

Nevada County Consolidated Fire District

FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2017

October 9, 2017

Nevada County Consolidated Fire District

Grass Valley, CA 95949

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Nevada County Consolidated Fire District as of and for the year-ended June 30, 2017, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that our 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 financial position of Nevada County Consolidated Fire District as of June 30, 2017, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget VS. Actual comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 regarding the methods of preparing the information and comparing the information for consistency with managements 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2017, on our consideration of the Nevada County Consolidated Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

Pehling & Pehling, CPA's
An Accountancy Corporation

Nevada County Consolidated Fire District

**Audit Report
June 30, 2017**

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NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

Grass Valley, California

Management's Discussion and Analysis for Fiscal Year Ended June 30, 2017

As management of the Nevada County Consolidated Fire District ("the District"), our discussion and analysis of the financial performance of the District offers readers of these financial statements an overview of the District's financial activities for the year ended June 30, 2017, based on currently known facts, decisions, or conditions, as well as a comparative analysis of changes in the District's financial position between FY 2015-16 and FY 2016-17. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities by \$3,057,513 (net position) at the close of fiscal year 2017. Unrestricted net position, which is normally used to meet the District's ongoing obligations to its creditors, was (\$298,330) at June 30, 2017, which is negative because of the pension liability.
- The District's total net position increased by \$1,576,451. General revenues of \$6,394,820 were higher than expenditures of \$5,482,220 by \$912,600.
- Short-term liabilities (accounts payable, interest and accrued expenses) increased \$118,985. The District's long-term liabilities increased \$873,583 (lease payments and pension). Compensated balances increased \$6,030. Total liabilities for the District increased \$998,598.
- At the close of the year ended June 30, 2017, the District's governmental funds reported a combined ending fund balance of \$2,771,545, an increase of \$603,110 from the June 30, 2016 ending fund balance.

Using This Annual Report - Overview of the Financial Statements

This report consists of several basic financial statements. The Statement of Net Position and the Statement of Activities (Pages 18 and 19, respectively, the last column) provide information about the financial activities of the District and present a longer-term view of the District's finances. These statements provide information about the financial activities of the District in a manner similar to private sector companies.

The Governmental Fund Balance Sheet and the Governmental Fund Revenues, Expenditures and Change in Fund Balance (Pages 13 and 15, respectively) illustrate how the governmental type activities were financed in the short-term, as well as what funds remain for future spending. These financial statements also report the District's operations in more detail than government-wide statements by providing information about the District's individual funds.

Financial statement notes are an important part of the basic financial statements. They provide the readers additional information required by Generally Accepted Accounting Principles.

Government-wide Financial Statements

The financial statements for the District are on Pages 18 and 19. The reports provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all

assets and liabilities using the accrual basis of accounting. In this method, all the current year's revenues and expenses are considered regardless of when cash is paid or received.

The Statement of Net Position represents the difference between all the District's assets and liabilities and the Statement of Activities reports the changes in net position during the fiscal year. Examining net position is an effective way to measure the District's financial health or position. Increases and decreases in net position is a good indicator of whether the District's financial position is improving or deteriorating

Condensed Schedule of Net Position

	Pr Year		
	<u>2016-17</u>	<u>2015-16</u>	<u>Incr/<Decr></u>
Assets			
Current & Other	\$ 2,904,520	\$ 2,340,405	\$ 564,115
Capital Assets	3,703,283	3,903,354	(200,071)
Total Assets	<u>6,607,803</u>	<u>6,243,759</u>	<u>364,044</u>
Deferred Outflows of Resources	2,479,649	656,872	\$ 1,822,777
Liabilities:			
Current	\$ 444,439	\$ 325,454	\$ 118,985
Long-Term	5,252,273	4,378,690	873,583
Total Liabilities	<u>5,696,712</u>	<u>4,704,144</u>	<u>992,568</u>
Deferred Inflows of Resources	\$ 333,227	\$ 715,425	\$ (382,198)
Net Position:			
Net Investment of Capital Assets	\$ 3,195,524	\$ 3,326,089	\$ (130,565)
Restricted	160,319	144,808	15,511
Unrestricted	(298,330)	(1,989,835)	1,691,505
Total Net Position	<u>3,057,513</u>	<u>1,481,062</u>	<u>1,576,451</u>

For the fiscal year 2016-17, net position was \$3,057,513, an increase of \$1,576,451, or 106%. Total Net Position included \$160,319 in restricted assets (development fees restricted for future capital purchases) and a balance of (\$298,330) in unrestricted net position.

Statement of Activities and Changes in Net Position

	Pr Year		
	<u>2016-17</u>	<u>2015-16</u>	<u>Incr/<Decr></u>
Total Revenues	\$ 6,394,820	\$ 6,390,626	\$ 4,194
Total Expenses	(4,818,369)	(5,483,755)	665,386
Excess (Deficiency)	1,576,451	906,871	669,580
Beginning Net Position	1,481,062	574,191	906,871
Ending Net Position	<u>\$ 3,057,513</u>	<u>\$ 1,481,062</u>	<u>\$ 1,576,451</u>

Total Revenues for fiscal year 2016-17 were higher than the prior year, while expenses decreased. Fiscal year 2016-17 revenues exceeded expenses by \$1,576,451. Net position increased by \$1,576,451.

A comparison of revenues for the year ended June 30, 2017 to the revenues for the year ended June 30, 2016 is as follows:

<u>Revenues</u>	<u>2016-17</u>	<u>Pr Year</u> <u>2015-16</u>	<u>Incr/<Decr></u>
General Revenues:			
Property Taxes	\$ 2,788,873	\$ 2,599,711	\$ 189,162
State Taxes	326,386	335,275	(8,889)
Special Assessments	2,713,587	2,655,260	58,327
Interest Income	19,070	8,140	10,930
Gain/(Loss) on disposal of assets	479,584	90,974	388,610
Other Revenue	67,320	58,430	8,890
Subtotal	6,394,820	5,747,790	647,030
Program Revenues:			
Reimbursements	479,584	568,058	(88,474)
Mitigation Fees	82,986	64,246	18,740
Operating Grants	101,281	10,532	90,749
Total Revenue	\$ 7,058,671	\$ 6,390,626	\$ 668,045

Property tax revenues increased in FY 2016-17 due to the incline of property values. Special Assessments revenue increased as parcel assessments increased. Program revenues remained roughly the same, although there were offsetting swings in strike team and grant revenues.

A comparison of expenses for the year ended June 30, 2017 to the expenses for the year ended June 30, 2016 is as follows:

<u>Expenses</u>		<u>2016-17</u>	<u>2015-16</u>	<u>Incr/<Decr></u>
Salaries, Wages and Benefits	\$	4,220,480	3,981,864	\$ 238,616
Insurance	\$	22,623	241,392	\$ (218,769)
Supplies	\$	23,255	26,259	\$ (3,004)
Professional Services	\$	72,993	97,506	\$ (24,513)
Tools	\$	17,054	33,906	\$ (16,852)
Maintenance	\$	283,473	243,312	\$ 40,161
Communications	\$	18,924	18,333	\$ 591
Utilities & Fuel	\$	106,179	101,054	\$ 5,125
Special District Expense	\$	73,246	69,026	\$ 4,220
Prevention	\$	19,140	10,680	\$ 8,460
Fire Agency	\$	104,715	113,065	\$ (8,350)
Training	\$	51,826	65,915	\$ (14,089)
Uniforms and PPE	\$	77,111	72,246	\$ 4,865
Miscellaneous	\$	26,435	24,508	\$ 1,927
Interest		18,346	23,997	\$ (5,651)
Depreciation		346,420	360,692	\$ (14,272)
Total	\$	5,482,220	\$ 5,483,755	\$ (1,535)

Salary and benefits expenses for FY 2016-17 were \$238,616 more than FY 2015-16. Total salaries and wages increased, this year includes workers comp, which were offset by a decrease in pension expense.

Insurance expense decreased due to moving workers comp insurance to Salaries, Wages and Benefits.

Profession services decreased due reduced legal needs and it being a non-negotiation year for the local 3800 MOU.

Maintenance costs increased from the prior fiscal year due to facility maintenance projects and major vehicle repair.

Training activity increased in FY 2016-17. This category also includes interns and the newly implemented wellness / fitness program.

Miscellaneous increased primarily due to expenses related to rezoning and other costs on properties being prepared for sale.

Fund Financial Statements

The Fund Financial Statements are on pages 13 and 15 and provide information about the District's individual funds, not the District as a whole.

The District's services are reported in two governmental funds to help control and manage the financial activities for particular purposes: the Operating Fund and the Building and Equipment Fund (Reserves) are combined in the General Fund, and the Capital Improvement Fund (AB1600 – Mitigation or Development Fees). These governmental funds focus on how money flows into and out of the District and are used to help control and manage the financial activities of the District's specific purposes, as well as show that the District is meeting its legal responsibilities. The governmental fund statements provide a short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the financial statement reader determine whether there are more or

short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future. The relationship between governmental activities and governmental funds is described on page 14 and 16, Reconciliation of Government-Wide and Fund Financial Statements.

Financial Analysis of the Governmental Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the reporting on the District's governmental funds is to provide information on short-term inflow, outflow, and balances of spendable resources. Such information is useful in assessing the District's financing requirements, as it indicates a pattern of expenditures vs. funds available to spend. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the year-ended June 30, 2017, the District's governmental funds reported combined ending fund balances of \$2,771,517, an increase of \$603,110 over the prior year. The unassigned fund balance of the General Fund is normally available for spending at the District's discretion, while the remainder of the fund balance may not necessarily be available for new spending if it has already been committed. The unassigned fund balance of the General Fund is \$777,588 at June 30, 2017.

Budget vs Actual

The Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual on pages 37 and 38 shows a comparison for the General Fund and the Capital Improvement Fund. The budget is based on anticipated cash flows, while actual amounts are accrual based. The results are potential variances, as later noted. Revenues, consisting primarily of property taxes, are budgeted at the level expected to be collected during the year and expenditures at a level not exceeding expected revenues plus the unexpended balance remaining from the previous fiscal year (beginning cash balance). Revenues for the General Fund were \$649,050 over budget and expenditures were over budget by \$40,345. Capital outlays were under budget by \$571,776. Revenues for the Capital Improvement Fund were \$8,280 over budget and expenditures were \$19,815 under budget. These figures do not include beginning cash balances.

General Fund: Actual revenues were over budget by \$649,050 primarily due to 1) increased property and state taxes, and 2) strike team reimbursements. Actual expenses were over budget by \$40,345. Various categories were under and over budget. Salaries, Wages and Benefits were over budget due to the pay-off of the pension side fund (see page 11). Capital outlay was under spent by \$571,776 due to delayed structure improvements.

Capital Improvement Fund: Actual revenues were over budget by \$8,280. Revenues come from AB1600 mitigation fees. Expenses were under budget due to the delayed purchase of several assets.

Special Tax Funds Collected and Expended

The special tax was used solely for the purpose of providing fire protection, both prevention and suppression, and for emergency medical response services within the District and for responses outside of the District under automatic/mutual aid agreements with other fire suppression or emergency service agencies, and for incidental expenses related to the collection of the tax. This amount is included as part of the special assessments and taxes recorded in the general fund.

In the fiscal year ending June 30, 2017, the District received \$888,806 from the 2012 Special Tax and \$792 in interest. These funds were used as follows:

1. Nevada County administrative fees of \$8,388.
2. Operating expenses in the areas of personnel, facility and equipment of \$876,045.
3. Fund balance increased \$5,165.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2016-17, the District had \$3,703,287 invested in a range of capital assets, including land, structures, vehicles and equipment. This is a \$200,067 decrease from the prior fiscal year. Various projects were started and several major assets purchased, most notably a personnel and a mechanic vehicle. These were offset by three surplus facility sales and depreciation.

Capital Assets at Year End Net of Depreciation

	<u>2016-17</u>	<u>Pr Year</u> <u>2015-16</u>	<u>Incr/<Decr></u>
Land, Structures, Improvements and Construction in Process	\$ 2,257,831	\$ 2,319,354	\$ (61,523)
Vehicles	1,281,956	1,378,434	\$ (96,478)
Equipment	163,499	205,566	\$ (42,067)
	<u>\$ 3,703,287</u>	<u>\$ 3,903,354</u>	<u>\$ (200,067)</u>

Additional detail regarding capital assets is in Note C of the "Notes to Basic Financial Statements".

Debt Administration

The District has two debt obligations:

Outstanding Debt at Year End

	<u>2016-17</u>	<u>Pr Year</u> <u>2015-16</u>	<u>Incr/<Decr></u>
Notes Payable:			
West America	173,606	218,653	\$ (45,047)
PNC	334,153	358,612	(24,459)
	<u>\$ 507,759</u>	<u>\$ 577,265</u>	<u>\$ (69,506)</u>

West America - In a prior year, as part of the consolidation with Forty-Niner Fire Protection District, the District assumed a capital lease for the construction of Station 84 on

Coyote Street, Nevada City. The decrease in the balance is due to scheduled debt payments, which are due through January of 2021.

PNC – This debt obligation is for the purchase of a fire engine purchased during the prior fiscal year, requiring payments through February 2020. The District is reserving additional funds each payment cycle so the debt can be paid in full in February 2018.

Additional detail regarding the District’s debt is in Note 5 of the “Notes to Financial Statements”.

Economic Factors and Next Year's Budget

Current Fiscal Situation and New Special Tax Measure

In FY 2016-17, the District continued to improve its financial stability. Significant steps include increased cash balances in the general fund, and equipment, facility and vehicle upgrades.

The goal for FY 2017-18 is to continue providing for the safety of the community, safety of District employees and being good stewards of District assets. The FY 2017-18 budgets reflect such by projecting continued expenditures in personal protective equipment, training, and maintenance of facilities, equipment and vehicles. The District is incurring increased costs in salaries / benefits, utilities and fuel.

Although the District experienced financial growth, the District needs to be aware of external factors that affect the largest cost; wages and benefits. There also is the continuing need to replace vehicles, equipment, and major maintenance projects. The long-term effect of these concerns is routinely reviewed and analyzed when preparing extended projections. The board and staff members use the projections as a basis to gain efficiencies on a number of different levels.

CalPERS Retirement Program

The District currently provides CalPERS retirement plans for four basic employee groups: Safety Classic (3% at age 55), Safety non-Classic (2.7% at age 57), Miscellaneous Classic (3% at age 60) and Miscellaneous Non-Classic (2% at age 62). The distinction of Classic are CalPERS members prior to January 1, 2013 and Non-Classic are CalPERS members January 1, 2013 and thereafter. Since our plans each had fewer than 100 active members as of June 30, 2003, we were required to participate in a risk pool. At the time of joining the risk pool, a side fund (unfunded asset liability) was created to account for the difference between the funded status of the pool and the funded status of our plans.

The unfunded asset liability (UAL) for the District plans, including side funds, as of the following measurement dates, are:

	Accounting Valuation - GASB 68		Actuarial Valuation	
	6/30/16	6/30/15	6/30/16	6/30/15
Safety	\$ 4,474,684	\$ 3,450,866	\$ 5,010,052	\$ 3,766,818
Misc	403,518	350,559	421,624	354,124
Total	\$ 4,878,202	\$ 3,801,425	\$ 5,431,676	\$ 4,120,942

GASB 68 modified the reporting requirements for UAL. For accounting valuations, the fiduciary net position includes, if applicable, deficiency reserves, fiduciary self-insurance and OPEB expenses. These amounts are excluded for rate setting in the funding actuarial valuation. Differences may also result from early CAFR closing and final reconciled reserves.

The contribution methodology for 2015-16 and thereafter changed. The required contribution consists of two components; 1) a contribution rate based on payroll, and 2) a fixed dollar amount. The purpose of the change is to insure the unfunded pension liability is funded as classic members reach retirement age.

In fiscal year 2016-17 the District paid the side fund portions of the unfunded asset liability for the classic plans in full, a total of \$697,038. The payment of the side funds reduced the fixed dollar payment for the fiscal year 2017-18 and several years thereafter, and will be reflected in the actuarial valuation report, measurement date of June 30, 2017.

In 2017, CalPERS reduced the discount rate from 7.50% to 7.00%, implementing over a three-year period. Although this did not increase pension costs for the fiscal year 2017-18, it did increase the unfunded pension liability as of June 30, 2016, as seen on the prior table. The decrease in the discount rate will steadily increase the contribution rate and unfunded pension liability payments in the fiscal year 2018-19, and thereafter.

The District's management continues to carefully monitor the condition of our pension funds and the discount rate. It is not possible to accurately predict the market's future impact on CalPERS, but prior disappointing investment returns and resulting discount rate reduction shows the cause and effect relationship.

Other Fiscal Matters

As always, the District actively pursues as many sources of funding as are available to us (including grants) to ensure that during these challenging economic times our level of service to the public remains at the high level we have all come to expect.

Requests for Information

This financial report is designed to provide a general overview of the Nevada County Consolidated Fire District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fire Chief, C/O Nevada County Consolidated Fire District, 11329 McCourtney Road, Grass Valley, California, 95949.

GOVERNMENT FUNDS FINANCIAL STATEMENTS

Nevada County Consolidated Fire District

**Balance Sheet
June 30, 2017**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Assets:</u>			
Cash	\$ 2,631,254	\$ 175,333	\$ 2,806,587
Accounts Receivable	85,954	-	85,954
Deposits & Prepaid Expenses	11,979	-	11,979
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	2,729,187	175,333	2,904,520
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES & FUND BALANCES</u>			
<u>Liabilities:</u>			
Accounts Payable	20,141	-	20,141
Accrued Payroll	112,862	-	112,862
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	133,003	-	133,003
	<hr/>	<hr/>	<hr/>
<u>Fund Balances:</u>			
Unassigned	777,588	-	777,588
Restricted for Capital Improvement:	-	175,333	175,333
Unspendable	11,979	-	11,979
Committed	1,806,617	-	1,806,617
	<hr/>	<hr/>	<hr/>
Total Fund Balance	2,596,184	175,333	2,771,517
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 2,729,187</u>	<u>\$ 175,333</u>	<u>\$ 2,904,520</u>

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

Nevada County Consolidated Fire Protection District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30,2017

	June 30, 2017
Total Fund Balances - Governmental Funds	\$ 2,771,517
Capital Assets used in Governmental Funds are not financial resources and therefore are not reported as assets in the Governmental Funds.	
Total Historical Cost of Capital Assets	10,147,783
Less: Accumulated Depreciation	(6,444,500)
Compensated Absences are reported in the Government-Wide Statement of Net Assets, but they do not require the use of current financial resources. Therefore, the liability is not reported in Governmental Funds.	(177,749)
Deferred Outflows not due and receivable in the current period and therefore are not reported as an asset in the governmental funds. This is comprised of GASB 68 Pension Outflows. Deferred Outflows at June 30 was:	2,479,649
Deferred Inflows are not due in the current period and therefore, are not reported as liabilities in the governmental funds.This is comprised of GASB 68 Pension Inflows. Deferred Inflows at June 30 was:	(333,227)
Long-term liabilities are not due in the current period and therefore, are not reported as liabilities in the governmental funds.	(5,385,961)
Net Position	\$ 3,057,513

The accompanying notes are an integral part of these financial statemnets

Nevada County Consolidated Fire District

**Statement of Revenues, Expenditures & Change in Fund Balance
For the Year Ended
June 30, 2017**

<u>REVENUE</u>	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total</u>
Tax Revenue	\$ 2,788,873	\$ -	\$ 2,788,873
Special Assesment & Tax	2,713,587	-	2,713,587
State Taxes	326,386	-	326,386
Charges for Service	501,494	-	501,494
Rental Income	34,508	1,893	36,401
Interest & Investment Earnings	19,070	-	19,070
Mitigation Fees	-	82,987	82,987
Grants & Contributions	101,281	-	101,281
Gain on Disposal of Assets	582,702	-	582,702
Miscellaneous	35,677	-	35,677
TOTAL REVENUE	7,103,578	84,880	7,188,458
<u>EXPENDITURES</u>			
Capital Assets	258,785	-	258,785
Debt Service:			
Principle	27,448	45,048	72,496
Interest	10,168	9,123	19,291
Salaries and Employee Benefits	5,342,648	-	5,342,648
Services, Supplies and Refunds	891,944	184	892,128
TOTAL EXPENDITURES	6,530,993	54,355	6,585,348
Excess (Deficit) Revenues over Expenditures	572,585	30,525	603,110
<u>CHANGE IN FUND BALANCE</u>	572,585	30,525	603,110
<u>FUND BALANCE, BEGINNING OF YEAR</u>	2,023,599	144,808	2,168,407
<u>FUND BALANCE, END OF YEAR</u>	\$ 2,596,184	\$ 175,333	\$ 2,771,517

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

Nevada County Consolidated Fire Protection District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2017

	<u>June 30, 2017</u>
Net Change in Fund Balances - Total Governmental Funds	603,110
Amounts reported for governmental activities in the Statement of Activities are different as follows:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year	
Current Year Capital Outlays	253,939
Less: Current Year Depreciation Expense	(346,420)
In the Governmental Funds CalPers expenditures are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, CalPers expenditures are measured by the amounts expensed during the year	1,128,198
In the Governmental Funds revenues are measured by the amount of financial resources received. In the Government-Wide Statement of Activities, revenues are measured by the amounts earned during the year	(129,787)
In the Governmental Funds compensated absences (sick pay and vacation) are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, compensated absences are measured by the amounts earned during the year	(6,030)
Repayment of principle on long-term liabilities is an expenditure for Governmental funds, but the repayment reduces long-term liabilities on the Government-Wide Statement of Net Position. Principle payments made on long-term liabilities during the year consist of:	72,496
In the Government Funds Retiree Interest expenditure is measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, Interest expense is measured by the amounts accrued during the year.	945
Change in Net Position of Governmental Activities	<u>\$ 1,576,451</u>

The accompanying notes are an integral part of these financial statements

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Nevada County Consolidated Fire District

**Statement of Net Position
June 30, 2017**

ASSETS

Current Assets:

Cash	2,806,587
Accounts Receivable	85,954
Deposits & Prepaid Expenses	11,979
Total Current Assets	2,904,520

Capital Assets:

Land	526,857
Buildings & Improvements	4,125,224
Firefighting Equipment	879,472
Vehicles	4,310,556
Office Equipment	271,162
Construction in Progress	34,512
Less: Accumulated Depreciation	(6,444,500)
Total Capital Assets	3,703,283

TOTAL ASSETS 6,607,803

DEFERRED OUTFLOW

GASB 68 Pension	2,479,649
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TOTAL DEFERRED OUTFLOW 2,479,649

TOTAL ASSETS AND DEFERRED OUTFLOWS 9,087,452

LIABILITIES

Current Liabilities:

Accounts Payable	20,141
Accrued Payroll Liabilities	112,862
Accrued Interest	2,993
Accrued Compensated Absences	177,748
Current Portion	130,695
Total Current Liabilities	444,439

Long-term Liabilities:

Capital Lease	374,071
Net Pension Liability	4,878,202
Total Long-term Liabilities	5,252,273

TOTAL LIABILITIES 5,696,712

DEFERRED INFLOWS

GASB 68 Pension	333,227
-----------------	---------

TOTAL DEFERRED INFLOWS 333,227

TOTAL LIABILITIES AND DEFERRED INFLOWS 6,029,939

NET POSITION

Net Investment in Capital Assets	3,195,524
Restricted for Capital Improvements	160,319
Unrestricted	(298,330)

TOTAL NET POSITION \$ 3,057,513

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

Nevada County Consolidated Fire District
Statement of Activities
For the Year-Ended
June 30, 2017

	<u>Operating Revenues</u>			<u>Capital Grants and Contributions</u>	<u>Excess of Revenues/(Expenses)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<u>Governmental Activities</u>					
Public Protection	\$ 4,815,484	\$ 82,986	\$ -	\$ 101,281	\$ (4,631,217)
Strike Team	301,025	479,584	-	-	178,559
Interest on Long-Term Debt	19,291	-	-	-	(19,291)
Depreciation (Unallocated)	346,420	-	-	-	(346,420)
Total Governmental Activities					<u>(4,818,369)</u>
General Revenues:					
Tax Revenue					2,788,873
Special Assesment & Tax					2,713,587
State Taxes					326,386
Rental Income					34,508
Interest & Investment Earnings					19,070
Gain on Disposal of Assets					479,584
Miscellaneous					32,812
Total General Revenues					<u>6,394,820</u>
NET CHANGE IN NET POSITION					<u>1,576,451</u>
NET POSITION, BEGINNING OF YEAR					<u>1,481,062</u>
NET POSITION, END OF YEAR					<u>\$ 3,057,513</u>

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

Nevada County Consolidated Fire District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Background: The District is an independent special district within the County of Nevada and was established under Health and Safety Code Section 13801 in July 1991. It is governed by a seven-member Board of Directors who are elected to four-year terms by area residents. The District provides fire protection, rescue, and emergency medical services in Nevada County. The District currently operates four fire stations, one fire station jointly stated with Grass Valley and four unstaffed stations. Three unstaffed stations were sold during the 16/17 fiscal-year.

Note 1 - Significant Accounting Policies

Accounting Principles

The financial statements of the Nevada County Consolidated Fire District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Basis of Accounting and Measurement Focus

The accounts of the District are organized on the basis of funds, or account groups, each of which is considered 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. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Financial Statement Presentation

Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been

Nevada County Consolidated Fire District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The District's governmental-wide fund balance is classified in the following categories:

Net Investment in Capital Assets - Includes amount of the fund balance that is invested in capital assets net of any related debt.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.

Unrestricted - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Nonspendable - Includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Committed - Includes 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. Commitments may

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

be changed or lifted only by the government take the same formal action that imposed the constraint originally.

Assigned - Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.

Unassigned - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Board of Directors must adopt a preliminary budget by June 30th and a final budget no later than September 30th. A public hearing must be conducted to receive comments prior to adoption. The District's Governing board satisfied these requirements.

This budget is reviewed by the District Board of Directors during the year to give consideration to unanticipated income and expenditures. The final revised budget is presented for the General Fund as required supplementary information in the financial statements.

Pooled Cash and Investments

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily balance of each fund

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such a collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at cost, as the fair market value adjustment at the yearend was immaterial.

Nevada County Consolidated Fire District

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Accounts Receivable

On an accrual basis, revenues are recognized in the fiscal year in which the services are rendered. The District has not established an allowance for uncollectable receivables for Governmental or Grant Funds since prior experience has shown that uncollectable receivables are not significant.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period benefited.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over and estimated useful life.

Deferred Outflows/Inflows of Resources

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

Liability for Compensated Absences

The District is required to recognize a liability for employees' rights to receive compensation for future absences. All vacation and vested sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position

Property Taxes

Nevada County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by Nevada County up to 1% of the full cash value of taxable property based on assessed values on March 1 of the preceeding year, plus other increases approved by the voters and distributed in accordance with statutory formulas. They become a lien on the first day of the year they are levied. Secured property tax is levied on January 1 and due in two installments, on November 1 and February 1. Unsecured property tax is levied on July 1 and due on July 31.

The County uses the Alternative Method of Property Tax Apportionment. Under this method of property tax apportionment, the County purchases the delinquent secured taxes at June 30 of each fiscal year. These taxes are accrued as intergovernmental revenue only if they are received from the County within

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

60 days after year end in the governmental fund. They are accrued when earned regardless of the timing of the related cash flows in the government-wide statement.

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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.

Note 2 – Cash

Summary of Cash

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
County Cash	\$ 2,792,332	\$ 2,225,372
Petty Cash	100	100
Deposits in Financial Institutions	14,155	14,410
Total	<u>\$ 2,806,587</u>	<u>\$ 2,239,882</u>

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk, and concentration of credit risk.

Investment in the County of Nevada's Investment Pool: The District maintains its cash in Nevada County's cash and investment pool which is managed by the Nevada County Treasurer. The District's cash balances invested in the Nevada County Treasurer's cash and investment pool are stated at amortized cost, which approximates fair value. Nevada County does not invest in any derivative financial products. The Nevada County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Nevada County's cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Nevada County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. Investments held in the County's investment pool are available on demand to the District and are stated at cost, which approximates fair value. This investment is not subject to categorization under GASB No. 3.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the County's investment pool was approximately 614 days.

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 issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool).

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District's deposits were covered by FDIC insurance at June 30, 2017.

Note 3 –Accounts Receivable

On June 30, 2017, the District had \$85,954 in Accounts Receivable.

On June 30, 2016, the District had \$94,923 in Accounts Receivable.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note 4 – Capital Assets

Account	Description	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets					
1601	Land	526,857.00		-	526,857.00
Total nondepreiciable Assets					
Depreciable capital assets					
1602	Land Improvements	37,021.06	14,754.10	-	51,775.16
1611	Structure & Improvement	4,536,734.19	101,821.48	(565,106.38)	4,073,449.29
1621	Vehicles	4,208,062.75	102,493.21	-	4,310,555.96
1631	Furniture & Equipment	57,902.31	-	(1,159.72)	56,742.59
1633	Firefighting Equipment	879,472.27	-	-	879,472.27
1635	Radio, Communication Eq	206,715.55	7,704.03	-	214,419.58
Total depreciable capital assets					
		9,925,908.13	226,772.82	(566,266.10)	9,586,414.85
Less: accumulated depreciation					
1661	A/D Structures & Improv.	(2,776,503.12)	(95,703.54)	457,518.24	(2,414,688.42)
1652	A/D Land Improvements	(12,102.33)	(1,974.40)	-	(14,076.73)
1671	A/D Vehicles	(2,829,629.35)	(198,970.74)	-	(3,028,600.09)
1681	A/D Furniture & Equipme	(54,590.53)	(846.08)	1,159.72	(54,276.89)
1683	A/D Firefighting Equipme	(715,578.00)	(37,809.38)	-	(753,387.38)
1685	A/D Radio, Communicatic	(168,355.23)	(11,115.52)	-	(179,470.75)
Total accumulated depreciation					
		(6,556,758.56)	(346,419.66)	458,677.96	(6,444,500.26)
Total capital assets being depreciated					
		3,369,149.57	(119,646.84)	(107,588.14)	3,141,914.59
Capital assets, net					
		3,896,006.57	(119,646.84)	(107,588.14)	3,668,771.59
CIP					
		7,347.10	32,015.65	(4,847.60)	34,515.15

Note 4 – Compensated Absences

On June 30, 2017, the liability for compensated absences was \$177,748

On June 30, 2016, the liability for compensated absences was \$171,717

Note 5 – Long-Term Debt

Municipal Lease to WestAmerica Bank: In a prior year, as part of the consolidation with Forty-Niner Fire Protection District, the District assumed a capital Lease for the construction of Station 84. On July 21, 2011 the Board approved a refinance of these lease for and additional ten-year term. The refinancing required a \$100,000 down payment with the District paid in July 2011. The lease has an interest rate of 4.40% with semi-annual debt service payments of \$27,085 through January 3, 2021. The cost of the station is \$1,778,815.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PNC Equipment Finance Lease: In October 2014, the District entered into a capital lease for the acquisition of one new fire engine. The lease has an interest rate of 2.711%, with semi-annual debt service payments of \$57,843 through February 29, 2020. The District made payments of \$72,124 in excess of the required payments during fiscal year 2016, which was applied against the fiscal year 2017 payments. The cost of the fire engine is \$532,773.

The following is a summary of long-term liabilities activities of the District for the year ended June 30, 2017

	Balance at June 30, 2016	Additions	Repayments	Balance at June 30, 2017	Due Within One Year
Capital lease obligations:					
WestAmerica Bank	\$ 218,653	\$ -	\$ 45,047	\$ 173,606	\$ 48,078
PNC	358,612	-	24,459	334,153	107,429
Total capital lease obligations	577,265	-	69,506	507,759	155,507
Compensated absences	171,717	6,031	-	177,748	177,748
Net pension obligation	3,801,425	1,076,781	-	4,878,206	-
 Total long-term liabilities	 \$ 4,550,407	 \$ 1,082,812	 \$ 69,506	 \$ 5,563,713	 \$ 333,255

Annual debt service requirement of the District's long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 155,507	\$ 14,349	\$ 169,856
2019	158,428	11,428	169,856
2020	163,577	6,279	169,856
2021	30,247	1,736	31,983
	\$ 507,759	\$ 33,792	\$ 541,551

Note 6 - Public Employees' retirement Plan:

Plan Description - The Nevada County Consolidated Fire District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Nevada County Consolidated Fire District's defined benefit pension plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by the State statutes within the Public Employees' Retirement Law. The Nevada County Consolidated Fire District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts the benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Summary of Significant Accounting Policies

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used.

Validation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by the employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. It is the responsibility of the employer to make necessary accounting adjustments to reflect

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.5% Net of Pension Plan Administrative and Investment Expenses
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality Rate Table ¹	Derived using CalPERS' membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the 2010 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2007, 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 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call the "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations if individual plan amounts as of the valuation date are used where not available.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At 6/30/2017, proportionate shares of net pension liability by plan(s):			
	Proportionate Share of Net Pension Liability		
Miscellaneous	403,518		
Safety	4,474,684		
Total	4,878,202		
At 6/30/2016, proportionate share of the net pension liability for the Plan as of 6/30/2015 and 6/30/2016:			
	Miscellaneous	Safety	Total
Proportion - June 30, 2015	0.01278%	0.08375%	0.05538%
Proportion - June 30, 2016	0.01162%	0.08640%	0.05638%
Change - Increase/(Decrease)	-0.00116%	0.00265%	0.00099%
Note: Due to the nature of calculating proportionate share of the net pension liability, total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %			
Pension Expense/(Credit) as of 6/30/2017	252,839		
6/30/2017 reported deferred outflows of resources and deferred inflows of resources related to pensions:			
	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between Expected and Actual Experience	-	42,254	
Changes of Assumptions	-	203,516	
Differences between Projected and Actual Investment Earnings	1,004,013	-	
Differences between Employer's Contributions and Proportionate Share of Contributions	94,599	776	
Change in Employer's Proportion	-	86,681	
Pension Contributions Made Subsequent to Measurement Date	1,379,483	-	
	<u>2,478,095</u>	<u>333,226</u>	
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:			
Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2018	\$ 9,167	\$ (8,114)	\$ 1,053
2019	10,581	22,523	33,103
2020	37,203	432,750	469,953
2021	19,183	242,094	261,276
2022	-	-	-
Thereafter	-	-	-
	<u>76,133</u>	<u>689,253</u>	<u>\$ 765,386</u>
Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:			
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	6.65%	7.65%	8.65%
Employer's Net Pension Liability/(Asset) - Miscellaneous	571,378	403,518	264,791
Employer's Net Pension Liability/(Asset) - Safety	6,944,315	4,474,684	2,447,370
Employer's Net Pension Liability/(Asset) - Total	7,515,693	4,878,202	2,712,161

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>MISC.</u>	2017	2016	2015
Proportion of the net pension liability	0.01162%	0.01278%	0.01364%
Proportionate share of the net pension liability	\$ 403,518	\$ 350,559	\$ 337,189
Covered - employee payroll - measurement period	\$ 173,033	\$ 112,206	\$ 116,799
Proportionate share of the net pension liability as a percentage of covered payroll	233.20%	312.42%	288.69%
Plan fiduciary net position as a percentage of the total pension liability	67.64%	71.42%	72.18%
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 46,773	\$ 34,675	\$ 24,916
Contributions in relation to the actuarially determined contributions	46,773	34,675	24,916
Contribution deficiency (excess)	\$ -	\$ -	\$ -
	2017	2016	2015
Covered - employee payroll - fiscal year	\$ 180,703	\$ 173,033	\$ 112,206
Contributions as a percentage of covered - employee payroll	25.88%	20.04%	22.21%
	2017	2016	2015
Proportion of the net pension liability	0.086400%	0.08375%	0.09452%
Proportionate share of the net pension liability	\$ 4,474,684	\$ 3,450,866	\$ 3,545,411
Covered - employee payroll - measurement period	\$ 1,864,193	\$ 1,747,485	\$ 1,892,802
Proportionate share of the net pension liability as a percentage of covered payroll	240.03%	197.48%	187.31%
Plan fiduciary net position as a percentage of the total pension liability	75.40%	78.79%	76.42%
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 636,172	\$ 556,372	\$ 464,415
Contributions in relation to the actuarially determined contributions	636,172	556,372	464,415
Contribution deficiency (excess)	\$ -	\$ -	\$ -
		2016	2015
Covered - employee payroll - fiscal year		\$ 1,864,193	\$ 1,747,485
Contributions as a percentage of covered - employee payroll	#DIV/0!	29.85%	26.58%
Notes to Schedule:			
Valuation date:	June 30, 2015	June 30, 2013	June 30, 2013

Methods and assumptions used to determine contribution rates:

Amortized method	Entry age normal	
Remaining amortization period	Level percentage of payroll, closed	
Asset valuation method	13 years	14 years
Inflation	5-year smoothed market	
Salary increases	2.75%	2.75%
Investment rate of return	Varies by entry age and service	
	.50%, net of pension plan investment expense, including inflation	

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes in assumptions: The June 30, 2015 Actuarial Valuation changed the discount rate from 7.5% (net of administrative expenses) to 7.65%

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

Nevada County Consolidated Fire District

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note 7 – Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA). The SDRMA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Sections 6500 et. seq. The purpose of the SDRMA is to provide a full risk management program for California local governments. The District pays an annual premium to SDRMA for workers compensation insurance, which is covered up to statutory limits.

The District pays an annual premium to an insurance company for general and auto liability, property, management liability, employee dishonesty, and excess liability insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, there have not been any settlements in excess of the insurance coverage for the past three fiscal years.

Note 8 – Joint Powers Authority

The District is a member of the Nevada County Fire and Emergency Joint Powers Agency for which the District participation does not involve an ongoing financial interest or responsibility. As a member of this organization, the District receives communication and dispatch services. The amount paid to this jointly governed organization in fiscal year 2017 was \$104,715.

Note 9 – Subsequent Events

The District's management has evaluated events and transactions subsequent to June 30, 2017 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through October 9, 2017, the date the financial statements became available to be issued. The entity has not evaluated subsequent events after October 9, 2017. The District contracted to purchase a new engine in September 2017.

Nevada County Consolidated Fire District

Supplemental Information

June 30, 2017

October 9, 2017

Board of Directors
Nevada County Consolidated Fire District

Grass Valley, CA 95949

**INDEPENDENT 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**

We have audited the financial statements of Nevada County Consolidated Fire District as of and for the year ended June 30, 2017, and have issued our report thereon dated October 9, 2017. 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.

Internal Control Over Financial Reporting

Management of Nevada County Consolidated Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Nevada County Consolidated Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nevada County Consolidated Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal controls such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

**INDEPENDENT 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**

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nevada County Consolidated Fire District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pehling & Pehling CPAs
An Accountancy Corporation

Nevada County Consolidated Fire District

**Statement of Revenues, Expenditures & Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended
June 30, 2017**

<u>REVENUE</u>	<u>Final Budget</u>	<u>General Fund</u>	<u>Variance</u>
Tax Revenue	\$ 2,726,181	\$ 2,788,873	\$ 62,692
Special Assesment & Tax	2,712,468	2,713,587	1,119
State Taxes	327,536	326,386	(1,150)
Charges for Service	150,000	501,494	351,494
Rental Income	14,914	34,508	19,594
Interest & Investment Earnings	4,000	19,070	15,070
Grants & Contributions	-	101,281	101,281
Gain on Disposal of Assets	477,860	582,702	104,842
Miscellaneous	41,569	35,677	(5,892)
TOTAL REVENUE	6,454,528	7,103,578	649,050
<u>EXPENDITURES</u>			
Capital Assets	830,561	258,785	571,776
Debt Service:			
Principle	-	27,448	(27,448)
Interest	-	10,168	(10,168)
Salaries and Employee Benefits	4,633,710	5,342,648	(708,938)
Services, Supplies and Refunds	1,026,377	891,944	134,433
TOTAL EXPENDITURES	6,490,648	6,530,993	(40,345)
Excess (Deficit) Revenues over Expenditures	(36,120)	572,585	536,465
<u>CHANGE IN FUND BALANCE</u>	(36,120)	572,585	536,465
<u>FUND BALANCE, BEGINNING OF YEAR</u>	2,023,599	2,023,599	4,047,198
<u>FUND BALANCE, END OF YEAR</u>	\$ 1,987,479	\$ 2,596,184	\$ 4,583,663

Nevada County Consolidated Fire District

**Statement of Revenues, Expenditures & Change in Fund Balance
Budget and Actual - Capital Fund
For the Year Ended
June 30, 2017**

<u>REVENUE</u>	<u>Final Budget</u>	<u>Capital Improvement Fund</u>	<u>Total</u>
Tax Revenue	\$ -	\$ -	\$ -
Special Assesment & Tax	-	-	-
State Taxes	-	-	-
Charges for Service	-	-	-
Rental Income	1,000	1,893	893
Interest & Investment Earnings	-	-	-
Mitigation Fees	75,600	82,987	7,387
Grants & Contributions	-	-	-
Gain on Disposal of Assets	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	76,600	84,880	8,280
<u>EXPENDITURES</u>			
Capital Assets	74,170	-	74,170
Debt Service:			
Principle	-	45,048	(45,048)
Interest	-	9,123	(9,123)
Salaries and Employee Benefits	-	-	-
Services, Supplies and Refunds	-	184	(184)
TOTAL EXPENDITURES	74,170	54,355	19,815
Excess (Deficit) Revenues over Expenditures	2,430	30,525	32,955
<u>CHANGE IN FUND BALANCE</u>	2,430	30,525	32,955
<u>FUND BALANCE, BEGINNING OF YEAR</u>	144,808	144,808	289,616
<u>FUND BALANCE, END OF YEAR</u>	\$ 147,238	\$ 175,333	\$ 322,571