

NORTH TAHOE FIRE PROTECTION DISTRICT
PLACER COUNTY, CALIFORNIA

BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2016

NORTH TAHOE FIRE PROTECTION DISTRICT

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***North Tahoe Fire Protection District
Management's Discussion and Analysis
June 30, 2016***

Purpose

This discussion and analysis of the North Tahoe Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016, and the District's financial status at June 30, 2016. Together with the District's Financial Statements and Independent Auditors' Report, and the required supplementary information, they form the District's annual report. This report is designed to provide our citizens, taxpayers, employees and customers with a general overview of the District's finances and to show the District's accountability for the money it receives.

Financial Highlights

- The District's cash and investment balance is \$7,556,500. \$50,383 of this balance is restricted. Capital assets net at June 30, 2016 are \$11,476,009.
- The District used 100% of its property tax, special tax and fire assessment revenues to fund operations and general fund activities.
- Approximately \$1,499,000 of property tax revenues that would have been otherwise allocated to the District will be reallocated to other governmental agencies. The State of California is shifting property taxes from local government to help reduce the State's budget deficit and the Placer County Redevelopment Successor Agency has frozen property tax appreciation in each of three geographically defined areas within the Fire District and subject to a 2% pass-through, retains the balance of the District's tax.
- For every dollar of payroll for Classic Member Safety employees, the District is responsible to pay between \$0.22 to \$0.44 in retirement (PERS) expenses. For every dollar of payroll for PEPRA Safety employees, the District is responsible to pay approximately \$0.11 in retirement expense. For every dollar of payroll for Classic Miscellaneous employees, the District is responsible to pay between \$0.18 and \$0.33 in retirement (PERS) expenses. For every dollar of payroll for PEPRA Miscellaneous employees, the District is responsible to pay approximately \$0.06 in retirement expenses.
- Regarding workers compensation, \$8.22 of every \$100.00 in gross payroll is allocated to safety personnel and \$4.70 of every \$100.00 in gross payroll to miscellaneous personnel.
- These, along with other employee-related fringe benefits, help to illustrate how employee costs are the largest and most significant portion of the District budget.
- With regards to PERS retirement, having a defined benefit plan historically resulted in broad swings in employer contributions directly tied to gains and losses out of District control. The District participates in a pooled plan with other agencies which has stabilized contribution rates in the short-term. Similar pooling with other agencies has stabilized workers compensation rates. District staff anticipates increases in both programs in the coming years.

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Overview of the Financial Statements

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

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

Government-wide Statements

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

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

Fund Financial Statements

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

North Tahoe Fire Protection District
Management's Discussion and Analysis
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Financial Analysis of the District as a Whole

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

Condensed Financial Information

NET POSITION		
	2015	2016
ASSETS:		
Non-capital	\$ 6,948,235	\$ 8,088,138
Capital	\$ 11,962,372	\$ 11,476,009
Total Assets	\$ 18,910,607	\$ 19,564,147
 DEFERRED OUTFLOWS OF RESOURCES		
	\$ 1,730,695	\$3,257,959
 LIABILITIES:		
Current	\$ 1,657,253	\$ 1,975,529
Long-term	\$ 23,405,900	\$ 25,183,337
Total Liabilities	\$ 25,063,153	\$ 27,158,866
 DEFERRED INFLOWS OF RESOURCES		
	\$ 2,436,682	\$ 1,571,509
 NET POSITION:		
Net Investment in capital assets	\$ 1,777,944	\$ 1,560,304
Restricted	\$ 16,654	\$ 17,050
Unrestricted	\$ (8,653,131)	\$ (7,485,624)
Total Net Assets	\$ (6,858,533)	\$ (5,908,270)

The figures noted above reflect an increase in Total Assets of 7%. These changes are the result of additional grant revenues reflected in "Cash" and receivables. The 3% increase in total liabilities is the result of reporting the cumulative Other Post Retirement Benefit Liability and new equipment leases. Finally, a decrease in Total Net Position of (1.2%) is noted from the prior fiscal year and a result of implementing GASB No. 68.

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Management's Discussion and Analysis
June 30, 2016***

Changes in Net Position - Governmental Activities

The following presents a summary of revenues and expenses for the fiscal year ending June 30, 2016. The percentage is in relationship to the annual totals for revenue and expenses.

	2015		2016	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
REVENUES:				
Taxes	\$ 8,305,016	68%	\$ 9,072,719	68%
Ambulance services	\$ 1,522,796	13%	\$ 1,712,899	13%
Interest/grants/other	\$ 1,143,526	9%	\$ 1,070,558	9%
Contract services	\$ 1,180,237	10%	\$ 1,332,915	10%
Total Revenues	\$ 12,151,575	100%	\$ 13,189,091	100%
EXPENSES:				
Salaries	\$ 5,267,804	46%	\$ 5,532,895	46%
Benefits	\$ 3,055,988	27%	\$ 3,004,532	24%
Operating expenses	\$ 2,121,030	19%	\$ 2,659,686	21%
Bad debt	\$ 273,304	2%	\$ 240,611	2%
Depreciation	\$ 739,702	6%	\$ 801,103	7%
Total Expenses	\$ 11,457,828	100%	\$ 12,238,827	100%
Change in Net Assets	\$ 693,747		\$ 950,264	
Beginning Net Assets	\$ (7,552,280)		\$ (6,858,533)	
Ending Net Assets	\$ (6,858,533)		\$ (5,908,269)	

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

In Fiscal year 2015/2016, total property tax revenues increased \$767,703; the District received some of the anticipated pass through monies for the Placer County Redevelopment Successor Agency. Additionally, the District received some of the residual disbursement of these funds. During the previous year, the District received pass through monies as well as residual disbursement from the Placer County Redevelopment Successor Agency.

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Management's Discussion and Analysis
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Revenue received from ambulance service fees increased by \$190,103. During the previous year, the District received reimbursements for the Medi-Cal transport through the Ground Emergency Medical Transport (GEMT) program of approximately \$162,000.

Overall contract revenues remained stable at 10% (\$1,332,915). Contract revenues are based partly on property taxes (as is the case in the District's contract with Alpine Springs County Water District and El Dorado County) and since Property Taxes revenues increased, we would expect to see an increase in these revenues. In fiscal year 2013/2014, the District entered into a contract with Meeks Bay Fire Protection District to provide Fire Management Services and other related services. All of these factors combined account for the contract revenues.

Grant revenues have remained stable from the prior year. Primarily due to continued FEMA SAFER grant support that allowed the District to hire and retain additional safety personnel.

Revenues and expenses both increased by approximately 9% over the previous fiscal year or expressed as dollars, \$1,037,526 and \$780,998 respectively. Total salaries increased by 5%; while benefit costs decreased by 1%. The modest net increase in salary expenses is a result of the MOU program raises offset by some retirements. The decreases in benefit expenses are also due in part to retirements as well all employees are now paying their employee contribution to PERS and 2% of the employers' contribution to PERS. The district closed 2016 in a net financial position that is approximately a million dollars to the positive over the 2015 close, with approximately \$7,606,883 available as reserve funds, of which \$50,383 is restricted.

General Fund Budgetary Highlights

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

Capital Asset & Debt Administration

On June 30, 2016, the District had \$16,464,427 invested in capital assets. There were approximately \$335,672 purchases of fixed assets made during the 2016 fiscal year. Fixed asset additions made during the 2016 year included 1 fire engine, 2 utility pick-ups, radios and mobile data terminals (MDT). Disposals included several vehicles.

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	2015	2016
Land	\$ 73,455	\$ 73,455
Buildings and improvements	\$ 10,596,918	\$ 10,596,918
Equipment	\$ 6,269,064	\$ 5,879,514
CIP	\$ -	\$ -
Total	<u>\$ 16,939,437</u>	<u>\$ 16,549,887</u>

Long-Term Obligations

At year end, the majority of the District's long-term obligations consist of the financing obligation for the new fire station, long term post-retirement benefits, leases and accrued leave payouts. The total long term liability at June 30, 2016 is \$25,183,337.

Economic Factors

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

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

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

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Management's Discussion and Analysis
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Reserve funds were largely impacted in the past by broad swings in PERS contributions and “raids” on District revenue by the State of California and Placer County Redevelopment Agency. Beginning in the 2008-2009 fiscal year, the District levied a property owner approved Fire Suppression Assessment. Proceeds from this Assessment were used 1) to obtain, furnish, operate and maintain fire suppression services and apparatus including, but not limited to, emergency communication systems, property inspection and chipping programs, fire engines and station equipment, and 2) to pay the cost of firefighting personnel as to assure that there are always enough personnel available to effectively respond to a fire emergency during periods of peak demand. An independent citizen’s financial oversight committee was formed to advise the Board on an annual expenditure plan for this assessment and the special tax.

The District’s 15-year agreement with the Alpine Springs County Water District for full fire suppression and prevention services stipulates the District’s requirement to staff the fire station in Alpine Meadows a minimum of 150 days per year for the term of the agreement. Revenues representing 80% of property tax are provided to offset these new costs. The District has funded a storage building adjacent to the Alpine Meadows fire station to facilitate storage needs of the entire Fire District. The District’s 2012 FEMA S.A.F.E.R grant provides funding for additional Firefighters in order to meet the NFPA 1710 response assembly standard and keep part-time stations (including the Alpine Meadows station) staffed more regularly. As a result, the District has exceeded the minimum contractual days for staffing this fire station for the past three years.

The District has implemented a voter-approved Community Facilities District (CFD) No. 2012-1 (Ladder Truck O&M). Only larger, taller, buildings/structures and dense developments are required to join the CFD and provide funding. The purpose of this CFD is to provide funding of an aerial apparatus which is designed to provide greater fire suppression capabilities for these types of commercial developments. While the District may use this apparatus during various different types of incidents, its primary function would be to respond to larger, taller, dense properties within the District. The Domus housing project(s) was the originating entity and the funds remain dormant until another qualified entity joins. This year two additional projects joined the CFD and the District will begin the process of acquiring a ladder truck prior to 2019.

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

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

The scope of services within the agreement includes a delegation of authority for all duties required by law previously performed by the Meeks Bay Fire Chief including but not limited to;

*North Tahoe Fire Protection District
Management's Discussion and Analysis
June 30, 2016*

fire suppression operations, fire prevention, rescue services, training, emergency medical services, hazardous materials responses, forest fuels management, defensible space programs, equipment, facilities, supplementary staffing and personnel management. The Meeks Bay Fire Protection District pays the full salary and benefits for one North Tahoe Division Chief and reimburses the District for direct and indirect costs associated with the management and labor agreements.

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

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

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

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

The District adopted a GASB 45 Plan in 2009/2010 that addresses the financial liability the District will face in funding post-employment benefits such as medical insurance. The Plan requires the District to set aside a percentage of revenues annually to help offset the costs

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Management's Discussion and Analysis
June 30, 2016***

associated with future retirements. The District completes a bi-annual valuation of this Plan in compliance with PEMHCA.

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

Finally, the District's wage and benefit contracts (MOU) with our employee groups will expire December 1, 2018. These contracts contain pay and benefit packages which are based upon an employee's date of hire and/or entry into CAL PERS system. Employees hired prior to December 31, 2012, are classified as "Classic Members" by PERS; as are employees hired after January 1, 2013, who were previously classified as "Classic Members" by PERS, due to their prior services with another PERS agency. Employees hired after January 1, 2013, with no prior service with a PERS agency, are classified as "PEPRA" members by PERS. Salary and Benefit costs associated with PEPRA employees' is considerably less per employee than for Classic Members. Additionally, this contract contains provisions that all our employees pay their employee portion of PERS retirement contribution and is compliant with PEPRA legislation AB340.

Contacting the District's Management

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

McCLINTOCK ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Tahoe Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of North Tahoe Fire Protection District, which comprise the statement of net position and governmental fund balance sheet as of June 30, 2016, and the related statement of activities and governmental fund revenue, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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 1-9, budgetary comparison on page 38, the Schedule of District's Proportionate Share of the Net Pension Liability on page 39 the Schedule of Contributions to the Pension Plan on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2017, on our consideration of the North Tahoe Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Tahoe Fire Protection District's internal control over financial reporting and compliance.

McClintock Accountancy Corporation

McClintock Accountancy Corporation
Tahoe City, California
May 11, 2017

Basic
Financial
Statements

NORTH TAHOE FIRE PROTECTION DISTRICT

Exhibit A

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2016

	Governmental Fund		Government-wide Financial Statements
	Balance Sheet	Adjustments (Note 4)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 294,638	\$ -0-	\$ 294,638
Investments	7,211,479	-0-	7,211,479
Restricted investments	50,383	-0-	50,383
Accounts receivable	208,419	143,710	352,129
Grants receivable	17,526	9,444	26,970
Other assets	57,945	94,594	152,539
Land	-0-	73,455	73,455
Capital assets, net of accumulated depreciation	-0-	11,402,554	11,402,554
Total Assets	<u>\$ 7,840,390</u>	<u>\$ 11,723,757</u>	<u>\$ 19,564,147</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference due to proportion	\$ -0-	\$ 1,082,699	\$ 1,082,699
Difference between expected and actual experiences	-0-	5,157	5,157
Difference between projected and actual contributions	-0-	370,656	370,656
Employer contributions made after measurement date	-0-	1,719,035	1,719,035
Prepaid insurance	-0-	80,411	80,411
Total Deferred Outflows of Resources	<u>\$ -0-</u>	<u>\$ 3,257,958</u>	<u>\$ 3,257,958</u>
LIABILITIES			
Accounts payable	\$ 142,652	\$ -0-	\$ 142,652
Accrued expenses	382,419	85,656	468,075
Other liabilities	196,703	-0-	196,703
Compensated absences	163,285	560,445	723,730
Long term post retirement health benefits	-0-	3,691,932	3,691,932
Aggregate net pension liability	-0-	12,020,065	12,020,065
Long-term debt:			
Due within one year	-0-	444,369	444,369
Due after one year	-0-	9,471,340	9,471,340
Total Liabilities	<u>\$ 885,059</u>	<u>\$ 26,273,807</u>	<u>\$ 27,158,866</u>
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual earnings on plan investments	\$ -0-	\$ 464,847	\$ 464,847
Changes of assumptions	-0-	917,736	917,736
Difference between expected and actual experiences	-0-	188,926	188,926
Total Deferred Inflows of Resources	<u>\$ -0-</u>	<u>\$ 1,571,509</u>	<u>\$ 1,571,509</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Restricted fund balance	\$ 17,050	\$ (17,050)	\$ -0-
Unrestricted	6,938,281	(6,938,281)	-0-
Total Fund Balance	<u>6,955,331</u>	<u>(6,955,331)</u>	<u>-0-</u>
Total Liabilities and Fund Balance	<u>\$ 7,840,390</u>		
Net Position:			
Net investment in capital assets		1,560,304	1,560,304
Restricted		17,050	17,050
Unrestricted (deficit)		(7,485,624)	(7,485,624)
Total Net Position (Deficit)		<u>\$ (5,908,270)</u>	<u>\$ (5,908,270)</u>

The accompanying notes are an integral part of this statement.

NORTH TAHOE FIRE PROTECTION DISTRICT

Exhibit B

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

For the Year Ended June 30, 2016

	<u>Governmental Fund</u>		<u>Government- wide Financial Statements</u>
	Revenue, Expenditures and Change in Fund Balance	Adjustments (Note 5)	Statement of Activities
Revenue:			
Taxes	\$ 9,072,719	\$ -0-	\$ 9,072,719
Ambulance services	1,445,836	267,063	1,712,899
Service and contract fees	1,299,461	33,454	1,332,915
Grants	840,070	9,444	849,514
Mitigation fees	124,461	-0-	124,461
Gain on sale of assets	-0-	21,005	21,005
Other	34,845	(21,005)	13,840
Interest	61,738	-0-	61,738
Total Revenue	<u>12,879,130</u>	<u>309,961</u>	<u>13,189,091</u>
Expenditures/Expenses:			
Salaries and wages	5,461,332	71,563	5,532,895
Employee benefits	3,225,491	(220,958)	3,004,533
Maintenance and operations	754,039	-0-	754,039
General and administrative	430,259	(80,412)	349,847
Uniforms and supplies	400,538	-0-	400,538
Utilities	107,075	-0-	107,075
Professional fees	377,244	-0-	377,244
Bad debt	-0-	240,612	240,612
Depreciation	-0-	801,103	801,103
Grant expense	265,479	-0-	265,479
Capital outlay	229,895	(172,858)	57,037
Debt service:			
Principal	412,196	(412,196)	-0-
Interest	325,463	22,963	348,426
Total Expenditures/Expenses	<u>11,989,011</u>	<u>249,817</u>	<u>12,238,828</u>
Revenues Over Expenditures/ Change in Net Position	890,119	60,144	950,263
Fund Balances/Net Position:			
Beginning of the Year (Deficit)	<u>6,065,212</u>	<u>(12,923,745)</u>	<u>(6,858,533)</u>
End of the Year (Deficit)	<u>\$ 6,955,331</u>	<u>\$ (12,863,601)</u>	<u>\$ (5,908,270)</u>

The accompanying notes are an integral part of this statement.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

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

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period.

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

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

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

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

Governmental Fund Type

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

Budgets and Budgetary Accounting

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

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

Restricted Investments

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

Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. At June 30, 2016, fixed assets totaling \$485,550 are valued at their

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

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

Compensated Absences

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

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

Pensions

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

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 30, 2014 to June 30, 2015

At June 30, 2016, the District had an unrestricted deficit of (\$7,485,624). This deficit is primarily a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, of recording the pension liability on a full accrual basis of accounting instead of funding basis. The District expects that these deficits will be funded with future subsidies.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Fund Balance

In the fund financial statements, the District reserves those portions of fund balance which are legally restricted for a specific future use. The Restricted Fund balance represents the portion of fund balance restricted by mitigation fees. Mitigation fees are charged on all new building and construction on the District's service area. The fees, in accordance with Placer County ordinance, can be used only for new construction and development of fire protection facilities, apparatus and services. The District spent approximately \$125,000 of mitigation fees during the year ended June 30, 2016. Unrestricted Fund balance is the portion of fund balance available for use in future periods.

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

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

Net Position

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

Use of Estimates

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. Cash and Investments

Deposits

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

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, none of the District's bank balances at June 30, 2016 are exposed to custodial credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

Investments

Pursuant to the District's Investment Policy, the District is allowed to invest in the Placer County investment pool, Tax and Revenue Anticipation Note and Guaranteed Investment Contract. The District investments consist of deposits held in the Placer County investment pool. The District had no funds invested in the Guaranteed Investment Contract during the year ended June 30, 2016.

The District's investments are recorded at fair value at June 30, 2016 as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Placer County Investment Pool	Less than 1 year	<u>\$ 7,261,862</u>

Interest Rate Risk

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

Credit Risk

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

3. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- a) Placer County Pooled Investment Fund of \$7,261,862 is valued using the underlying quoted market prices (Level 2 inputs)

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

The District's "Total fund balance" of \$6,955,331 in Exhibit A differs from "Net Position" of (\$5,908,270) reported in the Statement of Net Position. This difference results from the long-term economic focus of the statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. An explanation of the reconciliation adjustments between the statements is described below:

Ambulance billing receivables, grant reimbursements, and service contracts not collected within 90 days after the District's fiscal year are not considered "available" revenues in the Governmental Funds and, therefore, have not been recorded in the Governmental Funds.	<u>\$ 204,351</u>
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Ground emergency medical transportation reimbursements applied for from the Department of health care services and not collected within 90 days after the District's fiscal year end have not been recorded in the Governmental Funds.	<u>\$ 43,397</u>
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When capital assets (land, construction in progress, buildings, and equipment) are purchased or constructed, the costs of those assets are reported as expenditures in the Governmental Funds. The statement of Net Position includes these capital assets.	
Land	<u>\$ 73,455</u>
Depreciated capital assets	\$ 16,476,432
Accumulated depreciation	<u>(5,073,878)</u>
	<u>\$ 11,402,554</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

	Difference due to proportion	<u>\$ 1,082,699</u>
	Difference between expected and actual experiences	<u>\$ 5,157</u>
	Difference between projected and actual contributions	<u>\$ 370,656</u>
	Employer contributions made after measurement date	<u>\$ 1,719,035</u>
	Prepaid insurance	<u>\$ 80,411</u>
Interest payable on long-term debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due.		
		<u>\$ 85,656</u>
Certain liabilities and deferred inflows of resources are not payable from current financial resources and therefore are not reported in the Governmental Funds. Those liabilities and deferred inflows of resources consist of:		
Compensated absences		<u>\$ 560,445</u>
	Long term post-retirement health benefits	<u>\$ 3,691,932</u>
	Aggregate net pension liability	<u>\$ 12,020,065</u>
	Notes payable	<u>\$ 9,915,709</u>
	Difference between expected and actual earnings on plan investments	<u>\$ 464,847</u>
	Changes of assumptions	<u>\$ 917,736</u>
	Difference between expected and actual experience	<u>\$ 188,926</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

The District's "Revenues over expenditures" of \$890,119 in Exhibit B differs from the "change in Net Position" of \$950,263 reported in the Statement of Activities. The difference arises from the long-term economic focus of the statement of activities versus the current financial resources focus of the Governmental Funds. The components of the difference are described below:

Ambulance billing receivables, grant reimbursements, and service contracts not collected within 90 days after the District's fiscal year ends are not considered "available" revenues in the Governmental Funds:

Change in accounts receivable	\$ 6,824
Ambulance billing receivables written off as not collectable are not considered "available" revenues in the Governmental Funds	303,137
	<u>\$ 309,961</u>

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

Change in salaries payable	<u>\$ 71,563</u>
Change in compensated absences payable and deferred outflows and inflows of resources associated with long term net pension liability	<u>\$ (220,958)</u>
Change in prepaid insurance	<u>\$ (80,412)</u>

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

Ambulance billing receivables written off as not collectable	\$ 303,137
Change in the allowance for doubtful accounts	<u>(62,526)</u>
	<u>\$ 240,611</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

Depreciation expense \$ 801,103

Capital outlay \$ (172,858)

Debt service \$ (34,369)

Principal payments made on long-term debt is reported as expenditures in the Governmental funds. However, this balance should be removed from the statement of activities to report on the accrual basis of accounting \$ (377,827)

Interest on long-term debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due. However, in the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net change in accrued interest is reported in the statement of activities. \$ 22,963

6. Proceeds of Taxes Limitation and Property Taxes

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

The proceeds of taxes limitation for the fiscal year corresponding to that of the State of California (July 1, 2016 to June 30, 2017) is \$15,160,722.

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

7. Capital Assets

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

	Beginning Balances	Additions/ Depreciation	Disposals/ Transfers	Ending Balances
Capital assets not depreciated:				
Land	\$ 73,455	\$ -0-	\$ -0-	\$ 73,455
Construction in progress	-0-	-0-	-0-	-0-
Total capital assets not depreciated	<u>73,455</u>	<u>-0-</u>	<u>-0-</u>	<u>73,455</u>
Capital assets being depreciated:				
Buildings and improvements	10,596,918	-0-	-0-	10,596,918
Equipment	6,269,064	335,672	(725,222)	5,879,514
Total capital assets being depreciated	<u>16,865,982</u>	<u>335,672</u>	<u>(725,222)</u>	<u>16,476,432</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,269,109)	(358,185)	-0-	(1,627,294)
Equipment	(3,707,956)	(442,918)	704,290	(3,446,584)
Total accumulated depreciation	<u>(4,977,065)</u>	<u>(801,103)</u>	<u>704,290</u>	<u>(5,073,878)</u>
Total capital assets being depreciated, net	<u>11,888,917</u>	<u>(465,431)</u>	<u>(20,932)</u>	<u>11,402,554</u>
Capital assets, net	<u>\$ 11,962,372</u>	<u>\$ (465,431)</u>	<u>\$ (20,932)</u>	<u>\$ 11,476,009</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

8. Long-Term Debt

Long-term debt is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable to Community first National Bank; interest rate of 2.93%; annual principal and interest payments of \$34,369 due December 15; final payment due December 15, 2019; secured by a District ambulance.	\$ -0-	\$ 161,614	\$ (33,646)	\$ 127,968	\$ 30,620
Note payable to Community first National Bank; interest rate of 3.1%; annual principal and interest payments of \$22,424 due December 1; final payment due December 1, 2018; secured by a District ambulance.	\$ 83,164	\$ -0-	\$ (19,850)	\$ 63,314	\$ 20,465
Note payable to Kansas State Bank; interest rate of 3.47%; annual principal and interest payments of \$21,827 due December 6; final payment due December 6, 2017; secured by a District ambulance.	\$ 59,946	\$ -0-	\$ (19,100)	\$ 40,846	\$ 19,969
Note payable to Community First National Bank; interest rate of 2.92%; annual principal and interest payments of \$99,022 due February 17; final payment due February 17, 2023; secured by two District fire engines.	\$ 697,456	\$ -0-	\$ (78,656)	\$ 618,800	\$ 80,953
Note payable to Caterpillar Financial Services Corporation; interest rate of 3.2%; monthly principal and interest payments of \$1,987 due the 22 nd of each month; final payment due December 22, 2018; secured by a District loader.	\$ 76,118	\$ -0-	\$ (18,861)	\$ 57,257	\$ 22,355
Note payable to the California Economic and Infrastructure Bank; interest rate of 3.27%; final payment due Aug. 1, 2038; secured by the new District Station.	\$ 9,267,744	\$ -0-	\$ (260,220)	\$ 9,007,524	\$ 270,007
	<u>\$10,184,428</u>	<u>\$ 161,614</u>	<u>\$ (430,333)</u>	<u>\$ 9,915,709</u>	<u>\$ 444,369</u>

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Year Ending June 30	Principal	Interest
2017	\$ 444,369	\$ 295,110
2018	457,386	281,334
2019	438,339	267,188
2020	417,607	254,153
2021	396,471	241,514
2022-2038	7,761,537	2,263,692
	\$ 9,915,709	\$ 3,602,991

9. Compensated Absences

The District offers certain qualifying employees comp time and paid vacation. Changes in obligations for vacation and comp time at June 30, 2016, are as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Accrued vacation	\$ 513,953	\$ 458,431	\$ (357,966)	\$ 614,418	\$ 113,856
Accrued comp time	88,228	181,955	(160,872)	109,311	49,429
Total	\$ 602,181	\$ 640,386	\$ (518,838)	\$ 723,729	\$ 163,285

10. Employee Retirement System

A. Plan Description

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

CalPERS' annual financial report for each plan may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

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

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

B. Funding Policy

Active members in the Safety Plan and the Miscellaneous Plan are required to contribute 9% and 8% of their annual covered salary, respectively. Effective March 2014, Safety members paid an additional 4% of their employee contributions for a total of 9% as well paying 1% of the employers contributions. Similarly, Miscellaneous members paid an additional 4% of their employee contributions for a total of 8%. Effective January 2015, Safety members paid 9% of their employee contributions as well as 2% of the employers contributions. Similarly, Miscellaneous members paid 8% of their employee contributions.

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2015/16 was 20.892% for the Tier I Safety Plan, 18.712% for the Tier II Safety Plan, 11.153% for the Tier III Safety Plan, 13.064% for the Tier I Miscellaneous Plan, 12.055% for the Tier II Miscellaneous Plan and 6.237% for the Tier III Miscellaneous Plan. In addition, contributions to unfunded liabilities of \$904,492 and \$62,299 were required to be made for the Tier I Safety Plan and Tier I Miscellaneous Plan, respectively. The contribution requirements of both the Safety Plan and the Miscellaneous Plan members are established by State statute and the employer contribution rate and unfunded liability contribution is established and may be amended by CalPERS. The District contributions to the Safety Plan for the years ending June 30, 2016, 2015 and 2014 were \$1,622,248, \$1,436,868 and \$1,273,400, respectively, equal to the required contributions for each year. The District contributions to the Miscellaneous Plan for the years ending June 30, 2016, 2015 and 2014 were \$96,782, \$84,073 and \$91,874, respectively, equal to the required contributions for each year.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

The following tables show the District's proportionate share of the collective net pension liabilities over the measurement period.

Miscellaneous Plan			
Increase (Decrease)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at: 6/30/14 (VD)	\$ 2,618,146	\$ 1,849,787	\$ 768,359
Balance at: 6/30/15 (MD)	2,700,349	1,887,411	812,938
Net Changes during 2014-15	\$ 82,203	\$ 37,624	\$ 44,579

Safety Plan			
Increase (Decrease)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at: 6/30/14 (VD)	\$ 42,272,344	\$ 32,211,065	\$ 10,061,279
Balance at: 6/30/15 (MD)	44,259,152	33,052,025	11,207,127
Net Changes during 2014-15	\$ 1,986,808	\$ 840,960	\$ 1,145,848

At June 30, 2016, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 812,938
Safety	11,207,127
Total	\$ 12,020,065

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of 2015 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2015	0.029632%	0.271988%

At June 30, 2016, the District recognized pension expense of \$617,951.

As of June 30, 2016, the District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,157	\$ (188,926)
Changes of assumptions	-0-	(917,736)
Net difference between projected and actual earnings on pension plan investments	-0-	(464,847)
Difference in proportion	1,082,699	-0-
Differences between Employer contributions and proportionate share of contributions	370,656	-0-
Employer contributions subsequent to the measurement date	1,719,035	-0-
Total	\$ 3,177,547	\$ (1,571,509)

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item of \$1,719,035, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ (193,509)
2018	(208,293)
2019	(283,060)
2020	571,865
2021	-0-
Thereafter	\$ -0-

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

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes Inflation
Mortality Rate Table *1	Derived using CALPERS' membership date for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2007, including

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.75%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0%	(0.55)%	(1.05)%

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

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

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

		Discount Rate -	Current	Discount Rate
		1% (6.65%)	Discount Rate (7.65%)	+1% (8.65%)
Plan's Net Pension Liability/(Asset)	Miscellaneous Plan	\$ 1,363,354	\$ 812,938	\$ 358,506
	Safety Plan	\$ 17,968,873	\$ 11,207,127	\$ 5,662,619

F. Changes in Net Pension Liability

The changes in the Net Pension Liability for each Plan are as follows:

Miscellaneous Plan	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at: 6/30/2015	\$ 2,618,146	\$ 1,849,787	\$ 768,359
Changes for the year:			
Recognized difference in proportion (TPL and FNP)	(22,440)	(6,820)	(15,620)
Recognized difference in proportion (DOR and DIR)		(72,311)	72,311
Service cost	91,711		91,711
Interest	267,419		267,419
Changes of benefit terms	133		133
Changes of assumptions	(66,220)		(66,220)
Differences between expected and actual experience	6,999		6,999
Plan to plan resource movement		17,905	(17,905)
Contributions from the employer		65,287	(65,287)
Contributions from employees		42,159	(42,159)
Net investment income		65,816	(65,816)
Benefit payments, including refunds of employee contributions	(195,399)	(195,399)	-0-
Administrative expenses		(3,346)	3,346
Proportion credit		124,333	(124,333)
Net Changes	82,203	37,624	44,579
Balance at: 6/30/2016	\$2,700,349	\$1,887,411	\$812,938

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/2015	\$42,272,344	\$32,211,065	\$10,061,279
Changes for the year:			
Recognized difference in proportion (TPL and FNP)	979,425	738,986	240,439
Recognized difference in proportion (DOR and DIR)		(1,250,812)	1,250,812
Service cost	1,298,613		1,298,613
Interest	4,719,516		4,719,516
Changes of assumptions	(1,179,278)		(1,179,278)
Differences between expected and actual experience	(256,400)		(256,400)
Plan to plan resource movement		(2,224)	2,224
Contributions from the employer		1,124,490	(1,124,490)
Contributions from employees		470,747	(470,747)
Net investment income		1,113,331	(1,113,331)
Benefit payments, including refunds of employee contributions	(3,575,068)	(3,575,068)	-
Administrative expenses		(56,863)	56,863
Proportion credit		2,278,373	(2,278,373)
Net Changes	\$1,986,808	\$840,960	\$1,145,848
Balance at: 6/30/2016	\$44,259,152	\$33,052,025	\$11,207,127

G. Payables to the Pension Plan

At June 30, 2016, the employer's contribution for the final payroll of the fiscal year had not been paid and was included in accounts payable for \$44,973.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

11. Risk Management

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

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

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

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

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

12. Other Post-Employment Benefits

A. Plan Description

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

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the District.

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

B. Funding Policy

The District currently pays for these costs on a "pay as you go basis". No employee contributions are required. The District has decided to start funding the liability (Unfunded Actuarial Accrued Liability (UAAL)) by making annual contributions to a separate fund beginning in fiscal year 2011. No annual contribution was made during the year ended June 30, 2016.

C. Annual OPEB Cost

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for 2016 is as follows:

ARC, for the year ended June 30	\$ 847,139
Interest on net OPEB asset from prior year	146,543
Actuarial adjustment	(93,043)
Annual OPEB cost	900,639
Actual contributions	-0-
Increase in net OPEB liability, for the year ended June 30	900,639
Net OPEB liability, beginning of year	2,791,293
Net OPEB liability, end of year	\$ 3,691,932
Percentage of annual OPEB cost contributed	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

D. Funded Status and Funding Progress

For the year ended June 30, 2016, the District's OPEB funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/1/2009	\$ -0-	\$ 3,871,821	\$ 3,871,821	0.0%	\$ 6,958,998	55.6%
11/30/2011	\$ 51,380	\$ 4,475,708	\$ 4,424,328	1.1%	\$ 6,698,308	66.1%
8/30/2013	\$ 163,288	\$ 5,999,600	\$ 5,836,312	2.7%	\$ 6,913,962	84.4%
7/1/15	\$ 203,142	\$ 7,822,093	\$ 7,618,951	2.6%	\$ 8,323,792	91.5%

E. Actuarial Methods and Assumptions

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

The ARC for fiscal year 2016 was determined as part of the July 1, 2015 actuarial valuation using the entry age actuarial cost method. The actuarial value of the OPEB assets was determined using techniques that smooth the effects of short-term volatility in

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

the market value of investments over a five-year period. Any excess of these assets over actuarial accrued liability is amortized as a level percentage of projected payroll over an open 30 year period.

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

13. Alpine Springs County Water District

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

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

14. Meeks Bay Fire Protection District

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

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

15. Fire Engine

In October of 2015, the District entered into an agreement for construction of a fire engine for \$515,200 with an associated lease with Community First National Bank for \$484,000. Title of the engine will transfer and the lease will become due once the equipment has been delivered to the District. The fire engine was still being built as of June 30, 2016.

NORTH TAHOE FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

16. Fire Station

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

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

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

17. Community Facilities District

During 2012, a voter-approved Community Facilities District was created to provide funding of an aerial apparatus by the levy of an additional tax on specific developments within the District. As of June 30, 2016, one development was required to join and pay the tax. The balance is recorded as a liability until requirements are met and the amount can be recognized as revenue.

18. Subsequent Events

Subsequent events have been evaluated by management through May 11, 2017, the date that the statements were available for issuance.

Required
Supplementary
Information

NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 1

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

For the Year Ended June 30, 2016
(Unaudited)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
Taxes	\$ 8,358,862	\$ 8,867,852	\$ 9,072,719	\$ -0-	\$ 9,072,719
Ambulance services	1,225,000	1,225,000	1,509,836	(64,000)	1,445,836
Service and contract fees	1,144,558	1,126,600	1,264,461	35,000	1,299,461
Grants	788,689	867,399	683,070	157,000	840,070
Mitigation fees	99,000	99,000	124,461	-0-	124,461
Other	68,598	68,598	34,845	-0-	34,845
Interest	25,000	30,000	61,738	-0-	61,738
Total Revenues	<u>11,709,707</u>	<u>12,284,449</u>	<u>12,751,130</u>	<u>128,000</u>	<u>12,879,130</u>
Expenditures:					
Salaries and wages	5,680,029	5,704,947	5,511,332	(50,000)	5,461,332
Employee benefits	2,881,629	3,198,879	3,190,491	35,000	3,225,491
Maintenance and operations	670,178	645,678	754,039	-0-	754,039
General and administrative	364,400	374,800	430,259	-0-	430,259
Uniforms and supplies	432,170	449,835	400,538	-0-	400,538
Utilities	119,000	119,000	107,075	-0-	107,075
Professional fees	383,230	411,161	377,244	-0-	377,244
Grant Expense	183,617	262,327	265,479	-0-	265,479
Capital outlay	142,003	207,003	229,895	-0-	229,895
Debt service:					
Principal	402,827	402,827	412,196	-0-	412,196
Interest	381,624	381,624	325,463	-0-	325,463
Total Expenditures	<u>11,640,707</u>	<u>12,158,081</u>	<u>12,004,011</u>	<u>(15,000)</u>	<u>11,989,011</u>
Revenues Over Expenditures	<u>69,000</u>	<u>126,368</u>	<u>747,119</u>	<u>143,000</u>	<u>890,119</u>
Fund Balance, July 1, 2015	<u>6,065,212</u>	<u>6,065,212</u>	<u>6,065,212</u>	<u>-0-</u>	<u>6,065,212</u>
Fund Balance, June 30, 2016	<u>\$ 6,134,212</u>	<u>\$ 6,191,580</u>	<u>\$ 6,812,331</u>	<u>\$ 143,000</u>	<u>\$ 6,955,331</u>

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

\$ 128,000

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

(15,000)

Net Increase in Fund Balance - Budget to GAAP

\$ 143,000

NORTH TAHOE FIRE PROTECTION DISTRICT

Schedule 2

Schedule of District's Proportionate Share of the Net Pension Liability
Last 10 Years *
(Unaudited)

Miscellaneous Plan		
	2015	2016
District's proportion of the net pension liability	0.03109%	0.03287%
District's proportionate share of the net pension liability	\$ 768,359	\$ 812,938
District's covered-employee payroll	\$ 366,542	\$ 280,756
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210%	290%
District's fiduciary net position as a percentage of the total pension liability	70.65%	69.52%

Safety Plan		
	2015	2016
District's proportion of the net pension liability	0.26823%	0.27199%
District's proportionate share of the net pension liability	\$10,061,279	\$11,207,127
District's covered-employee payroll	\$ 3,017,608	\$ 3,722,320
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	333%	301%
District's fiduciary net position as a percentage of the total pension liability	76.20%	74.68%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years shown

Schedule of Plan Contributions
Last 10 Years *
(Unaudited)

Miscellaneous Plan		
	2015	2016
Actuarially determined contribution	\$ 98,650	\$ 65,287
Contributions in relation to the actuarially determined contribution	(98,650)	(65,287)
Contribution deficiency (excess)	\$ -0-	\$ -0-
District's covered-employee payroll	\$ 366,542	\$ 280,756
Contributions as a percentage of covered-employee payroll	27%	23%

Safety Plan		
	2015	2016
District's proportion of the net pension liability	\$ 1,266,407	\$ 1,124,490
Contributions in relation to the actuarially determined contribution	(1,266,407)	(1,124,490)
Contribution deficiency (excess)	\$ -0-	\$ -0-
District's covered-employee payroll	\$ 3,017,608	\$ 3,722,320
Contributions as a percentage of covered-employee payroll	42%	30%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years shown

Notes to Required Supplementary Information

1. Change in Benefit Terms:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

2. Changes in Assumptions:

The discount rate changed from 7.5% (net of administrative expense) to 7.65 percent per GASB Statement Number 68.

NORTH TAHOE FIRE PROTECTION DISTRICT

PLACER COUNTY, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

June 30, 2016

M^cCLINTOCK ACCOUNTANCY CORPORATION

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To the Board of Directors
North Tahoe Fire Protection District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and governmental fund balance and the related statement of activities and governmental fund revenue, expenditures and changes in fund balance of North Tahoe Fire Protection District, 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 May 11, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in a separate Internal Control Report dated May 11, 2017, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We consider the deficiency reported in our separately issued Internal Control Report to be material weaknesses as items 2016-01, 2016-02 and 2016-03. We consider the deficiency reported in our separately issued Internal Control Report to be significant deficiencies as items 2016-04.

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*.

We have issued a separate Internal Control Report dated May 11, 2017, which is an integral part of our audits and should be read in conjunction with this report.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the separately issued Internal Control Report. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
May 11, 2017