a bi-annual valuation of this Plan in compliance with PEMHCA.

The District implemented GASB 68 in fiscal year 2014/2015. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. For defined benefit pensions, such as ours, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attributed that present value to periods of employee service. As a result of the implementation, several new note disclosures and journal entries are required in these financial statements.

Finally, the District's wage and benefit contracts (MOU) with employee groups will expire 12-1-2015. These contracts contain a three tiered pay and benefit package which is based upon an employee's date of hire and/or entry into CAL PERS. Employees hired prior to December 17, 2010, are classified as Tier I; these employees are also referred to as "Classic Members" by PERS. Employees hired between December 18, 2010 and December 31, 2012, are classified as Tier II; these employees are also referred to as "Classic Members" by PERS. In addition employees hired after January 1, 2013, who are classified as "Classic Members" by PERS, due to prior services with another PERS agency, are also considered Tier II for the District. Employees hired after January 1, 2013, with no prior service with a PERS agency, are classified as Tier III and PEPRAs members by PERS. The cost of the Tier III employee is considerably less per employee than exists with Tier I and Tier II. Additionally, this contract contains provisions for all employees to pay their employee portion of PERS retirement contribution and is compliant with PEPRAs legislation AB340. This legislation requires as of January 1, 2013, all new members of PERS be designated Tier III with the District.

**Contacting the District's Management**

If you have questions about this report or need additional information, contact North Tahoe Fire Protection District at PO Box 5879, Tahoe City, CA 96145.

# M<sup>c</sup>CLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
North Tahoe Fire Protection District

### Report on the Financial Statements

We have audited the accompanying financial statements of North Tahoe Fire Protection District, which comprise the statement of net position and governmental fund balance sheet as of June 30, 2015, and the related statement of activities and governmental fund revenue, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tahoe Fire Protection District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matters*

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements required retrospective application of previously reported net position at July 1, 2014 as described in Note 10 to the basic financial statements. In addition, Net Pension Liability is reported in the Statement of Net Position in the amount of \$10,829,638 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and net pension liability information on pages 1-9 and 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Tahoe Fire Protection District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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 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 our report dated November 16, 2015, on our consideration of the North Tahoe Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 North Tahoe Fire Protection District's internal control over financial reporting and compliance.

*McClintock Accountancy Corporation*

McClintock Accountancy Corporation  
Tahoe City, California  
November 16, 2015

Basic  
Financial  
Statements

NORTH TAHOE FIRE PROTECTION DISTRICT

Exhibit A

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2015

	<u>Governmental Fund</u>		
	Balance Sheet	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 382,466	\$ -0-	\$ 382,466
Investments	5,907,477	-0-	5,907,477
Restricted investments	55,175	-0-	55,175
Accounts receivable	144,877	178,397	323,274
Grants receivable	174,662	-0-	174,662
Other assets	105,181	-0-	105,181
Land	-0-	73,455	73,455
Capital assets, net of accumulated depreciation	-0-	11,888,917	11,888,917
Total Assets	<u>\$ 6,769,838</u>	<u>\$ 12,140,769</u>	<u>\$ 18,910,607</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Change in employer proportions and differences in contributions	\$ -0-	\$ 297,023	\$ 297,023
Employer contributions made after measurement date	-0-	1,433,672	1,433,672
Total Deferred Outflows of Resources	<u>\$ -0-</u>	<u>\$ 1,730,695</u>	<u>\$ 1,730,695</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 82,271	\$ -0-	\$ 82,271
Accrued expenses	382,562	64,286	446,848
Other liabilities	126,494	-0-	126,494
Compensated absences	113,299	488,882	602,181
Long term post retirement health benefits	-0-	2,791,293	2,791,293
Aggregate net pension liability	-0-	10,829,638	10,829,638
Long-term debt:			
Due within one year	-0-	399,459	399,459
Due after one year	-0-	9,784,969	9,784,969
Total Liabilities	<u>\$ 704,626</u>	<u>\$ 24,358,527</u>	<u>\$ 25,063,153</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference between expected and actual earnings on plan investments	\$ -0-	\$ 2,436,682	\$ 2,436,682
<b>FUND BALANCE/NET POSITION</b>			
Fund Balance:			
Restricted fund balance	16,654	(16,654)	-0-
Unrestricted	6,048,558	(6,048,558)	-0-
Total Fund Balance	<u>6,065,212</u>	<u>(6,065,212)</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 6,769,838</u>		
Net Position:			
Net investment in capital assets		1,777,944	1,777,944
Restricted		16,654	16,654
Unrestricted (deficit)		(8,653,131)	(8,653,131)
Total Net Position		<u>(6,858,533)</u>	<u>(6,858,533)</u>

The accompanying notes are an integral part of this statement.



NORTH TAHOE FIRE PROTECTION DISTRICT

Exhibit B

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE

For the Year Ended June 30, 2015

	<u>Governmental Fund</u>		
	<u>Revenue, Expenditures and Change in Fund Balance</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
Revenue:			
Taxes	\$ 8,305,016	\$ -0-	\$ 8,305,016
Ambulance services	1,220,872	301,924	1,522,796
Service and contract fees	1,180,237	-0-	1,180,237
Grants	933,099	-0-	933,099
Mitigation fees	106,236	-0-	106,236
Gain on sale of assets	-0-	45,782	45,782
Other	67,709	(45,782)	21,927
Interest	36,482	-0-	36,482
Total Revenue	<u>11,849,651</u>	<u>301,924</u>	<u>12,151,575</u>
Expenditures/Expenses:			
Salaries and wages	5,152,047	115,757	5,267,804
Employee benefits	2,780,602	275,386	3,055,988
Maintenance and operations	611,423	(3,355)	608,068
General and administrative	324,806	-0-	324,806
Uniforms and supplies	383,797	(15,326)	368,471
Utilities	115,212	-0-	115,212
Professional fees	319,576	-0-	319,576
Bad debt	-0-	273,304	273,304
Depreciation	-0-	739,702	739,702
Grant Expense	74,039	(67,971)	6,068
Capital outlay	220,639	(163,685)	56,954
Debt service:			
Principal	420,706	(420,706)	-0-
Interest	315,899	5,976	321,875
Total Expenditures/Expenses	<u>10,718,746</u>	<u>739,082</u>	<u>11,457,828</u>
Revenues Over (Under) Expenditures/ Change in Net Position	<u>1,130,905</u>	<u>(437,158)</u>	<u>693,747</u>
Fund Balances/Net Position:			
Beginning of the Year (Deficit)	<u>4,934,307</u>	<u>(12,486,587)</u>	<u>(7,552,280)</u>
End of the Year (Deficit)	<u>\$ 6,065,212</u>	<u>\$ (12,923,745)</u>	<u>\$ (6,858,533)</u>

The accompanying notes are an integral part of this statement.

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

### 1. Summary of Significant Accounting Policies

North Tahoe Fire Protection District (the "District") was created on June 29, 1993 as a consolidation of the North Tahoe Fire Protection District and the Tahoe City Fire Protection District. The District operates under the State of California Fire Protection District Law of 1987 and State Senate Bill 515. The District operates under a board-fire chief form of government and provides fire suppression, fire prevention, ambulance, emergency medical services and rescue services to Placer County residents living in the North Lake Tahoe area.

The District's basic financial statements include the accounts of all operations.

The accounting policies of the District conform to generally accepted accounting principles ("GAAP") as applicable to governmental type organizations. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies:

#### Measurement Focus, Basis of Accounting and Basis of Presentation

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

The government-wide statements are prepared using a different measurement focus than the governmental fund financial statements (see further detail below). Therefore, a reconciliation has been provided to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period.

The District generally considers all revenues available if they are collected within 90 days after year-end. Principal revenue sources of the District that are susceptible to accrual include property taxes, ambulance and emergency medical services, interest income, and contract fees. Mitigation fees and reimbursable revenues are not susceptible to accrual as they are generally not measurable until received in cash. The period of availability is increased to 90 days because the collection period for ambulance and emergency services revenues generally extends beyond 60 days. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

related to compensated absences paid 90 days after year-end, are recorded only when payment is due.

Since the District is engaged in a single governmental program, the District has elected to combine the fund financial statements with the government-wide financial statements using a columnar format that reconciles individual line items of the fund financial statements to the government-wide statements in a separate column.

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

The District's accounting system is operated on a fund basis. A fund is a separate accounting entity with a self-balancing set of accounts. A fund is maintained for the purpose of carrying on specific activities or to obtain certain objectives. The District uses one fund. The following fund and fund type is used by the District:

### Governmental Fund Type

General Fund - Used to account for all unrestricted resources of the District. The general fund is accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included in the balance sheet. Its operating statement presents sources and uses of available resources during a given period.

### Budgets and Budgetary Accounting

By state law, the District's governing board must adopt a preliminary budget prior to the beginning of each fiscal year. A final budget must be adopted by October 1st. The budget must be adopted in a properly noticed meeting.

Actual revenues and expenditures are compared to budgeted amounts monthly as a management control device for all budgeted funds. The District monitors capital expenditures by comparison to specific project appropriation accounts.

### Restricted Investments

Restricted investments consist of funds held in the Placer County Investment Pool on behalf of the North Tahoe Firefighters Association ("NTFA"). The corresponding liability to the NTFA is recorded as "other liabilities" in the accompanying financial statements.

### Capital Assets

Capital assets are reported in the government-wide Statement of Net Position, but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. At June 30, 2015, fixed assets totaling \$485,550 are valued at their

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

All capital assets, except for land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 40 years.

### Compensated Absences

It is the District's policy to permit employees to accumulate vacation benefits of up to 960 hours, which will be paid to the employee upon separation from District service. In addition, certain District employees are eligible to accumulate comp time up to 216 hours. Accumulated vacation and comp time that is expected to be liquidated within 90 days after the year-end is considered to be current and is reported as an expenditure and a liability of the fund financial statements. The entire compensated absence liability and expense is reported on the government-wide financial statements.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made in the accompanying financial statements.

### Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 30, 2013 to June 30, 2014

At June 30, 2015, the District had an unrestricted deficit of (\$8,653,131). This deficit is primarily a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, of recording the pension liability on a full accrual basis of accounting instead of funding basis. The District expects that these deficits will be funded with future subsidies.

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

### Fund Balance

In the fund financial statements, the District reserves those portions of fund balance which are legally restricted for a specific future use. The Restricted Fund balance represents the portion of fund balance restricted by mitigation fees. Mitigation fees are charged on all new building and construction on the District's service area. The fees, in accordance with Placer County ordinance, can be used only for new construction and development of fire protection facilities, apparatus and services. The District spent approximately \$100,000 of mitigation fees during the year ended June 30, 2015. Unrestricted Fund balance is the portion of fund balance available for use in future periods.

In accordance with GASB issued statement No. 54, *Fund Balance Reporting and Governmental Fund type Definitions*, Fund Balance is classified into the following five components:

- \* *Non-spendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- \* *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- \* *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- \* *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- \* *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

### Net Position

Net Position represents the District's financial and capital resources and is calculated as the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

2. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. All District deposits in excess of insurance from the Federal Deposit Insurance Corporation are collateralized with eligible securities, in amounts equal to at least 110% of the District's carrying value of the deposits (demand deposits and certificates of deposit). Such collateral, as permitted by the State of California, is held in each respective bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds.

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, none of the District's bank balances at June 30, 2015 are exposed to custodial credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

Investments

Pursuant to the District's Investment Policy, the District is allowed to invest in the Placer County investment pool, Tax and Revenue Anticipation Note and Guaranteed Investment Contract. The District investments consist of deposits held in the Placer County investment pool. The District had no funds invested in the Guaranteed Investment Contract during the year ended June 30, 2015.

The District's investments are recorded at fair value at June 30, 2015 as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Placer County Investment Pool	Less than 1 year	<u>\$ 5,962,652</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in the Placer County investment pool have not been rated by a nationally recognized statistical agency.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

3. Explanation of the Differences between the Governmental Fund Balance Sheet and the Statement of Net Position

The District's "Total fund balance" of \$6,065,212 in Exhibit A differs from "Net Position" of (\$6,858,533) reported in the Statement of Net Position. This difference results from the long-term economic focus of the statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. An explanation of the reconciliation adjustments between the statements is described below:

Ambulance billing receivables not collected within 90 days after the District's fiscal year are not considered "available" revenues in the Governmental Funds and, therefore, have not been recorded in the Governmental Funds.	<u>\$ 117,257</u>
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Ground emergency medical transportation reimbursements applied for from the Department of health care services and not collected within 90 days after the District's fiscal year end have not been recorded in the Governmental Funds.	<u>\$ 61,140</u>
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When capital assets (land, construction in progress, buildings, and equipment) are purchased or constructed, the costs of those assets are reported as expenditures in the Governmental Funds. The statement of Net Position includes these capital assets.	
Land	<u>\$ 73,455</u>
Depreciated capital assets	\$ 16,865,982
Accumulated depreciation	<u>(4,977,065)</u>
	<u>\$ 11,888,917</u>

Deferred outflows of resources will not be realized as current financial resources and are not reported in the Governmental Funds. The statement of Net Position includes these deferred outflows of resources.

Change in employer proportions and differences in contributions	<u>\$ 297,023</u>
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Employer contributions made after measurement date	<u>\$ 1,433,672</u>
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Interest payable on long-term debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due.	<u>\$ 64,286</u>
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Certain liabilities and deferred inflows of resources are not payable from current financial resources and therefore are not reported in the

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

Governmental Funds. Those liabilities and deferred inflows of resources consist of:

Compensated absences	\$ 488,882
Long term post-retirement health benefits	<u>\$ 2,791,293</u>
Aggregate net pension liability	<u>\$ 10,829,638</u>
Notes payable	<u>\$ 10,184,428</u>
Difference between expected and actual earnings on plan investments	<u>\$ 2,436,682</u>

4. Explanation of Differences between Governmental Fund Operating Statement and the Statement of Activities

The District’s “Revenues over expenditures” of \$1,130,905 in Exhibit B differs from the “change in Net Position” of \$693,747 reported in the Statement of Activities. The difference arises from the long-term economic focus of the statement of activities versus the current financial resources focus of the Governmental Funds. The components of the difference are described below:

Ambulance billing receivables not collected within 90 days after the District’s fiscal year ends are not considered “available” revenues in the Governmental Funds:

Change in accounts receivable	\$ 27,777
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Ambulance billing receivables written off as not collectable are not considered “available” revenues in the Governmental Funds	274,147
	<u>\$ 301,924</u>

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

Change in salaries payable	<u>\$ 115,757</u>
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Change in compensated absences payable and deferred outflows of resources associated with long term net pension liability	<u>\$ 275,386</u>
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NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Ambulance billing revenues written off as uncollectable (bad debt expense) do not use current financial resources and are not reported as expenditures of the Governmental Funds:

Ambulance billing receivables written off as not collectable	\$ 274,147
Change in the allowance for doubtful accounts	(843)
	\$ 273,304

When capital assets are purchased or constructed in the Governmental Funds, the resources expended for those assets are reported as expenditures in the Governmental Funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas Net Position decrease by the amount of depreciation expense charged for the year:

Depreciation expense	\$ 739,702
Maintenance and operations	\$ (3,355)
Uniforms and supplies	\$ (15,326)
Grant expense	\$ (67,971)
Capital outlay	\$ (163,685)

Principal payments made on long-term debt is reported as expenditures in the Governmental funds. However, this balance should be removed from the statement of activities to report on the accrual basis of accounting	\$ (420,706)
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Interest on long-term debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due. However, in the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net change in accrued interest is reported in the statement of activities.	\$ 5,976
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5. Proceeds of Taxes Limitation and Property Taxes

Article XIII B of the California Constitution, as implemented by SB1352 of 1980, specifies that proceeds of taxes of governmental entities may increase by an amount not to exceed the change in population, and the changes in the United States Consumer Price Index or California per capita personal income, whichever is less.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

The proceeds of taxes limitation for the fiscal year corresponding to that of the State of California (July 1, 2015 to June 30, 2016) is \$16,047,133.

Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments and are delinquent after December 10th and April 10th. The District collects its share of property taxes through Placer County. Property tax revenues are recognized when levied to the extent that they result in current receivables.

6. Capital Assets

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

	Beginning Balances	Additions/ Depreciation	Disposals/ Transfers	Ending Balances
Capital assets not depreciated:				
Land	\$ 73,455	\$ -0-	\$ -0-	\$ 73,455
Construction in progress	-0-	-0-	-0-	-0-
Total capital assets not depreciated	<u>73,455</u>	<u>-0-</u>	<u>-0-</u>	<u>73,455</u>
Capital assets being depreciated:				
Buildings and improvements	10,596,918	-0-	-0-	10,596,918
Equipment	5,407,673	1,156,451	(295,060)	6,269,064
Total capital assets being depreciated	<u>16,004,591</u>	<u>1,156,451</u>	<u>(295,060)</u>	<u>16,865,982</u>
Less accumulated depreciation for:				
Buildings and improvements	(910,924)	(358,185)	-0-	(1,269,109)
Equipment	(3,621,499)	(381,517)	295,060	(3,707,956)
Total accumulated depreciation	<u>(4,532,423)</u>	<u>(739,702)</u>	<u>295,060</u>	<u>(4,977,065)</u>
Total capital assets being depreciated, net	<u>11,472,168</u>	<u>416,749</u>	<u>-0-</u>	<u>11,888,917</u>
Capital assets, net	<u>\$ 11,545,623</u>	<u>\$ 416,749</u>	<u>\$ -0-</u>	<u>\$ 11,962,372</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

7. Long-Term Debt

Long-term debt is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable to Community first National Bank; interest rate of 3.1%; annual principal and interest payments of \$22,424 due December 1; final payment due December 1, 2018; secured by a District ambulance.	\$ -0-	\$ 135,588	\$ (52,424)	\$ 83,164	\$ 19,850
Note payable to Kansas State Bank; interest rate of 3.47%; annual principal and interest payments of \$21,827 due December 6; final payment due December 6, 2017; secured by a District ambulance.	\$ 78,215	\$ -0-	\$ (18,269)	\$ 59,946	\$ 19,100
Note payable to Community First National Bank; interest rate of 2.92%; annual principal and interest payments of \$99,022 due February 17; final payment due February 17, 2023; secured by two District fire engines.	\$ -0-	\$ 872,903	\$ (175,447)	\$ 697,456	\$ 78,656
Note payable to Caterpillar Financial Services Corporation; interest rate of 3.2%; monthly principal and interest payments of \$1,987 due the 22 <sup>nd</sup> of each month; final payment due December 22, 2018; secured by a District loader.	\$ 99,787	\$ -0-	\$ (23,669)	\$ 76,118	\$ 21,633
Note payable to the California Economic and Infrastructure Bank; interest rate of 3.27%; final payment due Aug. 1, 2038; secured by the new District Station.	\$ 9,519,724	\$ -0-	\$ (251,980)	\$ 9,267,744	\$ 260,220
	<u>\$ 9,697,726</u>	<u>\$ 1,008,491</u>	<u>\$ (523,789)</u>	<u>\$ 10,184,428</u>	<u>\$ 399,459</u>

Principal and interest maturities of long-term debt due during the next five years and thereafter are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 399,459	\$ 303,830
2017	412,451	291,361
2018	425,869	278,481
2019	405,898	265,259
2010	384,216	253,175
2021 - 2038	8,156,535	2,497,014
	<u>\$ 10,184,428</u>	<u>\$ 3,889,120</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

8. Compensated Absences

The District offers certain qualifying employees comp time and paid vacation. Changes in obligations for vacation and comp time at June 30, 2015, are as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Accrued vacation	\$ 400,540	\$ 486,350	\$ (372,937)	\$ 513,953	\$ 77,359
Accrued comp time	65,603	141,945	(119,320)	88,228	52,289
 Total	\$ 466,143	\$ 628,294	\$ (492,257)	\$ 602,181	\$ 129,648

9. Employee Retirement System

A. Plan Description

The District contributes to two defined benefit pension plans: the Safety Plan of the North Tahoe Fire Protection District (the “Safety Plan”) and the Miscellaneous Plan of the North Tahoe Fire Protection District (the “Miscellaneous Plan”). Each plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Each plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Since each of the Plans has less than 100 active members, it is required to participate in a cost-sharing risk pool. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Placer County ordinance and Board of Director approval. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report for each plan may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Effective January 1, 2010, the District amended its contract with CalPERS to include a second tier retirement plan for all new hires between January 1, 2010 and December 31, 2012. Employees classified as classic members under CalPERS are also included in this category.

Effective January 1, 2013, as part of the CalPERS reform, a new tier created was for all new members joining CalPERS.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

B. Funding Policy

Active members in the Safety Plan and the Miscellaneous Plan are required to contribute 9% and 8% of their annual covered salary, respectively. Beginning January 1, 2013, Safety members paid 5% and Miscellaneous members paid 4% of their employee contributions. Effective March 2014, Safety members paid an additional 4% of their employee contributions for a total of 9% as well paying 1% of the employers contributions. Similarly, Miscellaneous members paid an additional 4% of their employee contributions for a total of 8%. Effective January 2015, Safety members paid 9% of their employee contributions as well as 2% of the employers contributions. Similarly, Miscellaneous members paid 8% of their employee contributions. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2014/15 was 44.45% for the Tier I Safety Plan, 22.44% for the Tier II Safety Plan, 11.5% for the Tier III Safety Plan, 33.404% for the Tier I Miscellaneous Plan, 17.826% for the Tier II Miscellaneous Plan and 6.25% for the Tier III Miscellaneous Plan. The contribution requirements of both the Safety Plan and the Miscellaneous Plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The District contributions to the Safety Plan for the years ending June 30, 2015, 2014 and 2013 were \$1,436,868, \$1,273,400, and \$2,008,027, respectively, equal to the required contributions for each year. The District contributions to the Miscellaneous Plan for the years ending June 30, 2015, 2014 and 2013 were \$84,073, \$91,874, and \$210,971, respectively, equal to the required contributions for each year.

C. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The following tables shows the Plan's proportionate share of the risk pools collective net pension liabilities over the measurement period.

<b>Miscellaneous First Tier</b>			
	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Plan Net Pension Liability/(Asset) (c)=(a)-(b)</b>
<b>Balance at: 6/30/2013 (VD)</b>	\$ 2,376,280	\$ 1,514,614	\$ 861,666
<b>Balance at: 6/30/2014 (MD)</b>	2,517,692	1,766,381	751,311
<b>Net Changes during 2013-2014</b>	141,412	251,767	(110,355)

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Miscellaneous Second Tier			
	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
<b>Balance at: 6/30/2013 (VD)</b>	\$ 94,812	\$ 71,518	\$ 23,294
<b>Balance at: 6/30/2014 (MD)</b>	100,454	83,406	17,048
<b>Net Changes during 2013-2014</b>	5,642	11,888	(6,246)

Safety First Tier			
	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
<b>Balance at: 6/30/2013 (VD)</b>	\$ 40,114,686	\$ 27,847,836	\$ 12,266,850
<b>Balance at: 6/30/2014 (MD)</b>	42,060,825	32,038,849	10,021,976
<b>Net Changes during 2013-2014</b>	1,946,139	4,191,013	(2,244,874)

Safety Second Tier			
	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
<b>Balance at: 6/30/2013 (VD)</b>	\$ 201,732	\$ 149,688	\$ 52,044
<b>Balance at: 6/30/2014 (MD)</b>	211,519	172,216	39,303
<b>Net Changes during 2013-2014</b>	9,787	22,528	(12,741)

At June 30, 2015, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous First Tier	\$ 751,311
Miscellaneous Second Tier	\$ 17,048
Safety First Tier	\$ 10,021,976
Safety Second Tier	\$ 39,303
<b>Total</b>	<b>\$ 10,829,638</b>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of 2014 was as follows:

	Miscellaneous First Tier	Miscellaneous Second Tier	Safety First Tier	Safety Second Tier
Proportion - June 30, 2014	.01207%	.00027%	.16106%	.00063%

At June 30, 2015, the District recognized pension expense of \$1,130,500.

As of June 30, 2015, the District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -0-	\$ -0-
Changes of assumptions	\$ -0-	\$ -0-
Net difference between projected and actual earnings on pension plan investments	\$ -0-	\$ (2,346,631)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	\$ 297,023	\$ (90,051)
Employer contributions subsequent to the measurement date	\$ 1,433,672	\$ -0-
<b>Total</b>	<b>\$ 1,730,095</b>	<b>\$ 2,436,682</b>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (512,739)
2017	\$ (512,739)
2018	\$ (506,304)
2019	\$ (501,796)
2020	\$ -0-
Thereafter	\$ -0-

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

D. Actuarial Method and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes Inflation
Mortality Rate Table *1	Derived using CALPERS' membership date for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

\*1 The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50



# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 30 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Plan's Net Pension Liability/(Asset)		Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
		Miscellaneous First Tier	\$1,085,314	\$751,311
Miscellaneous Second Tier		\$30,375	\$17,048	\$5,988
Safety First Tier		\$15,655,920	\$10,021,976	\$5,379,850
Safety Second Tier		\$67,635	\$39,303	\$15,958

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

10. Restatement of Net Position

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

Net position at July 1, 2014, as previously reported	\$4,286,517
Restatement to recognize pension contributions subsequent to the measurement date as deferred outflows of resources	403,103
Restatement to recognize change in employer proportions and differences in contributions as deferred outflows of resources	961,954
Restatement to recognize net pension liability	<u>(13,203,854)</u>
Total restatements	<u>(11,838,797)</u>
Net position at July 1, 2014, as restated	<u>(\$7,552,280)</u>

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of a Joint Powers Authority for the operation of common risk management and insurance programs. The program covers workers' compensation insurance. The Authority is governed by Executive Boards consisting of representatives from member districts. The Executive Boards control the operations of the Authority, including selection of management and approval of operating budgets.

The relationship between the District and the Joint Powers Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

For workers' compensation insurance, the District has joined together with other special districts within the state to form the Fire District Association of California Fire Association Self Insurance System ("FDAC-FASIS"). The District pays estimated annual premiums to the FDAC-FASIS based upon estimated payroll classified into rate categories set by FDAC-FASIS and an experience modification based upon the District's loss history over the past three years. Actual premium due is determined after the fiscal year end and is based upon actual payroll. The FDAC-FASIS is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums on an individual basis based upon claims or loss experience. The FDAC-FASIS agrees to pay all amounts legally required by California workers' compensation laws.

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

For property, liability, directors and officers, and errors and omissions insurance, the District purchases commercial insurance through the Special District Risk Management Authority, a joint powers agency formed pursuant to *California Government Code* Section 6500 et. seq., comprised of California special districts, agencies and cities.

### 12. Other Post-Employment Benefits

#### A. Plan Description

In addition to the pension benefits described in Note 10, the District makes available post-retirement health care benefits, in accordance with the provisions of the Public Employees Retirement System Health Program, to all employees who retire from the District. Beginning in fiscal year 2010, the District is required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) including health care, life insurance, and other non-pension benefits offered to retirees. This new standard addresses how the reporting entity should account for and report its costs related to post-employment health care and other non-pension benefits. Historically, the District's subsidy was funded on a pay-as-you-go basis. GASB Statement No. 45 requires that the District recognize the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the District.

Currently, twenty-two retirees are participating in the program. Required disclosures are presented below.

#### B. Funding Policy

The District currently pays for these costs on a "pay as you go basis". No employee contributions are required. The District has decided to start funding the liability (Unfunded Actuarial Accrued Liability (UAAL)) by making annual contributions to a separate fund beginning in fiscal year 2011.

#### Annual OPEB Cost

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of 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.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for 2015 is as follows:

ARC, for the year ended June 30	\$ 546,147
Interest on net OPEB asset from prior year	116,169
Actuarial adjustment	(73,758)
Annual OPEB cost	588,558
Actual contributions	(10,000)
Increase in net OPEB liability, for the year ended June 30	578,558
Net OPEB liability, beginning of year	2,212,735
Net OPEB liability, end of year	\$ 2,791,293
Percentage of annual OPEB cost contributed	2%

Actuarial valuations of an ongoing plan 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**C. Funded Status and Funding Progress**

For the year ended June 30, 2015, the District's OPEB funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/1/2009	\$ -0-	\$ 3,871,821	\$ 3,871,821	0.0%	\$ 6,958,998	55.6%
11/30/2011	\$ 51,380	\$ 4,475,708	\$ 4,424,328	1.1%	\$ 6,698,308	66.1%
8/30/2013	\$ 163,288	\$ 5,999,600	\$ 5,836,312	2.7%	\$ 6,913,962	84.4%

**D. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 members 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 ARC for fiscal year 2015 was determined as part of the August 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial value of the OPEB assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Any excess of these assets over

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

actuarial accrued liability is amortized as a level percentage of projected payroll over an open 30 year period.

These assumptions and methods are ultimately the responsibility of the District.

### 13. Alpine Springs County Water District

In September 2006, North Tahoe Fire District (“the District”) entered into a revised agreement with Alpine Springs County Water District (“Alpine Springs”) in which the District agreed to provide all fire protection, fire prevention, fire suppression, rescue and emergency medical services for the indicated area. In return Alpine Springs agreed to lease to the District the Alpine Meadows Fire Station and attached fixtures for one dollar per year for the duration of the agreement. Additionally, Alpine Springs agreed to transfer to the District possession and title to the existing fire apparatus, tools and equipment and all fire station furnishings and equipment.

This agreement shall terminate in December 2021. Upon termination of this agreement, the District shall return possession of the fire station to Alpine Springs. Additionally, the District shall transfer to Alpine Springs its right, title and interest to and possession of the fire apparatus, tools and equipment and all fire station furnishings and equipment. Aforementioned property shall be in like kind condition as when received by the District, ordinary wear and tear excepted. Alternatively, the District may elect to pay Alpine Springs a sum equal to the then fair market value of any such property not returned to Alpine Springs.

### 14. Meeks Bay Fire Protection District

In April 2014, North Tahoe Fire District (“the District”) entered into an agreement with Meeks Bay Fire Protection District (“Meeks Bay”) in which the District agreed to provide fire services management and related services to Meeks Bay. In return Meeks Bay shall pay the District for performance of services. Additionally, Meeks Bay agreed to provide office facilities and supplies and office managerial support as well as providing an appointed fire chief’s vehicle, fuel, vehicle insurance and maintenance.

This agreement shall terminate in June 2016 and thereafter will automatically renew for each fiscal year commencing July 1 and ending June 30 unless terminated by either party.

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

15. Fire Station

The District underwent construction to relocate Station 51 in Tahoe City from the downtown area to Fairway Drive. The total cost of the facility was \$10,140,844.

In May 2010, the District entered into a lease with the California Infrastructure and Economic Development Bank (CIEDB). The District will lease the facilities located at 288 Northshore Blvd., King's Beach, 5424 W. Lake Blvd., Homewood, 159 Observation Drive, Tahoe City, and 240 Carnelian Bay Road, Carnelian Bay from CIEDB as a material consideration for the financing of the construction of the facility up to \$10 million. The District will make bi-annual payments calculated from the remaining principal balance. Payments are to approximate \$585,000 per year through August 1, 2038. The first payment was made in August 2012.

As part of the construction of the station, the District entered into a lease with Tahoe City Public Utility District to lease the land for the station. The term of the lease is for a period of sixty years commencing on December 1, 2009. The District will be charged \$1 per annum during the term of the lease.

16. Community Facilities District

During 2012, a voter-approved Community Facilities District was created to provide funding of an aerial apparatus by the levy of an additional tax on specific developments within the District. As of June 30, 2015, one development was required to join and pay the tax. The balance is recorded as a liability until requirements are met and the amount can be recognized as revenue.

17. Subsequent Events

Subsequent events have been evaluated by management through November 16, 2015, the date that the statements were available for issuance.

Required  
Supplementary  
Information



NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL -  
GENERAL FUND

For the Year Ended June 30, 2015  
(Unaudited)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 8,282,151	\$ 8,387,782	\$ 8,305,016	\$ -0-	\$ 8,305,016
Ambulance services	850,000	850,000	1,201,872	19,000	1,220,872
Service and contract fees	1,068,850	1,098,850	1,180,237	-0-	1,180,237
Grants	785,027	947,081	933,099	-0-	933,099
Mitigation fees	100,000	100,000	106,236	-0-	106,236
Other	9,500	12,000	67,709	-0-	67,709
Interest	25,000	25,000	36,482	-0-	36,482
Total Revenues	<u>11,120,528</u>	<u>11,420,713</u>	<u>11,830,651</u>	<u>19,000</u>	<u>11,849,651</u>
Expenditures:					
Salaries and wages	5,530,325	5,530,325	5,247,619	(95,572)	5,152,047
Employee benefits	2,846,611	2,852,611	2,708,492	72,110	2,780,602
Maintenance and operations	609,192	619,947	611,423	-0-	611,423
General and administrative	352,312	355,800	324,806	-0-	324,806
Uniforms and supplies	344,207	358,667	383,797	-0-	383,797
Utilities	115,000	115,000	115,212	-0-	115,212
Professional fees	308,978	363,728	319,576	-0-	319,576
Grant Expense	20,000	193,583	74,039	-0-	74,039
Capital outlay	171,589	198,709	220,639	-0-	220,639
Debt service:					
Principal	370,514	370,514	420,706	-0-	420,706
Interest	316,799	311,829	315,899	-0-	315,899
Total Expenditures	<u>10,985,527</u>	<u>11,270,713</u>	<u>10,742,208</u>	<u>(23,462)</u>	<u>10,718,746</u>
Revenues Over (Under) Expenditures	<u>135,001</u>	<u>150,000</u>	<u>1,088,443</u>	<u>42,462</u>	<u>1,130,905</u>
Fund Balance, July 1, 2014	<u>4,934,307</u>	<u>4,934,307</u>	<u>4,934,307</u>	<u>-0-</u>	<u>4,934,307</u>
Fund Balance, June 30, 2015	<u>\$ 5,069,308</u>	<u>\$ 5,084,307</u>	<u>\$ 6,022,750</u>	<u>\$ 42,462</u>	<u>\$ 6,065,212</u>

(1) The District budgets for ambulance service revenues on the cash basis, rather than the modified accrual basis.

\$ 19,000

(2) The District budgets for salaries and wages, employee benefits, and compensated absences on the cash basis, rather than the modified accrual basis.

(23,462)

Net Increase in Fund Balance - Budget to GAAP

\$ 42,462

NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 2

Schedule of Plan's Proportionate Share of the Net Pension Liability  
 As of June 30, 2015  
 Last 10 Years \*  
 (Unaudited)

	2015			
	Miscellaneous First Tier	Miscellaneous Second Tier	Safety First Tier	Safety Second Tier
Plan's proportion of the net pension liability	.01207%	.00027%	.16106%	.00063%
Plan's proportionate share of the net pension liability	\$751,311	\$17,048	\$10,021,976	\$39,303
Plan's covered-employee payroll	\$241,371	\$125,171	\$2,565,636	\$451,972
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	\$311.27%	13.62%	390.62%	8.70%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	70.16%	83.03%	76.17%	81.42%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year shown

Schedule of Plan Contributions  
 As of June 30, 2015  
 Last 10 Years \*  
 (Unaudited)

	2015			
	Miscellaneous First Tier	Miscellaneous Second Tier	Safety First Tier	Safety Second Tier
Actuarially determined contribution	\$84,716	\$13,934	\$1,147,731	\$118,676
Contributions in relation to the actuarially determined contribution	(84,716)	(13,934)	(1,147,731)	(118,676)
Contribution deficiency (Excess)				
Covered-employee payroll	241,371	125,171	2,565,636	451,972
Contributions as a percentage of covered-employee payroll	35.10%	11.13%	44.73%	26.26%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year shown

**Notes to Required Supplementary Information**

1. Change in Benefit Terms:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

2. Changes in Assumptions:

None.

# Federal Awards

# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' 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 Directors of  
North Tahoe Fire Protection District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and governmental fund balance and the related statement of activities and governmental fund revenue, expenditures and changes in fund balance of North Tahoe Fire Protection District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2015.

### **Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Refer to financial statement finding 2015-001.

## **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*.

## **District's Response to Findings**

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

The logo for McClintock Accountancy Corporation is written in a black, cursive, handwritten-style font.

McClintock Accountancy Corporation  
Tahoe City, California  
November 16, 2015

# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of  
North Tahoe Fire Protection District

### **Report on Compliance for Each Major Federal Program**

We have audited North Tahoe Fire Protection District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 20, 2015. The District's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of 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 each 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 OMB Circular A-133, 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 type of compliance requirement of a federal program 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The logo for McClintock Accountancy Corporation is written in a black, cursive, handwritten-style font. The letters are connected and have a fluid, flowing appearance.

McClintock Accountancy Corporation  
Tahoe City, California  
November 16, 2015



NORTH TAHOE FIRE PROTECTION DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S Department of Homeland Security</b>			
Passed through Federal Emergency Management Agency	97.083	EMW-2013-FH-00155	\$ 861,649
Passed through Federal Emergency Management Agency	97.044	EMW-2013-FR-00267	<u>73,746</u>
Total U.S Department of Homeland Security			<u>935,395</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 935,395</u></u>

# NORTH TAHOE FIRE PROTECTION DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

1. Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of North Tahoe Fire Protection District (the "District"). The District reporting entity is defined in Note 1 of the attached audited Financial Statements. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

2. Basis of Accounting

Funds received under the various grant programs have been recorded within the Governmental Fund of the District. The District utilizes the modified accrual basis of accounting for the Fund. The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the District's basic financial statements.

3. Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the District. Federal financial assistance passed through the Federal Emergency Management Agency is included in this schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the District.

4. Claims

The District has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded,

NORTH TAHOE FIRE PROTECTION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of Major Programs	
U.S Department of Homeland Security, Federal Emergency Management Agency, Staffing for Adequate Fire and Emergency Response, CFDA # 97.083	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

## **SECTION II - FINANCIAL STATEMENT FINDINGS**

### 2015-001: Segregation of Duties (Material Weakness)

Currently, the administrative manager handles nearly all accounting functions, including performing bank reconciliations, preparing and posting journal entries and related financial close procedures, monitoring clearing accounts, cutting checks, and preparing and making deposits.

We note that the District has a contracted bookkeeper to assist the administrative manager in bill processing and outsourced payroll processing. This has resulted in better segregation of duties within the accounts payable and payroll processes.

Remaining areas with limited segregation of duties include financial close and cash receipts. During the current year, audit entries proposed that relate to the financial close process had an \$84K positive impact on the balance sheet, \$84K positive impact on the statement of governmental fund revenue, expenditures and changes in fund balance and a \$233K positive impact on the statement of activities.

Various steps could be taken to improve segregation of duties. A solution, which would allow for true segregation, would be to train the current contracted bookkeeper to perform more of the duties the administrative manager currently performs. We realize the cost of the having a bookkeeper on site more regularly may not exceed the benefits the additional employee could offer. An additional solution would be to involve the Fire Chief or potentially a Board member in the financial close process.

## **SECTION III - FEDERAL AWARD FINDINGS**

### **Current Year Findings and Questioned Costs - Federal Award Program Audit**

No findings or questioned costs were reported for the year ended June 30, 2015.