TRUCKEE FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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TRUCKEE FIRE PROTECTION DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2019

Name	Office	Term Expires November
Vicotor Hernandez	Chair	2022
Gerald Herrick	Vice Chair	2020
Gary Botto	Director	2022
Paul Wilford	Director	2022
Erin Prado	Director	2020

ADMINISTRATION

Bill Seline
Fire Chief

TRUCKEE FIRE PROTECTION DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Fire Protection District
Truckee, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Truckee Fire Protection District (the District) as of and for the year ended June 30, 2019 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 the basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. 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 basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 Truckee Fire Protection District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, and Schedule of Changes in the District's Net OPEB Liability and Related Ratios, 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 (GASB) 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 principally 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 November 7, 2019 on our consideration of Truckee Fire Protection District's internal control over financial reporting and our tests of its compliance with 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 the 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 Truckee Fire Protection District's internal control over financial reporting and compliance.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 7, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Truckee Fire Protection District's (The District) annual report is provided as supplementary information to the audited financial statements. It is Management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended, June 30, 2019.

Overview of the Financial Statements

This annual report consists of the Management Discussion and Analysis, Financial Statements and Notes to those statements, and the required supplementary information. These statements are organized to present the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. Readers should also review the accompanying notes to the financial statements to enhance their understanding of the District's financial performance.

The statement of net position and statement of activities provide an indication of the District's financial health. The statement of net position includes all of the District assets and liabilities, using accrual-based accounting. The statement of activities reports all of the revenues, expenses and increases and decreases in net position during the time period indicated that resulted from the District's operating transactions and capital contributions during the fiscal year.

Our analysis below focuses on the net position and changes in net position of the District's governmental type activities.

Net postion (in thousands)

	2019	2018	Increase (Decrease)	Percentage Change
Current Assets	$ 11,148	$ 10,641	$ 507	4.76%
Capital assets, net	7,083	7,076	7	0.10%
Total Assets	18,231	17,717	514	2.90%
Deferred outflows of resources	4,381	6,458	(2,077)	-32.16%
Current Liabilities	59	248	(189)	-76.21%
Long-term liabilities	15,666	15,425	241	1.56%
Total Liabilities	15,725	15,673	52	0.33%
Deferred inflows of resources	171	235	(64)	-27.23%
Net position:				
Net investment in capital assets	7,083	7,076	7	0.10%
Restricted	2,957	2,468	489	19.81%
Unrestricted	(3,324)	(1,277)	(2,047)	160.30%
Total Net Position	$ 6,716	$ 8,267	$ (1,551)	-18.76%

Statement of Activities (in thousands)

	2019	2018	Increase (Decrease)	Percentage Change
Program revenues:				
Charges for services	$ 2,584	$ 2,017	$ 567	28.11%
Operating grants and contributions	-	618	(618)	-100.00%
Total program revenues	2,584	2,635	(51)	-1.94%
Expenses	15,200	10,893	4,307	39.54%
Net (expense) revenues	(12,616)	(8,258)	(4,358)	52.77%
General revenues:				
Property taxes and assessments	9,462	8,839	623	7.05%
Mitigation fees	774	619	155	25.04%
Reimbursements	529	621	(92)	-14.81%
Use of money and property	191	142	49	34.51%
Miscellaneous	110	56	54	96.43%
Total general revenues	11,066	10,277	789	7.68%
Change in net position	(1,550)	2,019	(3,569)	-176.77%
Net position, July 1	8,266	6,248	2,018	32.30%
Net position, June 30	$ 6,716	$ 8,267	$ (1,551)	-18.76%

Financial Highlights for Fiscal Year 2018/2019 (In Thousands)

- Total assets decreased from $24,174 to $18,232 in 2019.
- Total current liabilities decreased from $235 to $59 and total non-current liabilities increased from $15,425 to $15,666.
-

The District joined the California Employee Retiree Benefit Trust, administered by Cal PERS, in June 2008. This plan was implemented to meet the GASB-45 compliance requirements and represents annual payments that go toward funding the District's retiree health benefit liability. Beginning FY 1718, GASB-75 will replace GASB-45. Under GASB-75 the District is required to report the full value of liabilities tied to "Other Post-Employment Benefits" (OPEB) costs for medical premiums after retirement. A bi-annual actuarial study is required under GASB-75; the current actuarial study was completed last fiscal year. GASB-75 will improve the information provided in the District's financial reports concerning the cost of OPEB-related benefits. The District currently has in excess of $4.1 million dollars on deposit in the Post-Retirement Health Insurance fund for future retiree health liabilities.

In an effort to control the future liability of providing lifetime medical benefits to retirees, in 2013 the District created a new Tier 3 that drastically reduced the post-retirement health benefits. In 2018 the District established a Post-Employment Health Plan (PEHP) in which Tier 3 employees contribute $150 per month to be used for future qualified health care premiums or expenses and the District matches up to $150 per participant, per month.

Insurance premiums are paid on a tiered system for retirees and their dependents, depending on hire date. Employees hired prior to 2000 comprise the 1st tier and realize lifetime medical benefits. Employees hired after 7/2000 are subject to a vesting schedule of 20 years with the District to attain 100% premium coverage. Those hired after 7/2013 comprise the 3rd benefit tier of Post-Employment Health Plan benefits.

- Total government fund balances increased from $10,393 to $11,089. This was due to an increase in revenues relating to property taxes that were received during the year.
- Restricted Mitigation Fees collected under AB 1600 increased from $619 to $773, which will be used for major capital improvements within the District.
- All capital acquisitions are recorded as assets on the District's Statement of Net Position, and appropriate depreciation of those assets is recorded as depreciation expense. Accordingly, capital outlay expense is $806 in the current fiscal year, and depreciation expense increased from $677 to $757. The capital improvements are summarized as follows:

  - New Utility Vehicles
  - Engine 92 Refurbishment

Economic Outlook

Property tax revenue is the majority of the District's revenue and remains the most stable revenue source. Tax revenue is projected to increase 3.5% and The Board of Directors has adopted the District's 2019/2020 budget in September 2019.

Adjustments to CalPERS actuarial polices resulted in increased pension costs that will continue in subsequent budget years as the District accelerates towards fully funded retirement benefits. While this goal will impact the District's net position over time, adequate resources will continue to be maintained.

A 3% COLA is budgeted effective January 1, 2020 and 2 open firefighter/paramedic positions were filled effective 10/1/2019.

Additional Financial Information

This financial report is designed to provide the District's citizens, investors and other interested parties with an overview of the District's financial operations and the District's financial condition as of June 30, 2019. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Truckee Fire Protection District Fire Chief Bill Seline at:

10049 Donner Pass Road
Truckee, CA 96161
(530) 582-7850

BASIC FINANCIAL STATEMENTS

TRUCKEE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 8,225,484
Accounts receivable, net of allowance of $1,215,000	2,409,778
Prepaid expense	512,822
Capital assets, net of accumulated depreciation	7,083,562
Total Assets	18,231,646
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	3,824,116
OPEB related	557,243
Total Deferred Outflows	4,381,359
LIABILITIES	
Accounts payable	3,724
Accrued payroll liabilities	55,113
Long-term liabilities:	
Due within one year	334,228
Due in more than one year	15,332,109
Total Liabilities	15,725,174
DEFERRED INFLOWS OF RESOURCES	
Pension related	144,950
OPEB related	26,338
Total Deferred Inflows	171,288
NET POSITION	
Net investment in capital assets	7,083,562
Restricted	2,957,037
Unrestricted	(3,324,056)
Total Net Position	$ 6,716,543

The accompanying notes are an integral part of these financial statements.

TRUCKEE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Fire Protection and Emergency Medical Services	$ 15,200,828	$ 2,584,125	$ -		$ (12,616,703)
General Revenues					
Property taxes and assessments					9,462,403
Mitigation fees					773,725
Reimbursements					528,850
Use of money and property					191,386
Miscellaneous					110,457
Total general revenues					11,066,821
Change in net position					(1,549,882)
Net Position, July 1, 2018					8,266,425
Net Position, June 30, 2019					$ 6,716,543

TRUCKEE FIRE PROTECTION DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Mitigation Fund	Total
ASSETS			
Cash and equivalents	$ 5,286,493	$ 2,938,991	$ 8,225,484
Accounts receivable, net of allowance of $1,215,000	2,391,732	18,046	2,409,778
Prepaid expense	512,822	-	512,822
Total Assets	$ 8,191,047	$ 2,957,037	$ 11,148,084
LIABILITIES			
Liabilities			
Accounts payable	$ 3,724	$ -	$ 3,724
Accrued payroll liabilities	55,113	-	55,113
Total Liabilities	58,837	-	58,837
FUND BALANCE			
Fund balances			
Nonspendable	512,822	-	512,822
Restricted	-	2,957,037	2,957,037
Assigned	1,004,940	-	1,004,940
Unassigned	6,614,448	-	6,614,448
Total Fund Balances	8,132,210	2,957,037	11,089,247
Total liabilities and fund balances	$ 8,191,047	$ 2,957,037	$ 11,148,084

TRUCKEE FIRE PROTECTION DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Total fund balances - governmental funds		$ 11,089,247
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost	$ 14,768,720	
Accumulated depreciation	(7,685,158)	
Net		7,083,562
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Other postemployment benefits (OPEB)	$ (5,578,331)	
Net pension liability	(9,306,184)	
Compensated absences payable	(781,822)	
		(15,666,337)
Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported becauses they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.		
Deferred outflows of resources related to pensions	$ 3,824,116	
Deferred inflows of resources related to pensions	(144,950)	
Deferred outflows of resources related to OPEB	557,243	
Deferred inflows of resources related to OPEB	(26,338)	
		4,210,071
Total net position, governmental activities:		$ 6,716,543

TRUCKEE FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Mitigation Fund	Total
REVENUES			
Property taxes and assessments	$ 9,462,403		$ 9,462,403
Ambulance service fees	2,584,125		2,584,125
Mitigation fees		$ 773,725	773,725
Reimbursements	528,850		528,850
Grant revenues			
Use of money and property	131,126	60,260	191,386
Miscellaneous income	110,457		110,457
Total revenues	12,816,961	833,985	13,650,946
EXPENDITURES			
Salaries and benefits	9,164,341		9,164,341
Communications	201,912		201,912
Household	18,680		18,680
Insurance	355,479		355,479
Repairs and maintenance	461,762		461,762
Memberships	31,331		31,331
Office expense	14,469	(419)	14,050
Professional and special services	372,734		372,734
Publications	7,527		7,527
Prevention Bureau	93,758		93,758
Training and travel	93,813		93,813
CERT team expense	7,981		7,981
Fuel	80,464		80,464
Rents and equipment leases	4,939		4,939
Utilities	115,115		115,115
Medical supplies	64,748		64,748
Billing	79,427		79,427
Bad debt	800,595		800,595
Clothing	54,485		54,485
Capital outlay	460,310	444,924	905,234
GEMT audit modification	26,365		26,365
Total expenditures	12,510,235	444,505	12,954,740
Excess(deficiency) of revenues over expenditures	306,726	389,480	696,206
Fund balances, July 1, 2018	7,825,484	2,567,557	10,393,041
Fund balances, June 30, 2019	$ 8,132,210	$ 2,957,037	$ 11,089,247

The accompanying notes are an integral part of these financial statements.

TRUCKEE FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds		$ 696,206
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 806,422	
Depreciation expense:	(756,830)	
		49,592
Loss on disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain is:		(42,156)
In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		30,315
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(64,895)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and the actual employer contribution was:		(2,218,944)
Total change in net position - governmental activities		$ (1,549,882)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Truckee Fire Protection District of Nevada County (the District) was founded in 1894. Through annexations and acquisitions it is home to 30,000 full time residents which expands to 60,000 during peak tourist season. The District is a bi-county district serving Nevada and Placer Counties as well as the Town of Truckee. The District is located in a designated very high fire severity zone with significant exposure to wildland/urban interface. Interstate 80, Highways 89 North/South and 267, and Union Pacific Railroad intersect the District. The Truckee Fire Protection District acquired the EMS transport business from the Tahoe Forest Hospital in 1988. This acquisition has increased the level of service to the community.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display financial information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as three categories as applicable: net investment in capital assets, restricted and unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is not allocated by function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

B. BASIS OF PRESENTATION (CONTINUED)

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Mitigation Fund is used to account for the collection of mitigation fees. These fees cannot be used for daily operations, but must be used to expand the District's fire protection facilities and equipment in order to sustain the current level of service for residential and commercial growth created by new development.

E. BUDGETS AND BUDGETARY ACCOUNTING

By State law, the District's Governing Board must adopt a tentative budget no later than July 1 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoptions. The District's Governing Board satisfied these requirements. These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements. Formal budgetary integration was employed as a management control devise during the year for all budgeted funds. The District employs budget control by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carry-over from year to year.

F. CASH AND CASH EQUIVALENTS

The District considers cash on hand, cash in banks and the Local Agency Investment Fund to be cash and cash equivalents.

G. ACCOUNTS RECEIVABLE

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

H. COMPENSATED ABSENCES

The District's policy is to permit employees to accumulate earned vacation and carry over a maximum of 400 hours into the next fiscal year. If at the end of the fiscal year an employee's vacation balance is over the maximum carryover of 400 hours, additional vacation will not accrue until the balance is brought to or below 400 hours. Sick leave time is 50% vested, but only upon retirement from the District. Sick leave gained as a shift employee after July 1, 2001, will be converted by one-third prior to payment at time of retirement. Upon other separation of employment from the District (voluntary termination, involuntary termination, etc.) employees are not entitled to be compensated for unused sick leave.

I. CAPITAL ASSETS

Capital assets are recorded at cost, or if contributed, at estimated value at time of acquisition. Depreciation is recognized on buildings, furniture, fixtures, equipment and subsurface lines by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Vehicles	10 - 20 years
Technology/Software	3 - 5 years
Equipment	7 years

Effective July 1, 2017, District policy is to capitalize all assets, which cost $5,000 or more with an expected useful life of more than one year. Prior to July 1, 2017 the District capitalized all assets which cost $500 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period.

J. REVENUES

The District receives revenues for performing emergency medical and ambulatory services to District residents. The District's policy for recognizing these revenues is billing and recording revenues as services are performed. Patient service revenues (ambulance revenues) are reported net of provisions for contractual allowances in the government-wide and fund financial statements.

K. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The Counties of Nevada and Placer bill and collect the taxes for the District. Tax revenues are recognized by the District when received.

L. INCOME TAXES

The District is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

M. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*, the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District’s adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

N. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Truckee Fire Protection District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the District's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan and additions to/deductions from the District Plan's fiduciary net position have been determined on the same basis as they are reported by the District's OPEB plan. For this purpose, the District's plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

P. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2019 consisted of the following:

Petty cash	$	224
Cash in bank		101,044
Local Agency Investment Fund		8,124,216
Total Cash and Cash Equivalents	$	8,225,484

The carrying amount of the District's cash is covered by federal depository insurance up to $250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit.

Local Agency Investment Fund

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hour notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The monies held in the LAIF investment pool are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

3. ACCOUNTS RECEIVABLE

Management bases its allowance for doubtful accounts on the percentage of total collections to total amounts written off in past years.

At June 30, 2019, accounts receivable consists of:

Ambulance services	$ 3,102,483
Allowance for doubtful accounts	(1,215,000)
Property taxes	461,798
Mitigation fees	18,046
Other	42,451
Total Accounts Receivable (net)	$ 2,409,778

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not subject to depreciation				
Land	$ 1,317,135	$ -	$ -	$ 1,317,135
Construction in progress	-	-	-	-
Total capital assets not subject to depreciation	1,317,135	-	-	1,317,135
Capital assets being depreciated				
General plant and equipment	12,880,956	806,422	235,793	13,451,585
Total capital assets being depreciated	12,880,956	806,422	235,793	13,451,585
Less accumulated depreciation for:				
General plant and equipment	(7,121,965)	(756,830)	(193,637)	(7,685,158)
Total accumulated depreciation	(7,121,965)	(756,830)	(193,637)	(7,685,158)
Total capital assets, net of depreciation	$ 7,076,126	$ 49,592	$ 42,156	$ 7,083,562

Depreciation for the year ended June 30, 2019 was $756,830. The entire amount of depreciation expense was included in fire protection and emergency medical services.

5. LONG-TERM LIABILITIES

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Net Pension Liability	$ 9,195,974	$ 110,210	$ -	$ 9,306,184	$ -
Net OPEB Liability	5,511,969	66,362	-	5,578,331	334,228
Compensated Absences	716,927	64,895	-	781,822	-
	$ 15,424,870	$ 241,467	$ -	$ 15,666,337	$ 334,228

The amount due within one year for the Net OPEB Liability is based on actuarial projections. The amount due within one year for the Net Pension Liability and Compensated Absences has not been estimated.

6. EMPLOYEE RETIREMENT PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Truckee Fire Protection District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Truckee Fire Protection District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	55	57
Monthly benefits, as a % of eligible compensation	2.70%	2%	3%	2.70%
Required employee contribution rates	8.000%	7.250%	9.000%	13.750%
Required employer contribution rates	14.719%	7.654%	22.421%	13.754%

A. Plan Description (Continued)

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Truckee Fire Protection District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan were $1,455,349.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the Truckee Fire Protection District reported net pension liabilities for its proportionate share of the net pension liability of $9,306,184.

Truckee Fire Protection District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. Truckee Fire Protection 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2017	0.01693%	0.14273%	0.09273%
Proportion - June 30, 2018	0.01726%	0.14752%	0.09658%
Change - Increase (Decrease)	0.00033%	0.00479%	0.00385%

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2019, the District recognized pension expense of $3,674,293. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,455,349	
Difference between expected and actual experience	210,939	9,198
Changes in assumptions	923,432	132,756
Differences between employer contributions and proportionate share of contributions	385,430	2,996
Change in employer's proportion	787,146	-
Differences between projected and actual investment earnings	61,820	-
Total	$ 3,824,116	$ 144,950

$1,455,349 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2019	$ 81,820	$ 1,265,911	$ 1,347,731
2020	53,630	887,172	940,802
2021	(11,026)	12,113	1,087
2022	(5,850)	(59,954)	(65,804)
2023	-	-	-
Thereafter	-	-	-
Total	$ 118,574	$ 2,105,242	$ 2,223,816

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth Rate	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%
Mortality	Derived using CalERS' Membership Data for all Funds

(1) Net of pension plan investment expenses

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2014, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

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

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

Asset Class	Current Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(a) An expected inflation of 2% used for this period
(b) An expected inflation of 3% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Plan's Net Pension Liability - Miscellaneous	$ 1,063,098	$ 650,448	$ 309,812
Plan's Net Pension Liability - Safety	14,130,304	8,655,736	4,170,309
Plan's Net Pension Liability - Total	$ 15,193,402	$ 9,306,184	$ 4,480,121

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. The Plan is an agent multiple-employer defined benefit plan.

C. Payable to the Pension Plan

The District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District provides post-employment health care benefits to certain employees who are eligible to retire with CalPERS and have completed a minimum of 10 years of employment with the District.

For the year ended June 30, 2019, 21 retirees received health benefits. Expenditures for post-employment health care benefits are recognized as the premiums are paid.

The District has established an irrevocable trust to pre-fund the OPEB Annual Required Contribution (ARC) with the California Employers' Retiree Benefit Trust (CERBT).

Benefits provided

Following is a description of the current retiree benefit plan that applies to employees hired before July 1, 2013. Employees hired on or after July 1, 2013 are entitled to statutory minimum benefits under section 22892 of the Government Code:

Benefit types provided	Medical only
Duration of benefits	Lifetime
Required service	10 years
Minimum age	50
Dependent coverage	Dependent coverage paid at 90%*
District Contribution %	50% at 10 years plus 5% per year of service to 100% at 20 years*

*Applies to those hired after June 30, 2000. Prior to that, dependent coverage paid at 100% and 100% benefit paid at CalPERS retirement.

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	46
	67

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.75% per year
Inflation	2.75% per year
Investment rate of return	7% per year net of expenses
Healthcare cost trend rates	4% per year

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2018 valuation were based on the results of an actuarial experience study issued by the CalPERS Actuarial Office on January 2014 covering the 14-year period from 1997 to 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) 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. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	43%	7.80%
US Small Cap	23%	7.80%
Long-Term Corporate Bonds	12%	5.30%
Long-Term Government Bonds	6%	4.50%
Treasury Inflation-Protected Securities	5%	7.80%
US Real Estate	8%	7.80%
Commodities	3%	7.80%
Total	100%	

Discount rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates through the CERBT under its investment allocation strategy 1. The historic 30 year real rates of return for each asset class were used along with the actuary's assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	$ 8,902,501	$ 3,390,532	$ 5,511,969
Changes for the year:			
Service cost	28,432	-	28,432
Interest	613,344	-	613,344
Differences between expected and actual experience	-	-	-
Contributions - employer	-	309,307	(309,307)
Net investment income	-	270,040	(270,040)
Benefit payments	(309,307)	(309,307)	-
Administrative expense	-	(6,297)	6,297
Other **	-	2,364	(2,364)
Net changes	332,469	266,107	66,362
Balances at June 30, 2018	$ 9,234,970	$ 3,656,639	$ 5,578,331

**June 30, 2017 FNP adjustment

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current discount rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	$ 7,016,626	$ 5,578,331	$ 4,425,295

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3%) or 1-percentage-point higher (5%) than the current healthcare cost trend rates:

	1% Decrease (3%)	Valuation Trend (4%)	1% Increase (5%)
Net OPEB liability (asset)	$ 4,307,189	$ 5,578,331	$ 7,150,415

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report.

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

For the year ended June 30, 2019, the District recognized OPEB expense of $404,371. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 557,243	$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(26,338)
Total	$ 557,243	$ (26,338)

Payable to the OPEB Plan

At June 30, 2019, the District did not have an outstanding amount of required contributions to the Plan.

8. DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or perform the investment function.

9. PUBLIC AGENCY RETIREMENT SYSTEM

The Public Agency Retirement System is a defined contribution plan qualifying under sections 401(a) and 501 of the Internal Revenue Code. The plan covers all part-time employees unless eligible for CalPERS retirement or they are a retired annuitant. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the PARS Board of Trustees. Currently, participants may contribute up to 7.5% of their wages.

10. FUND BALANCES

The District follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2019:

	General Fund	Mitigation Fund	Total
Nonspendable:			
Prepaid Expenditures	$ 512,822	-	$ 512,822
Resticted For:			
Mitigation projects	-	2,957,037	2,957,037
Assigned For:			
Building and Equipment	1,004,940	-	1,004,940
Unassigned:			
Unassigned/Unappropriated	6,614,448	-	6,614,448
Total Fund Balances	$ 8,132,210	$ 2,957,037	$ 11,089,247

11. JOINTLY GOVERNED ORGANIZATIONS

The District is a member of Special District Risk Management Authority (SDRMA) which provides liability, property and workers' compensation program coverage.

SDRMA is governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from SDRMA. Condensed information for SDRMA for the year ended June 30, 2018 is as follows:

		SDRMA June 30, 2018
Total Assets	$	112,001,700
Total Deferred Outflows		823,568
Total Liabilities		(57,903,143)
Total Deferred Inflows		(337,392)
Total Net Position	$	54,584,733
Total Revenues	$	69,342,417
Total Expenses		(64,849,994)
Change in Net Position	$	4,492,423

12. RENTAL INCOME

The District leases three of its unmanned stations to employees on annual rental agreements. For the year ended June 30, 2019, the District received $27,572 in rental income.

13. COMMITMENTS

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

14. SUBSEQUENT EVENTS

District management has evaluated its June 30, 2019 financial statements for subsequent events through November 7, 2019, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TRUCKEE FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Property taxes and assessments	$ 9,174,011	$ 9,174,011	$ 9,462,403	$ 288,392
Ambulance service fees	2,387,000	2,387,000	2,584,125	197,125
Reimbursements	55,000	55,000	528,850	473,850
Grant revenues				
Use of money and property	90,257	90,257	131,126	40,869
Miscellaneous income	92,000	92,000	110,457	18,457
Total revenues	11,798,268	11,798,268	12,816,961	1,018,693
EXPENDITURES				
Salaries and benefits	9,340,908	9,340,908	9,164,341	176,567
Communications	190,000	190,000	201,912	(11,912)
Household	9,500	9,500	18,680	(9,180)
Insurance	379,209	379,209	355,479	23,730
Repairs and maintenance	395,000	395,000	461,762	(66,762)
Memberships	15,000	15,000	31,331	(16,331)
Office expense	12,000	12,000	14,469	(2,469)
Professional and special services	353,800	353,800	372,734	(18,934)
Publications	6,000	6,000	7,527	(1,527)
Prevention Bureau	95,000	95,000	93,758	1,242
Training and travel	96,000	96,000	93,813	2,187
CERT team expense	5,000	5,000	7,981	(2,981)
Fuel	63,000	63,000	80,464	(17,464)
Rents and equipment leases			4,939	(4,939)
Utilities	122,000	122,000	115,115	6,885
Medical supplies	60,000	60,000	64,748	(4,748)
Billing	116,777	116,777	79,427	37,350
Bad debt	356,100	356,100	800,595	(444,495)
Clothing	56,000	56,000	54,485	1,515
Capital outlay	541,974	541,974	460,310	81,664
GEMT audit modification			26,365	(26,365)
Total expenditures	12,213,268	12,213,268	12,510,235	(296,967)
Excess(deficiency) of revenues over expenditures	(415,000)	(415,000)	306,726	721,726
Fund balances, July 1, 2018	7,825,484	7,825,484	7,825,484	-
Fund balances, June 30, 2019	$ 7,410,484	$ 7,410,484	$ 8,132,210	$ 721,726

TRUCKEE FIRE PROTECTION DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2019

	Miscellaneous - Fiscal Year [1]				
	2013-14	2014-15	2015-16	2016-17	2017-18
Proportion of the net pension liability	0.01520%	0.01532%	0.01626%	0.01693%	0.01726%
Proportionate share of the net pension liability	$ 375,716	$ 420,180	$ 564,879	$ 667,357	$ 650,448
Covered-employee payroll (2)	$ 348,027	$ 369,222	$ 385,175	$ 416,673	$ 365,905
Proportionate share of the net pension liability as percentage of covered-employee payroll	107.96%	113.80%	146.66%	160.16%	177.76%
Plans fiduciary net position as a percentage of the total pension liability	77.06%	79.89%	75.87%	75.39%	78.68%
Proportionate share of aggregate employer contributions (3)	$ 75,544	$ 84,679	$ 61,504	$ 86,295	$ 108,645

	Safety - Fiscal Year [1]				
	2013-14	2014-15	2015-16	2016-17	2017-18
Proportion of the net pension liability	0.12125%	0.12553%	0.13898%	0.14273%	0.14752%
Proportionate share of the net pension liability	$4,548,077	$5,164,541	$7,197,946	$8,528,617	$8,655,736
Covered-employee payroll (2)	$3,407,563	$3,615,083	$3,771,281	$4,079,682	$5,285,274
Proportionate share of the net pension liability as percentage of covered-employee payroll	133.47%	142.86%	190.86%	209.05%	163.77%
Plans fiduciary net position as a percentage of the total pension liability	78.83%	77.27%	72.69%	71.74%	78.20%
Proportionate share of aggregate employer contributions (3)	$1,169,936	$1,176,365	$ 923,239	$1,179,054	$1,597,349

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

(3) The plan's proportionate share of aggregate contributions may not match the actual contribtions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

TRUCKEE FIRE PROTECTION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2019

	Miscellaneous - Fiscal Year [1]				
	2013-14	2014-15	2015-16	2016-17	2017-18
Actuarially Determined Contribution (2)	$ 76,783	$ 92,023	$ 57,225	$ 87,305	$ 109,655
Contributions in relation to the actuarially determined contributions (2)	76,783	92,023	57,225	87,305	109,655
Contribution deficiencey (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll (3,4)	$ 348,027	$ 369,222	$ 385,175	$ 416,673	$ 365,905
Contributions as a percentage of covered-employee payroll (3)	22.06%	24.92%	14.86%	20.95%	29.97%

	Safety - Fiscal Year [1]				
	2013-14	2014-15	2015-16	2016-17	2017-18
Actuarially Determined Contribution (2)	$ 1,169,936	$ 1,288,395	$ 935,149	$ 1,238,273	$ 1,656,568
Contributions in relation to the actuarially determined contributions (2)	1,169,936	1,288,395	935,149	1,238,273	1,656,568
Contribution deficiencey (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll (3,4)	$ 3,407,563	$ 3,615,083	$ 3,771,281	$ 4,079,682	$ 5,285,274
Contributions as a percentage of covered-employee payroll (3)	34.33%	35.64%	24.80%	30.35%	31.34%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered-employee payroll represented above is based on pensionable earnings provided by the

(4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.

TRUCKEE FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

JUNE 30, 2019

	2017	2018
Total OPEB liability		
Service cost	$ 27,671	$ 28,432
Interest	591,205	613,344
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(297,411)	(309,307)
Net change in total OPEB liability	321,465	332,469
Total OPEB liability - beginning	8,581,036	8,902,501
Total OPEB liability - ending (a)	$ 8,902,501	$ 9,234,970
Plan fiduciary net position		
Contributions - employer	$ 493,749	$ 309,307
Net investment income	305,370	270,040
Benefit payments, including refunds of member contributions	(297,411)	(309,307)
Administrative expense	(2,573)	(6,297)
Other**	-	2,364
Net change in plan fiduciary net position	499,135	266,107
Plan fiduciary net position - beginning	2,891,397	3,390,532
Plan fiduciary net position - ending (b)	$ 3,390,532	$ 3,656,639
District's net OPEB liability - ending (a) - (b)	$ 5,511,969	$ 5,578,331
Plan fiduciary net position as a percentage of the total OPEB liability	38.1%	39.6%
Covered-employee payroll	$ 4,496,355	$ 4,039,149
District's net OPEB liability as a percentage of covered-employee payroll	122.6%	138.1%

1. Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

The budgeted amounts shown have been prepared on a budgetary basis which differs from generally accepted accounting principles. The final district budget reports that the District had overspent its budget in certain categories.

2. Schedule of Proportionate Share of Net Pension Liability

In 2018, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

3. Schedule of Pension Contributions

If an employer’s contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer’s actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer’s actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

4. Schedule of Changes in the District’s Net OPEB Liability and Related Ratios

There were no benefit changes or changes in assumptions.

OTHER INDEPENDENT AUDITOR'S REPORT

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*

Independent Auditor's Report

Board of Directors
Truckee Fire Protection District
Truckee, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Truckee Fire Protection District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2019.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financials 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitation, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 noted certain matters that we reported to management of the District in a separate letter dated November 7, 2019.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 7, 2019

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 7, 2019

To the Board of Directors
Truckee Fire Protection District
Truckee, California

We have audited the financial statements of Truckee Fire Protection District as of and for the year ended June 30, 2019 and have issued our report thereon dated November 7, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 6, 2019, our responsibility, as described by professional standards, is to form and express an opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Truckee Fire Protection District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided management recommendations noted during our audit in a separate letter to you dated November 7, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Truckee Fire Protection District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are the collectability of accounts receivable, other postemployment benefits liabilities, the net pension liability and related deferred inflows and outflows.

Management’s estimate of the collectability of accounts receivable is based on a historical analysis of collections and bad debt. Management’s estimate of other postemployment benefits liabilities, the net pension liability and related deferred inflows and outflows are based on actuarial studies performed by independent third parties. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District’s financial statements are those related to the net pension and net OPEB liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached (See attachment B) schedule of audit adjustments were identified as a result of our audit procedures were brought to the attention of, and uncorrected by, management.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached (See attachment B) schedule of audit adjustments were identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Truckee Fire Protection District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 7, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Truckee Fire Protection District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Truckee Fire Protection District's auditors.

New Accounting Standards

See Attachment A

This report is intended solely for the information and use of the Board of Directors and management of Truckee Fire Protection District and is not intended to be and should not be used by anyone other than these specified parties.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 7, 2019

Attachment A – New and Upcoming Changes in Accounting Standards

GASB Statement No. 84, Fiduciary Activities
Effective for the fiscal year ending June 30, 2020

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 87, Leases
Effective for the fiscal year ending June 30, 2021

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
Effective for the fiscal year beginning after December 15, 2019.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61
Effective for the fiscal year beginning after December 15, 2018.

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

GASB Statement No. 91, Conduit Debt Obligations
Effective for the fiscal year beginning after December 15, 2020.

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

Attachment B – Adjusting Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To correct beginning fund balances for entries not posted by client.			
4200.00.00	Interest	22,910.00	
7100.00.00	VEHICLE PURCHASE	100,000.00	
3100.00.00	General Fund Balance		22,910.00
3210.00.00	Mitigation - Retained Earnings		100,000.00
Total		**122,910.00**	**122,910.00**
Adjusting Journal Entries JE # 3			
To adjust health insurance expense for July 2019 premium paid in June.			
1310.00.00	Prepaid expense	84,140.00	
5200.00.00	Health insurance		84,140.00
Total		**84,140.00**	**84,140.00**
Adjusting Journal Entries JE # 5			
To adjust allowance for bad debt per estimate and discussion with client.			
6401.18.00	Bad Debt-EMS	404,720.00	
1203.00.00	Allowance for bad debt		404,720.00
Total		**404,720.00**	**404,720.00**

Reclassifying Journal Entry

Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 2			
To reclass 4th quarter LAIF posted to cash, but not received until July.			
1200.00.00	Accounts receivable	29,233.00	
1210.00.00	ar interest	18,046.00	
1000.01.00	Investment - Mitigation Town		4,281.00
1000.02.00	Investment - Mitigation Nevada		629.00
1000.03.00	Investment-Mitigation Placer		13,136.00
1005.00.00	Investment- General		13,139.00
1006.00.00	Operating Reserve - LAIF		5,733.00
1007.00.01	Investment - FSBA		1,919.00
1008.00.00	Investment - Building & equip		8,442.00
Total		**47,279.00**	**47,279.00**

Proposed Journal Entry

Proposed Journal Entries			
Proposed Journal Entries JE # 4			
To recorde prepaid expense for 3 year membership paid in current year.			
1310.00.00	Prepaid expense	6,666.00	
5500.00.00	Memberships		6,666.00
Total		**6,666.00**	**6,666.00**

Truckee Fire Protection District

Proudly providing service to portions of both Nevada and Placer Counties and the Town of Truckee

MANAGEMENT REPRESENTATION LETTER

November 7, 2019

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Truckee Fire Protection District as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Truckee Fire Protection District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 7, 2019:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 6, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment A.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Truckee Fire Protection District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Truckee Fire Protection District is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Truckee Fire Protection District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:
- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe the following significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances:

Pension and Postretirement Benefits

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.

Federal Awards

With respect to federal awards:

- We are responsible for understanding and complying with, and have complied with, the requirements of the Uniform Guidance.

- We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
- We have identified and disclosed to you the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
- We have complied with the direct and material compliance requirements, including when applicable, those set forth in the Uniform Guidance, relating to federal awards
- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective plan that meets the requirements of the Uniform Guidance.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- The reporting package does not include protected personally identifiable information.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.

- We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- We have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.

Bill Seline

Bill Seline, Fire Chief

Joyce Engler

Joyce Engler, Administrative Officer

Niki Holoday, Finance Director

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

MANAGEMENT LETTER

Truckee Fire Protection District
Truckee, California

We have recently completed the audit of the financial statements of Truckee Fire Protection District and have issued our report thereon dated November 7, 2019. In planning and performing our audit of your financial statements for the year ended June 30, 2019, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Although our audit was not designed to provide assurance on the internal control structure and its operation, we noted certain matters in Attachment A that we are submitting for your consideration for the improvement of the Truckee Fire Protection District accounting and financial reporting functions. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement. This letter does not affect our report dated November 7, 2019 on the financial statements of the Truckee Fire Protection District.

We believe that the implementation of these recommendations will provide Truckee Fire Protection District with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the Board of Directors, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
November 7, 2019

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<u>Current Year Recommendations</u>

No matters were reported

<u>Prior Year Recommendations</u>

2018-01 Policies

<u>Recommendations</u>:

1. California Government Code section 53646(a)(2) reads "In the case of any other local agency, the treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting."
2. While a budgeting and financial reporting policy is not required by California Government code, we consider such a policy to be in line with best practices. Such a policy would identify the accounting basis used in budgeting, identify a timeline for the budget process, ensure key financial reports are identified and prepared on a timely basis and ensure consistency in the reporting process.
3. The District should develop a policy that determines how the allowance for doubtful accounts is calculated, when accounts are sent to collection, when to write off accounts and required approval for write offs.
4. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing data processing equipment. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

   - Location of, and access to, off-site storage
   - A listing of all data files that would have to be obtained from the off-site storage location
   - Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (Management should make arrangements for such back-up with another company, a computer vendor, or a service center. The agreement should be in writing.)
   - Responsibilities of various personnel in an emergency
   - Priority of critical applications and reporting requirements during the emergency period

<u>Status</u>:
All recommended policies have been implemented.

2018-02 Credit Card Policy

Recommendations:
The Board should consider expanding the current credit card policy to address tipping (limit to 20%) and a requirement to include detail meal receipts and document attendees and business purpose of meal.

All purchases should have some form of documented approval prior to a purchase to ensure proper oversight in the purchasing process. The board should consider adopting a policy requiring purchases orders or requisitions related to all credit card purchases. In addition, purchases in excess of a certain dollar limit, established by board, should be approved by the board before making the purchase. When the invoices are received they can be matched up with the purchase order or requisition to ensure the invoice and amounts are appropriate.

Status:
Partially implemented – The credit card policy has been expanded appropriately, however during our testing we found that credit card purchases were not being pre-approved

2018-03 Capital Asset Depreciation

Recommendations:
Management should maintain a current fixed asset and depreciation schedule in order to evaluate the remaining lives of assets owned.

Status:
Partially implemented.

2018-04 Journal Entries

Recommendations:
The District should develop procedures for journal entries to ensure all journal entries are reviewed for accuracy and appropriateness.

Status:
Implemented