



Financial Statements
June 30, 2016

North Lake Tahoe Fire Protection District

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT, NEVADA
JUNE 30, 2016**

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Independent Auditor's Report

To the Board of Directors
North Lake Tahoe Fire Protection District
Incline Village, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the North Lake Tahoe Fire Protection District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of North Lake Tahoe Fire Protection District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4A-4F, the Schedule of Funding Progress-Other Postemployment Benefits on page 39, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 40, and the Schedule of the District's Contributions on page 40, and the General Fund budgetary comparison on pages 37-38, 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, other than the General Fund budgetary comparison, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The General Fund budgetary comparison is the responsibility of management and was derived from and relates directly to 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 General Fund budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Lake Tahoe Fire Protection District's basic financial statements. The individual fund budget and actual schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual fund budget and actual schedules 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, individual budget and actual schedules 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 8, 2016, on our consideration of North Lake 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 Lake Tahoe Fire Protection District's internal control over financial reporting and compliance.

Eide Sully LLP

Reno, Nevada
November 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Lake Tahoe Fire Protection District's (the District) finances, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District's governmental activities exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,991,958, resulting in a negative net position. The balance of the District's net position is restricted for capital assets and debt service payments.
- The liabilities and deferred inflows of resources of the District's business-type activities exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,451,524, resulting in a negative net position as discussed above.
- The assessed valuation of the District's property tax base increased by 1.93% over last year's assessed value. The District's consolidated tax revenues increased by 8.94% this fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities and deferred inflows/outflows of resources (as applicable), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (uncollected taxes, earned but unused vacation leave and other compensated absences, other postemployment benefits and net pension related items).

Both of the government-wide financial statements show the public safety function of the District, which is principally supported by taxes and intergovernmental revenue (governmental activities). All governmental activities of the District are included in the public safety function and all business-type activities are included in Ambulance activities, a component of public safety (business-type activities), since the District is a single-purpose entity.

The government-wide financial statements can be found on pages 5 and 6 of the report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has governmental and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For the 2015-2016 fiscal year, the District maintained three individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and the Capital Projects Fund. The basic governmental fund financial statements can be found on pages 7-10 of this report.

Proprietary Funds. The District maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its ambulance operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Ambulance Fund, which is considered to be a major fund of the District. The enterprise fund data is shown elsewhere in the report. The basic proprietary fund financial statements can be found on pages 11-13 of this report.

The District adopts an annual budget for each of its funds. A budgetary comparison schedule has been provided for each fund to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison information, the District's progress in funding its obligation to provide postemployment benefits, and information on the District's share of the net pension liability for PERS along with the information for the District's contributions to PERS. Required supplementary information can be found on pages 37-40 of this report.

Accounting Changes. As of July 1, 2015 the District implemented GASB Statement 72, *Fair Value Measurement and Application*. The implementation of this standard requires governments measure investments at fair value. The additional disclosures required by this standard are included in Note 3.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Condensed versions of the Statement of Net Position at June 30, 2016 and 2015 are presented below.

North Lake Tahoe Fire Protection District's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$9,366,421	\$7,964,288	\$251,528	\$382,104	\$9,617,949	\$8,346,392
Capital assets	<u>6,715,739</u>	<u>7,018,656</u>	<u>498,860</u>	<u>353,709</u>	<u>7,214,599</u>	<u>7,372,365</u>
Total assets	<u>16,082,160</u>	<u>14,982,944</u>	<u>750,388</u>	<u>735,813</u>	<u>16,832,548</u>	<u>15,718,757</u>
Deferred outflows of resources	<u>2,288,221</u>	<u>1,739,536</u>	<u>414,870</u>	<u>314,228</u>	<u>2,703,091</u>	<u>2,053,764</u>
Noncurrent liabilities	18,365,923	17,529,489	2,225,074	1,977,220	20,590,997	19,506,709
Other liabilities	<u>639,216</u>	<u>747,331</u>	<u>83,902</u>	<u>122,139</u>	<u>723,118</u>	<u>869,470</u>
Total liabilities	<u>19,005,139</u>	<u>18,276,820</u>	<u>2,308,976</u>	<u>2,099,359</u>	<u>21,314,115</u>	<u>20,376,179</u>
Deferred inflows of resources	<u>1,357,200</u>	<u>2,409,262</u>	<u>307,806</u>	<u>493,464</u>	<u>1,665,006</u>	<u>2,902,726</u>
Net position:						
Net investment in capital assets	3,077,739	3,071,656	498,860	353,709	3,576,599	3,425,365
Restricted for:						
Capital projects	-	-	-	-	-	-
Debt service	510,892	643,248	-	-	510,892	643,248
Unrestricted	<u>(5,580,589)</u>	<u>(7,678,506)</u>	<u>(1,950,384)</u>	<u>(1,896,491)</u>	<u>(7,530,973)</u>	<u>(9,574,997)</u>
Total net position	<u>(\$1,991,958)</u>	<u>(\$3,963,602)</u>	<u>(\$1,451,524)</u>	<u>(\$1,542,782)</u>	<u>(\$3,443,482)</u>	<u>(\$5,506,384)</u>

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Although the prior year recognition of the net pension liability related amounts indicates a deterioration of the

District's financial position, the reader should be aware that the liability relating to the Public Employee Retirement System (PERS) is currently paid by the District as a portion of employee's salary throughout each year. The District would not be required to pay this entire amount at once unless unforeseen circumstances arise. Total assets and deferred outflows of the District at June 30, 2016 were \$19,535,639 an increase of \$1,763,118 from fiscal year 2015, with capital assets, net of accumulated depreciation accounting for \$7,214,599 of the 2016 fiscal year total and \$7,372,365 of the 2015 fiscal year total. Deferred outflows of resources for 2016 are \$2,703,091, an increase of \$649,327 from fiscal year 2015 of \$2,053,764.

The increase is directly related to the net pension related amounts with a total of \$2,519,345 recognized at June 30, 2016. Total liabilities at the end of fiscal year 2016 were \$21,314,115 and \$20,376,179, at the end of fiscal year 2015, an increase of \$937,936, again related to reporting the pension liability as of June 30, 2016 of \$12,868,725. At fiscal year 2016 year end, the District's net position was (\$3,443,482). This is an increase in net position of \$2,062,902 from fiscal year 2015 balance of (\$5,506,384). As was explained above, the negative net position is related to the prior year recognition of the long term liability for the District's obligation in the Public Employees Retirement System.

North Lake Tahoe Fire Protection District's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$1,925,862	\$1,983,395	677,358	527,656	\$2,603,220	\$2,511,051
Operating grants, interest, and contributions	375,046	98,074	-	-	375,046	98,074
Capital grants/contributions	-	-	-	-	-	-
General revenues:						
Property taxes	8,376,221	8,030,959	-	-	8,376,221	8,030,959
Consolidated taxes	3,451,509	3,168,380	-	-	3,451,509	3,168,380
Other taxes	593,835	577,429	-	-	593,835	577,429
Unrestricted interest income	5,484	4,458	644	425	6,128	4,883
Other	40,000	22,870	-	-	40,000	22,870
Gain on sale of capital assets	66,000	-	-	-	66,000	-
Total Revenues	<u>14,833,957</u>	<u>13,885,565</u>	<u>678,002</u>	<u>528,081</u>	<u>15,511,959</u>	<u>14,413,646</u>
Expenses:						
Public safety	11,466,267	11,950,455	-	-	11,466,267	11,950,455
Interest on long- term debt	96,046	106,663	-	-	96,046	106,663
Ambulance services	-	-	1,886,744	1,824,401	1,886,744	1,824,401
Total Expenses	<u>11,562,313</u>	<u>12,057,118</u>	<u>1,886,744</u>	<u>1,824,401</u>	<u>13,449,057</u>	<u>13,881,519</u>
Change in net position before transfers	3,217,644	1,828,447	(1,208,742)	(1,296,320)	2,062,902	532,127
Transfers	(1,300,000)	(1,179,627)	1,300,000	1,179,627	-	-
Change in net assets	1,971,644	648,820	91,258	(116,693)	2,062,902	532,127
Net Position, Beginning of Year	<u>(3,963,602)</u>	<u>(4,612,422)</u>	<u>(1,542,782)</u>	<u>(1,426,089)</u>	<u>(5,506,384)</u>	<u>(6,038,511)</u>
Net Position, End of Year	<u>(\$1,991,958)</u>	<u>(\$3,963,602)</u>	<u>(\$1,451,524)</u>	<u>(\$1,542,782)</u>	<u>(\$3,443,482)</u>	<u>(\$5,506,384)</u>

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

As such, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes, earned but unused vacation leave and net pension related amounts). Total revenues for the year ended June 30, 2016 were \$15,511,959 and consisted primarily of taxes and intergovernmental revenues. This represents a \$1,098,313 increase over fiscal year 2015 total revenues of \$14,413,646. The increase is mainly related to an increase in property taxes of \$345,262, consolidated taxes of \$283,129 and grant revenue of \$276,972. The Ambulance service charges are up from the previous year by \$149,702. Total expenses for fiscal year 2016 were \$13,449,057, a decrease of \$432,462 over fiscal year 2015 expenses of \$13,881,519. The decrease mainly relates to a decrease of debt principal payments of \$338,000. The other expenses remained consistent or decreased slightly from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

At the close of the fiscal year 2016, the District's governmental funds reported combined ending fund balances of \$8,061,944 an increase of \$1,717,996 when compared to the close of fiscal year 2015. Of the \$8,061,944 combined ending fund balance, \$6,967,798 is unassigned.

The increase from the prior fiscal year in the District's combined governmental fund balances of \$1,717, 996 as noted above, is due to an increase in the General Fund ending fund balance of \$1,876,308; a decrease in the Debt Service Fund ending fund balance of \$132,356 and a decrease in the Capital Projects Fund ending fund balance of \$25,956.

The \$1,876,308 increase in the General Fund is due to an increase in revenues of \$1,120,432 due to an increase in property tax, consolidated tax, federal grant revenue, and a decrease in inter fund transfers of \$986,614. In fiscal year 2015, the District had increased the transfer amount to the Debt Service Fund to establish a reserve for debt service payments of one year. The decrease in the Debt Service Fund of \$132,356 is in line with keeping a one year reserve of debt service payments. The \$25,956 decrease in the Capital Projects Fund was the District's matching share of an unbudgeted grant for extrication equipment.

The General Fund is the chief operating fund of the District and at June 30, 2016, the fund balance was \$6,968,798. General Fund revenues exceeded the budget by 3.82%. Salaries, wages and benefits were under budget by \$1,735,824 due to unfilled positions and service and supplies expenditures were under budget by \$143,582.

Proprietary Funds. The accounting records for the Proprietary Funds are maintained on the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred. The measurement focus of these funds is on capital maintenance, where the revenues derived from current operations are generally intended to provide those resources necessary to maintain continued delivery of such services in future periods.

The proprietary fund for the District is the Ambulance Fund, which accounts for the emergency medical services operations of the District. The net position for this fund increased \$91,258 in the 2015-2016 fiscal year, due to an increase in service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The District's capital assets at June 30, 2016 were \$7,214,599 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, and equipment. The decrease in capital assets is related to depreciation. Detailed information regarding capital assets can be found in Note 4 to the financial statements.

Long-term liabilities: At the end of the fiscal year, the District had total outstanding long-term liabilities of \$20,590,997. The District's outstanding liabilities included accrued compensated absences in the amount of \$883,876, unfunded liability of Other Post-Employment Benefits of \$3,200,396, a net pension liability of \$12,868,725 and \$3,638,000 in general obligation bonds and medium term financing debt. Detailed information regarding long-term liabilities can be found in Note 5, Note 7 and Note 11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The District relies primarily on two types of tax revenues. The first of these is ad valorem or property taxes and is directly affected by the assessed property tax values in Incline Village and Crystal Bay, Nevada. Property tax revenues are projected to increase for 2016-2017. Property values increased by 3.25% for the coming fiscal year. The District's property tax rate is .6291 for fiscal year 2016-2017, the same as the three previous years.
- The second significant tax revenue for the District, the consolidated tax, consists primarily of sales taxes. For the year ended June 30, 2016, taxable sales in Washoe County increased by 12.3% over the previous fiscal year. The District continues to budget sales tax revenue conservatively. The District's 2016-2017 budget is based on information provided by the Nevada Department of Taxation.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager, 866 Oriole Way, Incline Village, Nevada 89451.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 7,588,577	\$ 11,034	\$ 7,599,611
Accounts receivable, net	769,368	216,632	986,000
Property taxes receivable	32,398	-	32,398
Due from other governments	976,078	-	976,078
Prepaid expense	-	23,862	23,862
Capital assets:			
Land	1,019,283	30,588	1,049,871
Other capital assets, net of depreciation	5,696,456	468,272	6,164,728
Total Assets	<u>16,082,160</u>	<u>750,388</u>	<u>16,832,548</u>
DEFERRED OUTFLOWS OF RESOURCES			
Net pension - related amounts	2,104,475	414,870	2,519,345
Deferred charge on refunding	183,746	-	183,746
Total Deferred outflows of resources	<u>2,288,221</u>	<u>414,870</u>	<u>2,703,091</u>
LIABILITIES			
Accounts payable	120,697	18,549	139,246
Accrued liabilities	510,550	65,353	575,903
Accrued interest	7,969	-	7,969
Noncurrent liabilities:			
Due within one year	685,905	44,893	730,798
Due in more than one year	3,766,316	24,762	3,791,078
Net pension liability	10,713,306	2,155,419	12,868,725
Other postemployment benefits	3,200,396	-	3,200,396
Total Liabilities	<u>19,005,139</u>	<u>2,308,976</u>	<u>21,314,115</u>
DEFERRED INFLOWS OF RESOURCES			
Net pension - related amounts	<u>1,357,200</u>	<u>307,806</u>	<u>1,665,006</u>
NET POSITION			
Net investment in capital assets	3,077,739	498,860	3,576,599
Restricted for:			
Debt service	510,892	-	510,892
Unrestricted	<u>(5,580,589)</u>	<u>(1,950,384)</u>	<u>(7,530,973)</u>
Total Net Position	<u>\$ (1,991,958)</u>	<u>\$ (1,451,524)</u>	<u>\$ (3,443,482)</u>

See accompanying notes.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants, Interest, Contributions	Capital Grants, Interest, Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Public safety	\$ 11,466,267	\$ 1,925,862	\$ 375,046	\$ -
Interest on long-term debt	96,046	-	-	-
Total Governmental Activities	<u>11,562,313</u>	<u>1,925,862</u>	<u>375,046</u>	<u>-</u>
Business-Type Activities:				
Ambulance	<u>1,886,744</u>	<u>677,358</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,449,057</u>	<u>\$ 2,603,220</u>	<u>\$ 375,046</u>	<u>\$ -</u>

General Revenues:
Ad valorem taxes
Consolidated tax
SCCR taxes- AB104
Unrestricted interest income
Miscellaneous
Gain on the sale of capital assets
Transfers

Total General Revenues and Transfers

Change in Net Position

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR

**NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION**

Governmental Activities	Business-Type Activities	Total
\$ (9,165,359)	\$ -	\$ (9,165,359)
(96,046)	-	(96,046)
(9,261,405)	-	(9,261,405)
-	(1,209,386)	(1,209,386)
(9,261,405)	(1,209,386)	(10,470,791)
8,376,221	-	8,376,221
3,451,509	-	3,451,509
593,835	-	593,835
5,484	644	6,128
40,000	-	40,000
66,000	-	66,000
(1,300,000)	1,300,000	-
11,233,049	1,300,644	12,533,693
1,971,644	91,258	2,062,902
(3,963,602)	(1,542,782)	(5,506,384)
<u>\$ (1,991,958)</u>	<u>\$ (1,451,524)</u>	<u>\$ (3,443,482)</u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,488,045	\$ 510,892	\$ 589,640	\$ 7,588,577
Accounts receivable	769,368	-	-	769,368
Property taxes receivable	32,398	-	-	32,398
Due from other governments	976,078	-	-	976,078
	<u>8,265,889</u>	<u>510,892</u>	<u>589,640</u>	<u>9,366,421</u>
Total Assets	<u>\$ 8,265,889</u>	<u>\$ 510,892</u>	<u>\$ 589,640</u>	<u>\$ 9,366,421</u>
LIABILITIES				
Accounts payable	\$ 120,697	\$ -	\$ -	\$ 120,697
Accrued liabilities	503,164	-	7,386	510,550
	<u>623,861</u>	<u>-</u>	<u>7,386</u>	<u>631,247</u>
Total Liabilities	<u>623,861</u>	<u>-</u>	<u>7,386</u>	<u>631,247</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - delinquent property taxes	32,398	-	-	32,398
Unavailable revenue - project reimbursements	190,823	-	-	190,823
Unavailable revenue - miscellaneous	32,784	-	-	32,784
Unavailable revenue - mutual aid reimbursements	417,225	-	-	417,225
	<u>673,230</u>	<u>-</u>	<u>-</u>	<u>673,230</u>
Total Deferred Inflows of Resources	<u>673,230</u>	<u>-</u>	<u>-</u>	<u>673,230</u>
FUND BALANCES				
Restricted	1,000	510,892	-	511,892
Committed	-	-	582,254	582,254
Unassigned	6,967,798	-	-	6,967,798
	<u>6,968,798</u>	<u>510,892</u>	<u>582,254</u>	<u>8,061,944</u>
Total Fund Balances	<u>6,968,798</u>	<u>510,892</u>	<u>582,254</u>	<u>8,061,944</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,265,889</u>	<u>\$ 510,892</u>	<u>\$ 589,640</u>	<u>\$ 9,366,421</u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2016**

Fund Balances - Governmental Funds		\$ 8,061,944
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 18,327,155	
Less: Accumulated depreciation	<u>(11,611,416)</u>	6,715,739
<p>Deferred outflows of resources is the consumption of net position that applies to a future period and so is not recognized as an outflow of resources until then.</p>		
Deferred outflow on funding escrow		183,746
<p>Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Medium term financing payable	(820,000)	
Bonds payable	(2,818,000)	
Net pension liability	(10,713,306)	
Compensated absences	(814,221)	
Other postemployment benefits obligation	<u>(3,200,396)</u>	(18,365,923)
Accrued interest		(7,969)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	2,104,475	
Deferred inflows of resources related to pensions	<u>(1,357,200)</u>	747,275
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time by governmental funds.</p>		
Deferred inflows related to property taxes and reimbursements		<u>673,230</u>
Net Position - Governmental Activities		<u><u>\$ (1,991,958)</u></u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 8,383,070	\$ -	\$ -	\$ 8,383,070
Intergovernmental	4,385,544	-	34,846	4,420,390
Miscellaneous	2,133,039	-	40,000	2,173,039
Total Revenues	<u>14,901,653</u>	<u>-</u>	<u>74,846</u>	<u>14,976,499</u>
EXPENDITURES				
Current:				
Public safety	11,285,331	-	-	11,285,331
Capital outlay	-	-	243,332	243,332
Debt service:				
Principal	-	399,000	-	399,000
Interest	-	96,840	-	96,840
Total Expenditures	<u>11,285,331</u>	<u>495,840</u>	<u>243,332</u>	<u>12,024,503</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,616,322</u>	<u>(495,840)</u>	<u>(168,486)</u>	<u>2,951,996</u>
OTHER FINANCING SOURCES (USES)				
Transfers:				
Transfers in	-	363,484	76,530	440,014
Transfers out	(1,740,014)	-	-	(1,740,014)
Sale of assets	-	-	66,000	66,000
Total Other Financing Sources (Uses)	<u>(1,740,014)</u>	<u>363,484</u>	<u>142,530</u>	<u>(1,234,000)</u>
Net Change in Fund Balances	1,876,308	(132,356)	(25,956)	1,717,996
FUND BALANCES, BEGINNING OF YEAR	<u>5,092,490</u>	<u>643,248</u>	<u>608,210</u>	<u>6,343,948</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,968,798</u>	<u>\$ 510,892</u>	<u>\$ 582,254</u>	<u>\$ 8,061,944</u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds	\$	1,717,996
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures and the proceeds from the sale of assets as other financing sources. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and only the gain or loss is recorded when assets are sold:</p>		
Additions to capital assets	\$ 243,332	
Less: Current year depreciation	<u>(546,249)</u>	(302,917)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Change in deferred inflows of resources	<u>(208,542)</u>	(208,542)
<p>Bond proceeds provide current financial resources to governmental funds. Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt issued exceeded repayments:</p>		
Change in accrued interest	794	
Principal payments	399,000	399,794
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Change in compensated absences	7,955	
Change in other post-employment benefits	127,943	
Amortization of deferred outflows	<u>(21,618)</u>	114,280
<p>Governmental funds report the District PERS contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense:</p>		
District PERS contributions	1,577,894	
District pension expense	<u>(1,326,861)</u>	251,033
Change in Net Position of Governmental Activities	<u>\$</u>	<u>1,971,644</u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
 AMBULANCE FUND
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2016**

	Business-Type Activities Enterprise Fund
ASSETS	
Current Assets:	
Cash and investments	\$ 11,034
Accounts receivable, net	216,632
Prepaid expense	23,862
	251,528
Noncurrent Assets:	
Capital assets, not being depreciated	30,588
Capital assets, being depreciated, net	468,272
	498,860
Deferred Outflows of Resources	
Net pension - related amounts	414,870
	1,165,258
LIABILITIES	
Current Liabilities:	
Accounts payable	18,549
Accrued salaries and benefits	65,353
Compensated absences	44,893
	128,795
Noncurrent Liabilities:	
Net pension liability	2,155,419
Compensated absences	24,762
	2,180,181
Deferred Inflows of Resources	
Net pension - related amounts	307,806
	2,616,782
NET POSITION	
Net investment in capital assets	498,860
Unrestricted	(1,950,384)
	\$ (1,451,524)

See accompanying notes.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
 AMBULANCE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Fund
OPERATING REVENUES	
Ambulance fees, net of bad debt	\$ 606,633
Paramedic education	70,725
Total Operating Revenues	677,358
OPERATING EXPENSES	
Salaries and wages	781,261
Employee benefits	545,334
Services and supplies	493,769
Depreciation	66,380
Total Operating Expenses	1,886,744
Operating Income (Loss)	(1,209,386)
NONOPERATING REVENUES	
Interest revenue	644
Total Nonoperating Revenues	644
Income (Loss) before Transfers	(1,208,742)
TRANSFERS	
Transfers in	1,300,000
Changes in Net Position	91,258
NET POSITION, BEGINNING OF YEAR	(1,542,782)
NET POSITION, END OF YEAR	\$ (1,451,524)

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
AMBULANCE FUND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients	\$ 567,837
Cash received for paramedic education	70,725
Cash payments for salaries and benefits	(1,371,610)
Cash payments for services and supplies	(517,335)
	<u>(1,250,383)</u>
Net Cash Provided (Used) by Operating Activities	(1,250,383)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,300,000
	<u>1,300,000</u>
CASH FLOWS FROM CAPITAL ACTIVITIES	
Acquisition of capital assets	(211,531)
	<u>(211,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	644
	<u>644</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(161,270)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>172,304</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,034</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,209,386)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	66,380
(Increase) decrease in accounts receivable	(38,796)
(Increase) decrease in due from other governments	1,671
(Increase) decrease in prepaid expense	6,432
Increase (decrease) in accounts payable	(31,369)
Increase (decrease) in accrued salaries and benefits	(6,868)
Increase (decrease) in unavailable revenue	(300)
Increase (decrease) in pension related items	(44,301)
Increase (decrease) in compensated absences	6,154
	<u>6,154</u>
Total Adjustments	(40,997)
	<u>(40,997)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,250,383)</u>

See accompanying notes.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – Summary of Significant Accounting Policies:

Reporting Entity:

North Lake Tahoe Fire Protection District (District) is a municipality of the State of Nevada located in Washoe County, Nevada. The District is under the direct jurisdiction of the Board of Directors of North Lake Tahoe Fire Protection District.

Accounting Changes

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

Government-Wide and Fund Financial Statements:

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information about the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function/activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function/activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function/activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the enterprise fund (also, a major fund) are reported as separate columns in the fund financial statements.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Agency funds have no measurement focus, but are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District's net position is reported in three parts – net investment in capital assets, restricted net position and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due, but will not be collected within this 60 day period, the receivable is recorded and an offsetting deferred inflow of resources is established. Deferred inflows of resources also arise when the government receives resources before it has legal claim to them, and thus in subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow of resources is removed and revenue is recognized. Expenditures generally are recorded when the related liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The Debt Service Fund accounts for the accumulation of funds for the payment of principal and interest on long-term debt.
- The Capital Projects Fund accounts for the financial resources to be used for the acquisition and construction of major capital assets.

The District has one proprietary fund, which is considered to be a major enterprise fund:

- The Ambulance Fund accounts for the operations of the District's ambulance service.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Budgets and Budgetary Accounting:

Budget Policies:

North Lake Tahoe Fire Protection District adheres to the Local Government Budget and Finance Act incorporated within the statutes of the State of Nevada, which include the following major procedures to establish the budgetary data, which is reflected in these financial statements:

1. On or before April 15, the Board of Directors files a tentative budget with the Nevada Department of Taxation for all funds.
2. Public hearings on the tentative budget are held in the third week in May.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board. The final budget must then be forwarded to the Nevada Tax Commission for approval. In any year in which legislative action, which was not anticipated, affects the local government's final budget, the Board may file an amended final budget before August 15 of the budget year.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget amounts within funds, and between funds, may be transferred if amounts do not exceed the original budget. Such transfers are to be approved by the Board of Directors.
7. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Board of Directors, following a scheduled and noticed public hearing. Such augmentations become effective upon receipt of such resolution by the Nevada Department of Taxation.
8. In accordance with state statute, actual expenditures generally may not exceed budgetary appropriations of the public safety function of the General Fund. State statutes do not require that debt service payments (Debt Service Fund) be limited by the budget. Also, state statutes generally do not require that capital payments (Capital Projects Fund) be limited by the budget. Actual expenses of the Proprietary Funds may not exceed the sum of budgeted operating and nonoperating expenses.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Assets, Liabilities, and Net Position or Equity:

Cash Deposited and Invested:

Cash balances from all funds are combined and, to the extent practicable, invested as permitted by law. Investments are carried at fair value.

Pursuant to NRS 355.170, the District may only invest in the following types of securities:

- Certain “A” rated notes and bonds purchased by a registered broker-dealer that are issued by corporations organized and operating in the United States and that mature within five (5) years from the date of purchase; asset-backed securities and collateralized mortgage obligations rated “AAA” or higher by a nationally recognized rating service. These investments must not, in the aggregate, exceed 20 percent of the total portfolio at the time of purchase, nor include notes and bonds issued by any one corporation in excess of 25 percent of such investments.
- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Bills and notes of the United States Treasury, maturing within ten (10) years from the date of purchase.
- Obligations of an agency of the United States or a corporation sponsored by the government, maturing within ten (10) years from the date of purchase.
- Obligations of state and local governments if, (1) the interest is exempt for federal income tax purposes, and (2) the obligation has been rated "A" or higher by a nationally recognized bond credit rating agency.
- Negotiable and nonnegotiable certificates of deposit from commercial banks and insured savings and loan associations.
- State of Nevada Local Government Investment Pool.
- Certain securities issued by local governments of the State of Nevada.
- Certain bankers' acceptances.
- Certain short-term paper issued by a corporation organized and operating in the United States.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain "AAA" rated mutual funds that invest in (1) securities issued by the Federal Government or agencies of the Federal Government, (2) Master, bank notes or other short-term commercial paper rated as “A-1” or “P-1” issued by a corporation or depository institution organized, licensed and operating in the United States and/or (3) Repurchase agreements that are fully collateralized by (1) and (2) above.

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments, generally with original maturities of three months or less. All cash and investments are considered to be cash equivalents.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Property Taxes Receivable:

Real property taxes receivable reflect only those taxes receivable from the delinquent roll years. Delinquent taxes from all roll years prior to 2014-15 have been written off. No provision for uncollectible accounts has been established since management does not anticipate any material collection loss in respect to the remaining balances.

Personal property taxes receivable reflect only those taxes management believes to be collectible. Delinquent taxes from all other prior years have been written off.

Amounts not collected within 60 days after year end have been recorded as unavailable revenue at the governmental fund level.

Receivables:

The allowance method is used to provide for estimated uncollectible amounts in the Ambulance Fund. At June 30, 2016, the allowance for uncollectible accounts was \$201,093.

The District has not established an allowance for uncollectible receivables for Governmental Funds since prior experience has shown that uncollectible receivables are not significant.

Inventory/Prepaid Expense:

For all funds, the District charges consumable supplies against appropriations at the time of purchase. Any inventories of such supplies at June 30 are not material to the individual funds and are not recognized in these financial statements.

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

Capital Assets:

Capital assets, which include land, land improvements, buildings and improvements, and vehicles and equipment, are reported in the government-wide financial statements and the enterprise fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 for office equipment and tools, \$2,000 for equipment, \$3,000 for buildings and land improvements, \$5,000 for construction and remodel projects and a normal useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings and improvements	15-25
Vehicles and equipment	3-10

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that fall under this category: The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The net pension-related amounts are deferred and amortized over their remaining life.

In addition to liabilities, the Statement of Net Position/Balance Sheet Governmental Funds may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, unavailable revenue, is reported in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from property taxes and other revenue items. These items are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes deferred inflow of resources as it relates to the net pension liability.

Pensions:

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

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Long-Term Liabilities:

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts and prepaid bond insurance, if applicable, are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of bonds issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses, when applicable. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

The costs involved in vacation time and sick leave benefits are accrued when incurred in the government-wide and enterprise fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements; costs are recorded as payroll costs only when the accumulated benefits are paid or accrued as a result of a termination of service.

Upon death, permanent disability, or termination of an employee after 2 years of full-time service, all personnel, whether union or non-union, shall be compensated for 50% (75% upon retirement) of accrued sick leave in accordance with the employment contract in effect and District policy.

Equity Classifications:

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

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; (2) law through constitutional provisions or enabling legislation.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

In the governmental fund financial statements, fund equity is classified as fund balance. Fund balance is further classified in the following components:

- Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulations of other governments.
- Committed – Amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to actions passed by the Board of Directors, which is the District’s highest level of decision making authority. A similar action is required to rescind or modify a commitment.
- Assigned – Amounts that the District intends to use for a specific purpose, that do not meet the definition of restricted or committed fund balance. Under the District’s policy, amounts may be assigned by the Business Manager under the authorization of the Board of Directors.
- Unassigned – all other spendable amounts in the General Fund.

Proprietary fund equity is classified the same as in the government-wide statements.

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

Property Taxes:

All real property in the District is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The valuation of the property and its improvements is being assessed at 35 percent of "taxable value" as defined by statute. The amount of tax levied is determined by multiplying the assessed value by the tax rate applicable to the area in which the property is located. The maximum tax rate was established in the State Constitution at \$5 per \$100 of assessed valuation; however, as a result of the legislative action the tax rate was further limited to \$3.64 per \$100 of assessed valuation, except in cases of severe financial emergency as defined in NRS 354.705.

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Taxes on real property are a lien on the property and attach on July 1 of the year for which the taxes are levied. Taxes may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January, and March, to the Treasurer of Washoe County. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two-year waiting period, if taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest, and costs before sale.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation and tax rates described above.

The major classifications of personal property are commercial and mobile homes. In Washoe County, taxes on motor vehicles are collected by a State agency and remitted to the District as part of Consolidated Tax revenue.

NOTE 2 – Compliance with Nevada Revised Statutes (NRS) and the Nevada Administrative Code (NAC):

The District conformed to all significant statutory and Nevada Administrative Code constraints on its financial administration during the year.

NOTE 3 – Cash and Investments:

As of June 30, 2016, the North Lake Tahoe Fire Protection District had the following investments and maturities:

	<u>June 30, 2016</u>
Investments:	
State of Nevada Local Government Investment Pool (LGIP)	\$ 7,281*(Level 2 inputs)
 Total Cash	 <u>7,592,330</u>
Total Cash and Investments	<u>\$7,599,611</u>

* Represents average weighted maturity of 142 days

Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool less liabilities.

The District is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the Board of Finance of the State of Nevada. The District's investment in the LGIP is reported at fair value. The District's investment in the LGIP is equal to its original investment plus monthly allocations of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
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As noted, Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada local governments. The District has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

Interest Rate Risk. Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the Statute.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality rating of investments. The LGIP is an unrated external investment pool and as noted above, the District does not have a formal investment policy that specifies minimum acceptable credit ratings.

Custodial Credit Risk on Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank deposits are covered by FDIC insurance and collateralized by the office of the State Treasurer/Nevada Collateral Pool.

Investment income has been allocated to funds pursuant to the provisions of NRS 355.170 – 175, which allow income from investments associated with one fund to be assigned to another fund.

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NOTE 4 – Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 1,019,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,019,283</u>
Capital assets, being depreciated:				
Land improvements	99,428	-	-	99,428
Buildings and building Improvements	9,879,053	-	-	9,879,053
Vehicles and equipment	<u>7,481,853</u>	<u>243,332</u>	<u>(395,794)</u>	<u>7,329,391</u>
Total capital assets being depreciated	<u>17,460,334</u>	<u>243,332</u>	<u>(395,794)</u>	<u>17,307,872</u>
Less accumulated depreciation for:				
Land improvements	(99,428)	-	-	(99,428)
Buildings and building improvements	(5,159,701)	(327,821)	-	(5,487,522)
Vehicles and equipment	<u>(6,201,832)</u>	<u>(218,428)</u>	<u>395,794</u>	<u>(6,024,466)</u>
Total accumulated depreciation	<u>(11,460,961)</u>	<u>(546,249)</u>	<u>395,794</u>	<u>(11,611,416)</u>
Total capital assets, being depreciated, net	<u>5,999,373</u>	<u>(302,917)</u>	<u>-</u>	<u>5,696,456</u>
Governmental activities capital assets, net	<u>\$ 7,018,656</u>	<u>\$ (302,917)</u>	<u>\$ -</u>	<u>\$ 6,715,739</u>

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
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	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 30,588	\$ -	\$ -	\$ 30,588
Capital assets, being depreciated:				
Buildings	338,550	-	-	338,550
Vehicles and equipment	<u>755,725</u>	<u>211,531</u>	<u>-</u>	<u>967,256</u>
Total capital assets being depreciated	<u>1,094,275</u>	<u>211,531</u>	<u>-</u>	<u>1,305,806</u>
Less accumulated depreciation for:				
Buildings	(264,069)	(13,542)	-	(277,611)
Vehicles and equipment	<u>(507,085)</u>	<u>(52,838)</u>	<u>-</u>	<u>(559,923)</u>
Total accumulated depreciation	<u>(771,154)</u>	<u>(66,380)</u>	<u>-</u>	<u>(837,534)</u>
Total capital assets, being depreciated, net	<u>323,121</u>	<u>145,151</u>	<u>-</u>	<u>468,272</u>
Business-type activities capital assets, net	<u>\$ 353,709</u>	<u>\$ 145,151</u>	<u>\$ -</u>	<u>\$ 498,860</u>

Depreciation expense of \$546,249 was charged to the public safety function and \$66,380 was charged to Ambulance operations.

NOTE 5 – Defined Benefit Pension Plan:

Plan Description

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

Benefits Provided

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

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after

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January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

Vesting

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

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

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

Contributions

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

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

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

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

For the fiscal year ended June 30, 2015 the statutory employer/employee matching rates were 13.25% for Regular and 20.75% for Police/Fire. The employer-pay contribution (EPC) rates were 25.75% for Regular and 40.50% for Police/Fire.

For the fiscal year ended June 30, 2016, the statutory employer/employee matching rates were 14.50% for Regular and 20.75% for Police/Fire. The employer-pay contribution (EPC) rates were 28% for Regular and 40.5% for Police/Fire.

The District's contributions were \$1,856,346 for the year ended June 30, 2016.

PERS Investment Policy

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

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

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

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

Net Pension Liability

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's allocation of the percentage of the net pension liability was based on the District's total contributions due on wages paid during the measurement period. The District's proportion of the net pension liability was based on the District's share of contributions in PERS pension plan relative to the total contributions for all employers for the period ended June 30, 2015. At June 30, 2015, the District's proportion was 0.1123 percent, which was an increase of .0043 from its proportion measured at June 30, 2014.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
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Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the District as of June 30, 2015, calculated using the discount rate of 8.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$19,609,699	\$12,868,725	\$7,263,542

Pension Plan Fiduciary Net Position

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

Actuarial Assumptions

The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.5%, depending on service
	Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

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

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Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,547,227. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 967,951
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	697,055
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	662,999	-
District contributions subsequent to the measurement date	1,856,346	-
Total	<u>\$ 2,519,345</u>	<u>\$ 1,665,006</u>

Of the amount reported as deferred outflows of resources, \$1,856,346 related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.7 years.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
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Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	
2017	\$ (395,179)
2018	(395,179)
2019	(395,179)
2020	219,384
2021	(43,172)
Thereafter	7,318

Additional Information

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

NOTE 6 – Fund Balances – Governmental Funds:

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are composed of the following as of June 30, 2016:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Restricted:				
General Fund	\$ 1,000	\$ -	\$ -	\$ 1,000
Debt Service	<u>-</u>	<u>510,892</u>	<u>-</u>	<u>510,892</u>
	1,000	510,892	-	511,892
Committed:				
Capital Projects	-	-	582,254	582,254
Unassigned	<u>6,967,798</u>	<u>-</u>	<u>-</u>	<u>6,967,798</u>
Total fund balances	<u>\$6,968,798</u>	<u>\$ 510,892</u>	<u>\$ 582,254</u>	<u>\$8,061,944</u>

Total restricted fund balance of the General Fund consists of a donation received to be used for public education.

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NOTE 7 – Long-Term Debt:

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>
Governmental Activities:			
2012 General Obligation (Limited Tax) Refunding Bonds, Series 2012	12/04/12	3,429,000	2.35%
Medium Term Financing, Series 2013	12/11/13	1,000,000	2.70%
Compensated absences	N/A	N/A	N/A
Total Governmental Activities			
Business-Type Activities:			
Compensated absences	N/A	N/A	N/A
Total Long-Term Debt			

The annual requirements to amortize outstanding general long-term liabilities, excluding compensated absences and other post-employment benefits, at June 30, 2016 are as follows:

Year Ending	<u>Total Debt</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 415,000	\$87,081
2018	426,000	76,996
2019	436,000	66,585
2020	445,000	55,989
2021	460,000	45,114
2022-2024	<u>1,456,000</u>	<u>66,925</u>
	<u>\$3,638,000</u>	<u>\$398,690</u>

Interest expense of \$96,840 was incurred during the 2015-2016 year for long term liabilities. Compensated absences will be liquidated from the General Fund for Governmental Activities and from the Ambulance Fund for Business-Type Activities. The General Obligation Revenue Bonds and the Medium Term Financing will be liquidated from the Debt Service Fund.

The District has pledged 15% of the Consolidated Tax revenue receipts for the repayment of the General Obligation (Limited Tax) Refunding Bonds, Series 2012. The Bonds are general obligation (limited tax) bonds additionally secured by the pledged revenue. The total principal and interest remaining to be paid on the 2012 General Obligation Refunding bonds is \$3,125,429 through fiscal year 2024. The current year principal and interest on the 2012 Refunding Bonds was \$382,485 and the pledged revenue was \$517,726.

<u>Principal Outstanding July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Due Within One Year</u>
\$ 3,127,000	\$ -	\$ 309,000	\$ 2,818,000	\$ 320,000
910,000	-	90,000	820,000	95,000
<u>822,176</u>	<u>414,021</u>	<u>421,976</u>	<u>814,221</u>	<u>270,905</u>
<u>4,859,176</u>	<u>414,021</u>	<u>820,976</u>	<u>4,452,221</u>	<u>685,905</u>
<u>63,501</u>	<u>69,473</u>	<u>63,319</u>	<u>69,655</u>	<u>44,893</u>
<u>\$ 4,922,677</u>	<u>\$ 483,494</u>	<u>\$884,295</u>	<u>\$4,521,876</u>	<u>\$730,798</u>

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NOTE 8 – Interfund Transfers:

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Transfers from:</u>	<u>Transfers to:</u>
General Fund	Ambulance Service Fund \$1,300,000
	Debt Service Fund 363,484
	Capital Projects Fund <u>76,530</u>
	Total Transfers In/Out <u>\$1,740,014</u>

Transfers are used to move revenues from the General Fund to the funds that will expend them in accordance with the budget and to use unrestricted revenues collected or resources in the General Fund and Capital Projects Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 – Risk Management:

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

The District carries commercial insurance for risks of loss related to property and casualty liabilities. The District also carries health insurance for all eligible employees.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has joined together with similar public agencies, under the Nevada Interlocal Cooperation Act to create an intergovernmental self-insured association for Workers' Compensation insurance, the PACT. The District pays premiums based on payroll costs to the PACT. The PACT is considered a self-sustaining pool that will provide coverage based on established statutory limits.

NOTE 11 – Other Post-Employment Benefits Plan (OPEB):

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in a future year when it will be paid. In accordance with the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the District recognizes the cost of post-employment healthcare in the year when the employee services are provided, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
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Plan Descriptions. The District contributes to a single employer defined benefit healthcare plan, the North Lake Tahoe Fire Protection District Health Insurance Benefit Plan (the District's Plan) and an agent multiple employer defined benefit healthcare plan, the Public Employees' Benefits Program (PEBP). Each plan provides medical, dental, vision, and life insurance benefits to eligible retired District employees and beneficiaries.

Benefit provisions for the District's plan are established pursuant to NRS 287.023 and can be amended by the District's Board of Directors. Benefit provisions for PEBP are established pursuant to NRS 287.023 and subject to amendment through legislation by the State of Nevada, each biennium.

Pursuant to NRS 287.023 (as amended during the 2007 session of the Nevada Legislature), through September 1, 2008, retirees had the option to participate in the District's Plan for post-employment health care benefits or to join PEBP offered by the State of Nevada. However, subsequent to September 1, 2008, new participation limitations were created so that only active members of PEBP as of that date can elect coverage after retirement. Local governments are required to pay the same portion of cost of coverage for those persons joining PEBP that the State of Nevada pays for those persons retired from State service who have continued to participate in the plan. PEBP's Master Plan Document can be obtained by writing to the Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

Eligibility. Employees must have at least fifteen years of full-time service to be eligible for benefits and must be at least 50 years of age. Employees who separate from the District with at least fifteen years of service may activate this benefit upon attainment of age 50. The District pays the entire cost of retiree health benefits for retirees, their spouses and their dependent children for employees hired prior to March 1, 2012. The coverage is provided until the employee and/or their spouse attain Medicare eligibility and/or the children are no longer dependents as defined by the health insurance plan. For employees hired on or after March 1, 2012, the District will pay 65% of the premiums for the retiree until they attain Medicare eligibility. In addition, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the District.

For the two employees in PEBP, the District pays monthly premiums to PEBP. The premium payments to PEBP will continue for the retirees' lifetime.

The number of active participants and retirees as of July 1, 2015, the effective date of the OPEB valuation, was 52 and 22, respectively. Included in the retiree number is one retiree enrolled in PEBP for whom the District is paying a portion of their health premiums. Subsequent to July 1, 2015, the District is paying for another retiree enrolled in PEBP as of August 1, 2016.

Funding Policy and Annual OPEB Cost: Retirees in the District's Plan receive no direct subsidy from the District. Under state law, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the District. The

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
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District's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted by the District. For the year ended June 30, 2016, the District's net employer contribution was \$1,080,124. Of this amount, \$579,437 was paid on behalf of 22 retirees adjusted for the value of implicit rate subsidy. The balance of \$500,687 was paid into the North Lake Tahoe Fire Protection District's Post-Retirement Plan and Trust. The Trust was established February 18, 2015, for the purpose of underwriting some of the costs of the District's post-employment retiree health benefits liability of \$8,459,047.

The District is also required to provide a subsidy for retirees who have elected to join PEBP. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$4,776 on behalf of two retirees. The amount paid per retiree ranged from \$151 to \$245 per month.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations, by plan, are as follows:

Fiscal Year Ended	Annual Cost	Employer Contribution	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
District's Plan:				
6/30/2014	\$ 1,209,489	\$ 648,149	\$ 2,767,160	53.6%
6/30/2015	1,199,647	645,379	3,321,428	53.8%
6/30/2016	943,788	1,070,603	3,194,613	113.4%
PEBP				
6/30/2014	2,798	1,499	5,629	53.6%
6/30/2015	2,775	1,493	6,911	53.8%
6/30/2016	8,393	9,521	5,783	113.4%

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

	District's Plan	PEBP	Totals
Annual Required Contribution (ARC):			
Normal Cost	\$ 327,388	\$ -	\$ 327,388
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>639,175</u>	<u>8,596</u>	<u>647,771</u>
	<u>\$ 966,563</u>	<u>\$ 8,596</u>	<u>\$975,159</u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

	District's Plan	PEBP	Totals
Determination of Net OPEB Obligation:			
Annual Required Contribution (ARC)	\$ 966,563	\$ 8,596	\$ 975,159
Interest on Net OPEB Obligation	214,435	1,907	216,342
Adjustment to ARC	<u>(237,210)</u>	<u>(2,110)</u>	<u>(239,320)</u>
Annual OPEB Cost	943,788	8,393	952,181
Contributions Made	<u>(1,070,603)</u>	<u>(9,521)</u>	<u>(1,080,124)</u>
Decrease in Net OPEB Obligation	(126,815)	(1,128)	(127,943)
Net OPEB Obligation, 7/1/2015	<u>3,321,428</u>	<u>6,911</u>	<u>3,328,339</u>
Net OPEB Obligation, 6/30/2016	<u>\$ 3,194,613</u>	<u>\$ 5,783</u>	<u>\$ 3,200,396</u>

Funded Status and Funding Progress: The funded status of the plans as of the latest valuation date (July 1, 2015) was as follows:

	District's Plan	PEBP	Totals
Actuarial Accrued Liability (AAL) (a)	\$ 8,346,799	\$ 112,248	\$ 8,459,047
Actuarial Value of Plan Assets (b)	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL) (a) – (b)	<u>\$ 8,346,799</u>	<u>\$ 112,248</u>	<u>\$ 8,459,047</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b) / (a)	0.00%	0.00%	
Covered payroll (c)	N/A	N/A	
UAAL as a percentage of covered payroll [(a) – (b)] / (c)	0.00%	N/A	

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

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2015
Actuarial cost method	Entry Age Normal (PEBP) Projected Unit Benefit (District Plan)
Amortization method	Level dollar (PEBP and District Plan)
Remaining amortization period	24 years closed (PEBP) 30 years open (District Plan)
Investment rate of return	6.5% (PEBP and District Plan)
Healthcare inflation (deflation) rate	Ranges from 7.25% and declines over a period of years to 4.25% (PEBP) Based on the "Getzen Model" with a general inflation assumption of 2.75% (District Plan)

NOTE 12 - Commitments and Contingencies.

As of June 30, 2016, the District has settled four of the five prior employee claims relating to the accounting for and contributions to the Public Employees Retirement System of Nevada in the amount of \$33,479. The final case is expected to be settled during fiscal year ending June 30, 2017.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)
(1 of 2)**

	Budget Amounts		2016		2015
	Original	Final	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES					
Taxes:					
Ad valorem					
Real and personal property	\$ 8,297,231	\$ 8,297,231	\$ 8,383,070	\$ 85,839	\$ 8,076,325
Intergovernmental:					
State shared revenues					
Consolidated tax revenue	2,930,352	2,930,352	3,451,509	521,157	3,168,380
AB 104, fair share	549,228	549,228	593,835	44,607	577,429
Federal and state grants	-	-	340,200	340,200	98,074
	<u>3,479,580</u>	<u>3,479,580</u>	<u>4,385,544</u>	<u>905,964</u>	<u>3,843,883</u>
Miscellaneous:					
Interest	7,500	7,500	5,484	(2,016)	4,458
Fire suppression reimbursement and other	2,569,559	2,569,559	2,127,555	(442,004)	1,856,555
	<u>2,577,059</u>	<u>2,577,059</u>	<u>2,133,039</u>	<u>(444,020)</u>	<u>1,861,013</u>
Total Revenues	<u>14,353,870</u>	<u>14,353,870</u>	<u>14,901,653</u>	<u>547,783</u>	<u>13,781,221</u>
EXPENDITURES					
Public safety:					
Fire:					
Salaries and wages	6,583,707	6,583,707	5,750,067	833,640	5,362,853
Employee benefits:					
Retirement	1,820,218	1,820,218	1,593,325	226,893	1,493,470
Group medical insurance	1,274,443	1,274,443	969,686	304,757	1,000,780
Retiree medical	856,574	856,574	712,745	143,829	760,466
Industrial insurance	651,737	651,737	458,422	193,315	509,586
Clothing allowance	28,800	28,800	25,533	3,267	23,894
Medicare portion of Social Security	92,821	92,821	81,578	11,243	74,715
Unemployment insurance	125,000	125,000	109,502	15,498	121,168
Social Security	47,276	47,276	43,894	3,382	39,176
	<u>4,896,869</u>	<u>4,896,869</u>	<u>3,994,685</u>	<u>902,184</u>	<u>4,023,255</u>
Services and supplies:					
Utilities	116,272	116,272	100,211	16,061	93,076
Telephone	55,981	55,981	47,844	8,137	53,955
Professional services	274,747	274,747	238,303	36,444	294,054
Membership and meetings	4,448	4,448	3,409	1,039	3,138

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)
(2 of 2)**

	Budget Amounts		2016		2015
	Original	Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Services and supplies (continued):					
Training	\$ 90,332	\$ 90,332	\$ 58,885	\$ 31,447	\$ 43,941
Public education supplies	10,500	10,500	11,733	(1,233)	10,670
Dispatch	258,720	258,720	231,000	27,720	231,000
District insurance	138,938	138,938	111,766	27,172	113,335
Vehicle repairs and maintenance	165,340	165,340	143,344	21,996	178,202
Equipment supplies	69,605	69,605	44,488	25,117	41,056
Radio and alarm	41,700	41,700	16,991	24,709	22,958
Operational expense	20,674	20,674	9,475	11,199	11,533
Station supplies	10,175	10,175	5,990	4,185	8,988
Publications and subscriptions	2,816	2,816	2,074	742	1,830
Physical fitness	44,250	44,250	14,013	30,237	38,458
Postage	5,200	5,200	5,950	(750)	5,582
Reimbursable expenditures	76,111	76,111	189,592	(113,481)	104,046
CPR/FACTS	24,000	24,000	31,836	(7,836)	77,573
Employee recognition	12,269	12,269	9,297	2,972	5,256
Office supplies	10,960	10,960	10,820	140	11,475
Special clothing and gear	59,875	59,875	54,884	4,991	28,251
Building repairs and maintenance	191,248	191,248	198,674	(7,426)	283,631
	1,684,161	1,684,161	1,540,579	143,582	1,662,008
Total Expenditures	13,164,737	13,164,737	11,285,331	1,879,406	11,048,116
Excess (Deficiency) of Revenues over Expenditures	1,189,133	1,189,133	3,616,322	2,427,189	2,733,105
OTHER FINANCING SOURCES (USES)					
Contingency	(100,000)	(100,000)	-	100,000	-
Transfers out	(1,740,014)	(1,740,014)	(1,740,014)	-	(2,726,628)
Total Other Financing Sources (Uses)	(1,840,014)	(1,840,014)	(1,740,014)	100,000	(2,726,628)
Net Change in Fund Balances	(650,881)	(650,881)	1,876,308	2,527,189	6,477
FUND BALANCES, BEGINNING OF YEAR	4,451,674	4,451,674	5,092,490	640,816	5,086,013
FUND BALANCES, END OF YEAR	\$ 3,800,793	\$ 3,800,793	\$ 6,968,798	\$ 3,168,005	\$ 5,092,490

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS
June 30, 2016**

Plan	Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a) / c] UAAL as a Percentage of Covered Payroll
District's Plan	7/1/2009	\$ -	\$ 8,818,219	\$ 8,818,219	0.0%	N/A	N/A
PEBP	7/1/2009	-	133,062	133,062	0.0%	N/A	N/A
		<u>\$ -</u>	<u>\$ 8,951,281</u>	<u>\$ 8,951,281</u>	<u>0.0%</u>		
District's Plan	7/1/2012	\$ -	\$ 11,885,387	\$ 11,885,387	0.0%	N/A	N/A
PEBP	7/1/2012	-	53,084	53,084	0.0%	N/A	N/A
		<u>\$ -</u>	<u>\$ 11,938,471</u>	<u>\$ 11,938,471</u>	<u>0.0%</u>		
District's Plan	7/1/2015	\$ -	\$ 8,346,799	\$ 8,346,799	0.0%	N/A	N/A
PEBP	7/1/2015	-	112,248	112,248	0.0%	N/A	N/A
		<u>\$ -</u>	<u>\$ 8,459,047</u>	<u>\$ 8,459,047</u>	<u>0.0%</u>		

The principal reasons for the changes in AAAL and UAAL from the 7/1/2012 valuation to the 7/1/2015 valuation are:

For PEBP retirees, a net increase in the required District subsidy for PEBP retirees.

For the District's Plan, (1) updates to employee and premium data since the prior valuation was prepared; (2) a three year decrease in discount period when future benefit payments are due; (3) decrease due to retiree benefits paid (4) healthcare costs did not increase as expected and (5) decrease due to discount rate change from 3.5% to 6%

The principal reasons for the changes in AAAL and UAAL from the 7/1/2009 valuation to the 7/1/2012 valuation are:

For PEBP retirees, (1) a net decrease in the required District subsidy for PEBP retirees and (2) a net decrease of 1 member receiving a subsidy.

For the District's Plan, (1) updates to employee and premium data since the prior valuation was prepared; (2) a three year decrease in discount period when future benefit payments are due; (3) updates to the assumed rates of mortality (i.e., longer life expectancies) and (4) an update in the trend assumption for future increases in medical premiums.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the District's Share of Net Pension Liability
Public Employees' Retirement System of Nevada (PERS)
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>
District's portion of net the pension liability	0.11230%	0.10800%
District's proportionate share of the net pension liability	\$ 12,868,725	\$ 11,255,393
District's covered-employee payroll	\$ 6,146,703	\$ 5,838,212
Districts' proportional share of the net pension liability as a percentage of its covered-employee payroll	209.36%	192.79%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information for only those years for which information is available.

**Schedule of the District Contributions
Public Employees' Retirement System of Nevada (PERS)
Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,856,346	\$ 1,733,372
Contributions in relation to the statutorily required contribution	\$ 1,856,346	\$ 1,733,372
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 6,531,328	\$ 6,146,703
Contributions as a percentage of covered-employee payroll	28.42%	28.20%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information for only those years for which information is available.

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)**

	<u>2016</u>				<u>2015</u>
	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Fire suppression - vehicles	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Debt service:					
Principal	399,000	399,000	399,000	-	737,000
Interest	96,840	96,840	96,840	-	110,520
Total Expenditures	<u>495,840</u>	<u>495,840</u>	<u>495,840</u>	<u>-</u>	<u>847,520</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(495,840)</u>	<u>(495,840)</u>	<u>(495,840)</u>	<u>-</u>	<u>(847,520)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>363,484</u>	<u>363,484</u>	<u>363,484</u>	<u>-</u>	<u>1,290,868</u>
Net Change in Fund Balances	(132,356)	(132,356)	(132,356)	-	443,348
FUND BALANCES, BEGINNING OF YEAR	<u>634,437</u>	<u>634,437</u>	<u>643,248</u>	<u>8,811</u>	<u>199,900</u>
FUND BALANCES, END OF YEAR	<u>\$ 502,081</u>	<u>\$ 502,081</u>	<u>\$ 510,892</u>	<u>\$ 8,811</u>	<u>\$ 643,248</u>

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)**

	2016				2015
	Budget Amount		Actual	Variance	Actual
	Original	Final			
REVENUES					
Intergovernmental:					
Federal grants	\$ -	\$ -	\$ 34,846	\$ 34,846	\$ -
Miscellaneous:					
Other	40,000	40,000	40,000	-	22,870
Total Revenues	40,000	40,000	74,846	34,846	22,870
EXPENDITURES					
Capital outlay	125,995	320,386	243,332	77,054	166,683
Total Expenditures	125,995	320,386	243,332	77,054	166,683
Excess (Deficiency) of Revenues over Expenditures	(85,995)	(280,386)	(168,486)	111,900	(143,813)
OTHER FINANCING SOURCES (USES)					
Transfers in	76,530	76,530	76,530	-	285,760
Transfers out	-	-	-	-	(29,627)
Sale of assets	-	65,000	66,000	1,000	-
Total Other Financing Sources (Uses)	76,530	141,530	142,530	1,000	256,133
Net Change in Fund Balances	(9,465)	(138,856)	(25,956)	112,900	112,320
FUND BALANCES, BEGINNING OF YEAR	478,819	608,210	608,210	-	495,890
FUND BALANCES, END OF YEAR	\$ 469,354	\$ 469,354	\$ 582,254	\$ 112,900	\$ 608,210

**NORTH LAKE TAHOE FIRE PROTECTION DISTRICT
ENTERPRISE FUND - AMBULANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)**

	2016				2015
	Budget Amount		Actual	Variance	Actual
	Original	Final			
OPERATING REVENUES					
Charges for services:					
Public safety:					
Ambulance	\$ 415,568	\$ 415,568	\$ 606,633	\$ 191,065	\$ 478,245
Other	55,000	55,000	70,725	15,725	49,411
Total Operating Revenues	<u>470,568</u>	<u>470,568</u>	<u>677,358</u>	<u>206,790</u>	<u>527,656</u>
OPERATING EXPENSES					
Public safety:					
Ambulance:					
Salaries and wages	793,603	793,603	781,261	12,342	783,847
Employee benefits	607,422	607,422	545,334	62,088	538,427
Services and supplies	564,644	564,644	493,769	70,875	448,348
Depreciation	82,567	82,567	66,380	16,187	53,779
Total Operating Expenses	<u>2,048,236</u>	<u>2,048,236</u>	<u>1,886,744</u>	<u>161,492</u>	<u>1,824,401</u>
Operating Income (Loss)	<u>(1,577,668)</u>	<u>(1,577,668)</u>	<u>(1,209,386)</u>	<u>368,282</u>	<u>(1,296,745)</u>
NONOPERATING REVENUES					
Interest revenue	500	500	644	144	425
Total Nonoperating Revenues	<u>500</u>	<u>500</u>	<u>644</u>	<u>144</u>	<u>425</u>
Income (Loss) before Transfers	(1,577,168)	(1,577,168)	(1,208,742)	368,426	(1,296,320)
TRANSFERS					
Transfers in	1,300,000	1,300,000	1,300,000	-	1,179,627
Changes in Net Position	<u>\$ (277,168)</u>	<u>\$ (277,168)</u>	<u>91,258</u>	<u>\$ 368,426</u>	<u>(116,693)</u>
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED			-		709,966
ADJUSTMENT			-		(2,136,055)
NET POSITION, BEGINNING OF YEAR, AS RESTATED			<u>(1,542,782)</u>		<u>(1,426,089)</u>
NET POSITION, END OF YEAR			<u>\$ (1,451,524)</u>		<u>\$ (1,542,782)</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
North Lake Tahoe Fire Protection District
Incline Village, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of North Lake Tahoe Fire Protection District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Reno, Nevada
November 8, 2016

Auditor's Comments

To the Board of Directors
North Lake Tahoe Fire Protection District
Incline Village, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the North Lake Tahoe Fire Protection District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the District failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Current Year Statute Compliance

The District conformed to all significant statutory constraints on its financial administration during the year as noted in Note 2 of the accompanying financial statements.

Progress on Prior Year Statute Compliance

The District monitored all significant constraints during the year ended June 30, 2016.

Prior Year Recommendations

There were no findings for the year ended June 30, 2015.

Current Year Recommendations

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



Reno, Nevada
November 8, 2016