NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

Audited Financial Statements and
Compliance Reports

June 30, 2016

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NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

AUDITED FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nevada County Consolidated Fire District
Grass Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nevada County Consolidated Fire District (the District) of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Nevada County Consolidated Fire District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Capital Improvements Fund 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 Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 8, 2016

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT
Grass Valley, California

Management's Discussion and Analysis
for Fiscal Year Ended June 30, 2016

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, 2016, based on currently known facts, decisions, or conditions, as well as a comparative analysis of changes in the District's financial position between FY 2014-15 and FY 2015-16. 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 $1,481,602 (net position) at the close of fiscal year 2016. Unrestricted net position, which is normally used to meet the District's ongoing obligations to its creditors, was ($1,989,835) at June 30, 2016, which is negative because of the pension liability.

- The District's total net position increased by $906,871. General revenues of $5,747,790 were higher than expenditures of $5,483,755 by $264,035.

- Short-term liabilities (accounts payable, interest and accrued expenses) increased $912. The District's long term liabilities decreased $298,480 (lease payments and pension). Compensated balances increased $1,896. Total liabilities for the District decreased $295,672.

- At the close of the year ended June 30, 2016, the District's governmental funds reported a combined ending fund balance of $2,168,407, an increase of $682,922 from the June 30, 2015 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 12 and 14, 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 a private sector companies.

The Governmental Fund Balance Sheet and the Governmental Fund Revenues, Expenditures and Change in Fund Balance (Pages 11 and 13, 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 as a whole are on Pages 12 and 14. 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 of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The Statement of Net Position represents the difference between all of 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

	2015-16	Pr Year 2014-15	Incr/<Decr>
Assets			
Current & Other	$ 2,340,405	$ 1,628,694	$ 711,711
Capital Assets	3,903,354	4,135,038	(231,684)
Total Assets	6,243,759	5,763,732	480,027
Deferred Outflows of Resources	656,872	670,369	$ (13,497)
Liabilities:			
Current	$ 325,454	$ 322,646	$ 2,808
Long-Term	4,378,690	4,677,170	(298,480)
Total Liabilities	4,704,144	4,999,816	(295,672)
Deferred Inflows of Resources	$ 715,425	860,094	$ (144,669)
Net Position:			
Net Investment of Capital Assets	$ 3,326,089	$ 3,340,468	$ (14,379)
Restricted	144,808	160,203	(15,395)
Unrestricted	(1,989,835)	(2,926,480)	936,645
Total Net Position	1,481,062	574,191	906,871

For the fiscal year 2015-16, net position was $1,481,602, an increase of $906,871, or 158%. Total Net Position included $144,808 in restricted assets (development fees restricted for future capital purchases) and a balance of ($1,989,835) in unrestricted net position.

Statement of Activities and Changes in Net Position

	2015-16	Pr Year 2014-15	Incr/<Decr>
Total Revenues	$ 6,390,626	$ 5,792,004	$ 598,622
Total Expenses	(5,483,755)	(5,406,568)	(77,187)
Excess (Deficiency)	906,871	385,436	521,435
Beginning Net Position	574,191	188,755	385,436
Ending Net Position	$ 1,481,062	$ 574,191	$ 906,871

Total Revenues for fiscal year 2015-16 were higher than the prior year, as were expenses. Fiscal year 2015-16 revenues exceeded expenses by $906,871. Net position increased by $906,871.

A comparison of revenues for the year ended June 30, 2016 to the revenues for the year ended June 30, 2015 is as follows:

	2015-16	Pr Year 2014-15	Incr/<Decr>
Revenues			
General Revenues:			
Property Taxes	$ 2,599,711	$ 2,460,930	$ 138,781
State Taxes	335,275	372,940	(37,665)
Special Assessments	2,655,260	2,585,641	69,619
Interest Income	8,140	2,697	5,443
Gain/(Loss) on disposal of assets	90,974	(45,464)	136,438
Other Revenue	58,430	18,103	40,327
Subtotal	5,747,790	5,394,847	352,943
Program Revenues:			
Reimbursements	568,058	311,382	256,676
Mitigation Fees	64,246	79,775	(15,529)
Operating Grants	10,532	6,000	4,532
Total Revenue	$ 6,390,626	$ 5,792,004	$ 598,622

Property tax revenues increased in FY 2015-16 due to the slow incline of property values. Special Assessments revenue increased as parcel assessments increased. Reimbursements revenue increased due to increased strike team activity.

A comparison of expenses for the year ended June 30, 2016 to the expenses for the year ended June 30, 2015 is as follows:

Expenditures	2015-16	Pr Year 2014-15	Incr/<Decr>
Salaries, Wages and Benefits	$ 3,981,864	$ 3,999,503	$ (17,639)
Insurance	241,392	282,036	(40,644)
Office/Station Supplies	16,701	16,386	315
Medical Supplies	9,558	9,481	77
Professional Services	97,506	89,363	8,143
Tools	33,906	26,954	6,952
Maintenance	243,312	173,605	69,707
Communications	18,333	15,205	3,128
Utilities and Fuel	101,054	112,659	(11,605)
Special District Expense	69,026	92,988	(23,962)
Prevention	10,680	10,193	487
Fire Agency	113,065	103,533	9,532
Training	65,915	21,710	44,205
Clothing / PPE / Uniforms	72,246	72,883	(637)
Interest	23,997	22,408	1,589
Depreciation	360,692	354,058	6,634
Miscellaneous	24,508	3,603	20,905
Total	$ 5,483,755	$ 5,406,568	$ 77,187

Salary and benefits expenses for FY 2015-16 were $17,639 less than FY 2014-15. Total salaries and wages increased, which were offset by a decrease in pension expense.

Insurance expense decreased due to a reduction in the experience modification factor.

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

Special district expense was higher in the prior fiscal year due to election costs.

Training activity increased in FY 2015-16. 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 12 and 14 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 fewer financial resources that can be spent in the near future. The relationship between governmental activities and governmental funds is described on page 31 and 32, 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, 2016, the District's governmental funds reported combined ending fund balances of $2,168,407, an increase of $682,922 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 $1,763,479 at June 30, 2016.

Budget vs Actual

The Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual on pages 15 and 16 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 $472,761 over budget and expenditures were under budget by $100,297. Capital outlays were under budget by $306,600. Revenues for the Capital Improvement Fund were $9,470 under budget and expenditures were $59,245 under budget. These figures do not include beginning cash balances.

General Fund: Actual revenues were over budget by $472,761 primarily due to 1) increased property and state taxes, and 2) strike team reimbursements. Actual expenses were under budget by $100,297. Various categories were under budget, including Salaries, Wages and Benefits. Capital outlay was under spent by $306,600 due to delayed structure improvements.

Capital Improvement Fund: Actual revenues were under budget by $9,470. 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, 2016, the District received $871,237 from the 2012 Special Tax and $1,254 in interest. These funds were used as follows:

1. Nevada County administrative fees of $8,332.
2. Operating expenses in the areas of personnel, facility and equipment of $864,206
3. Fund balance decreased $47.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2015-16, the District had $3,903,354 invested in a range of capital assets, including land, structures, vehicles and equipment. This is a $231,684 decrease from the prior fiscal year. Two personnel vehicles, plus various other smaller assets, were purchased during the year, which was offset by surplus equipment/vehicle sales and depreciation.

Capital Assets at Year End
Net of Depreciation

		2015-16		Pr Year 2014-15		Incr/<Decr>
Land, Structures, Improvements and Construction in Process	$	2,319,354	$	2,987,291	$	(667,937)
Vehicles		1,378,434		934,989	$	443,445
Equipment		205,566		212,758	$	(7,192)
	$	3,903,354	$	4,135,038	$	(231,684)

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

Debt Administration

The District has two debt obligations:

Outstanding Debt at Year End

		2015-16		Pr Year 2014-15		Incr/<Decr>
Notes Payable:						
West America		218,653	$	261,797	$	(43,144)
PNC		358,612		532,773		(174,161)
	$	577,265	$	794,570	$	(217,305)

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 December 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 located in Note D of the "Notes to Basic Financial Statements

Economic Factors and Next Year's Budget

Current Fiscal Situation and New Special Tax Measure

In FY 2015-16, 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 2016-17 is to continue providing for the safety of the community, safety of District employees and being good stewards of District assets. The FY 2016-17 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 are 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	
	6/30/15	6/30/14	6/30/15	6/30/14
Safety Classic	$ 3,455,491	$ 3,543,993	$ 3,767,514	$ 3,008,554
Misc. Classic	350,559	337,189	353,931	$ 315,648
Safety Non Classic	(4,625)	1,418	(696)	$ (5,472)
Misc. Non Classic			$ 193	$ -
Total	$ 3,801,425	$ 3,882,600	$ 4,120,942	$ 3,318,730

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.

Rates for the Districts CalPERS plans are as follows:

Safety Classic – The current employer rate is 17.689%, plus the District pays 1.8% of the employees 9%. In fiscal year 2017-18, the employer rate is 17.875%, with the employee paying the entire employee portion.

Safety Non Classic – The current employer rate is 12.082%. In fiscal year 2017-18, the employer rate is 11.990%. In both years, the employee pays a matching amount.

Miscellaneous Classic- The current employer rate is 12.657%, plus the District pays 4% of the employees 8%. In fiscal year 2017-18, the employer rate is 12.698%, with the employee paying the entire employee portion.

Miscellaneous Non Classic – The current employer rate is 6.500%. In fiscal year 2017-18, the employer rate is 6.533%. In both years, the employee pays a matching amount.

Complete CalPERS actuarial valuation reports are available from the District upon request.

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.

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. Due to the recent performance of the CalPERS funds, there may be further discount rate adjustments, which could affect contribution rates and lump sum payments.

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.

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2016

	General Fund	Capital Improvements Fund	Total
ASSETS			
Cash and investments	$ 2,095,074		$ 2,095,074
Restricted cash and investments		$ 144,808	144,808
Receivables:			
Due from other governments	79,166		79,166
Other receivables	15,757		15,757
Prepaid costs and other assets	5,600		5,600
Capital assets:			
Non depreciated			
Depreciable			
TOTAL ASSETS	$ 2,195,597	$ 144,808	$ 2,340,405
DEFERRED OUTFLOWS OF RESOURCES			
Pensions			
LIABILITIES			
Accounts payable	$ 34,028		$ 34,028
Accrued expenses and other liabilities	115,771		115,771
Compensated absences			
Interest payable			
Long-term liabilities:			
Leases due within one year			
Leases due in more than one year			
Net pension obligation			
TOTAL LIABILITIES	149,799	-	149,799
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	22,199		22,199
Pensions			
TOTAL DEFFERED INFLOWS OF RESOURCES	22,199	-	22,199
FUND BALANCES/NET POSITION			
Fund balance:			
Nonspendable–prepaid costs and other assets	5,600		5,600
Restricted for capital improvements		144,808	144,808
Committed	254,520		254,520
Unassigned	1,763,479		1,763,479
TOTAL FUND BALANCES	2,023,599	144,808	2,168,407
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,195,597	$ 144,808	$ 2,340,405
Net position:			
Net investment in capital assets			
Restricted for capital improvements			
Unrestricted			
TOTAL NET POSITION			

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

Adjustments (Note H)	Statement of Net Position
	$ 2,095,074
	144,808
	79,166
	15,757
	5,600
$ 534,204	534,204
3,369,150	3,369,150
3,903,354	6,243,759
656,872	656,872
	34,028
	115,771
171,717	171,717
3,938	3,938
49,718	49,718
527,547	527,547
3,801,425	3,801,425
4,554,345	4,704,144
(22,199)	
715,425	715,425
693,226	715,425
(5,600)	
(144,808)	
(254,520)	
(1,763,479)	
(2,168,407)	
3,326,089	3,326,089
144,808	144,808
(1,989,835)	(1,989,835)
$ (687,345)	$ 1,481,062

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

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

For the Year Ended June 30, 2016

	General Fund	Capital Improvements Fund	Total
PROGRAM REVENUES			
Charges for services			
Reimbursements from other agencies	$ 546,148		$ 546,148
Mitigation fees		$ 64,246	64,246
Operating grants	10,532		10,532
TOTAL PROGRAM REVENUES	556,680	64,246	620,926
EXPENDITURES/EXPENSES			
Current:			
Public protection	5,282,762	26,755	5,309,517
Capital outlay	135,050		135,050
Depreciation			
Debt service:			
Principal	174,161	43,144	217,305
Interest	18,649	11,026	29,675
TOTAL EXPENDITURES/EXPENSES	5,610,622	80,925	5,691,547
NET PROGRAM EXPENSE	(5,053,942)	(16,679)	(5,070,621)
GENERAL REVENUES			
Property taxes and assessments	2,599,711		2,599,711
Special assessments and taxes	2,654,971		2,654,971
State taxes	335,275		335,275
Rental income	49,109		49,109
Interest earnings	6,856	1,284	8,140
Miscellaneous	9,321		9,321
Gain on disposal of assets			
TOTAL GENERAL REVENUES	5,655,243	1,284	5,656,527
EXCESS OF REVENUES OVER EXPENDITURES	601,301	(15,395)	585,906
OTHER FINANCING SOURCES/(USES)			
Proceeds from sale of capital assets	97,016		97,016
TOTAL OTHER FINANCING SOURCES/(USES)	97,016	-	97,016
EXCESS OF REVENUES AND EXPENDITURES/EXPENSES OVER (UNDER) OTHER FINANCING SOURCES/(USES)	698,317	(15,395)	682,922
Fund balance/net position, beginning of year	1,325,282	160,203	1,485,485
FUND BALANCE/NET POSITION, END OF YEAR	$ 2,023,599	$ 144,808	$ 2,168,407

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

Adjustments (Note H)	Statement of Activities
$ 21,910	$ 568,058
	64,246
	10,532
21,910	642,836
(210,451)	5,099,066
(135,050)	
360,692	360,692
(217,305)	
(5,678)	23,997
(207,792)	5,483,755
229,702	(4,840,919)
	2,599,711
289	2,655,260
	335,275
	49,109
	8,140
	9,321
90,974	90,974
91,263	5,747,790
320,965	906,871
(97,016)	
(97,016)	-
223,949	906,871
(911,294)	574,191
$ (687,345)	$ 1,481,062

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

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

For the Year Ended June 30, 2016

	Budgeted Amounts		(Budgetary Basis) Actual	Variance With Final
	Original	Final	Amounts	Budget
REVENUES				
Property taxes and assessments	$ 2,532,140	$ 2,583,997	$ 2,599,711	$ 15,714
Special assessments and taxes	2,643,249	2,643,811	2,654,971	11,160
State taxes	298,459	331,661	335,275	3,614
Rental income	17,964	17,689	49,109	31,420
Reimbursements from other agencies	80,200	154,704	546,148	391,444
Interest earnings	-	(1,000)	6,856	7,856
Grant revenue			10,532	10,532
Miscellaneous	9,700	8,300	9,321	1,021
TOTAL REVENUES	5,581,712	5,739,162	6,211,923	472,761
EXPENDITURES				
Current				
Public protection	5,256,573	5,383,059	5,282,762	100,297
Capital outlay	436,287	441,650	135,050	306,600
Debt service:				
Principal	192,810	192,810	174,161	18,649
Interest	-	-	18,649	(18,649)
TOTAL EXPENDITURES	5,885,670	6,017,519	5,610,622	406,897
OTHER FINANCING SOURCES/(USES)				
Proceeds from sale of capital assets	180,000	250,000	97,016	(152,984)
TOTAL OTHER FINANCING SOURCES/(USES)	180,000	250,000	97,016	(152,984)
NET CHANGE IN FUND BALANCE	(123,958)	(28,357)	698,317	726,674
Fund balance at beginning of year	1,325,282	1,325,282	1,325,282	-
FUND BALANCE AT END OF YEAR	$ 1,201,324	$ 1,296,925	$ 2,023,599	$ 726,674

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

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

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

For the Year Ended June 30, 2016

	Budgeted Amounts		(Budgetary Basis) Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Mitigation fees	$ 75,000	$ 75,000	$ 64,246	$ (10,754)
Interest earnings			1,284	1,284
TOTAL REVENUES	75,000	75,000	65,530	(9,470)
EXPENDITURES				
Current				
Public protection	16,000	16,000	26,755	(10,755)
Capital outlay	66,000	70,000		70,000
Debt service:				
Principal	54,170	54,170	43,144	11,026
Interest			11,026	(11,026)
TOTAL EXPENDITURES	136,170	140,170	80,925	59,245
NET CHANGE IN FUND BALANCE	(61,170)	(65,170)	(15,395)	(68,715)
Fund balance at beginning of year	160,203	160,203	160,203	-
FUND BALANCE AT END OF YEAR	$ 99,033	$ 95,033	$ 144,808	$ (68,715)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Background: The District is an independent special district within the County of Nevada and was established under Health & 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 staffed with Grass Valley and seven unstaffed stations, of which three are currently for sale.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The District has only governmental activities which are supported primarily by taxes and intergovernmental revenues.

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

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 in which they are levied.

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

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. All of the District's activities are reported in two governmental funds, the General Fund and the Capital Improvements Fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Payable balances consist primarily of payables to vendors.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The fund is charged with all costs of operations.

Capital Improvements Fund – The Capital Improvements Fund is used to account for all resources received from developer mitigation fees. It is used for the acquisition or construction of major capital facilities and equipment.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District's policy and procedure. Budgetary control is exercised by major object. All budgetary changes during the fiscal year require the approval of the District's Board of Directors. Unencumbered budget appropriations lapse at the end of the fiscal year.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 with at least two years expected life. Costs of assets sold or retired are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Structures and improvements	40 years
Vehicles (fire trucks)	15 years
Furniture and equipment	3-5 years
Fire fighting equipment	10 years
Radio, communication equipment	10 years

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a nonspendable portion of fund balance to indicate they do not constitute resources available for future appropriation.

Compensated Absences: The District's policies regarding vacation permit employees to accumulate earned, but unused vacation. The District's policy for sick leave states that no amount will be paid, but upon retirement the employee's sick leave is available for service credit under the District's pension plan.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

No liability is recorded for sick leave. All vacation is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to liquidate compensated absences. All of the accrued vacation is considered short-term.

Unavailable and Unearned Revenues: Unearned revenues arise when resources are received by the District before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Unavailable revenues in governmental funds arise when a potential revenue source does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenues unavailable because they were not received in the availability period are recognized for the government-wide presentation.

Long-term Obligations: In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable government activities. In the fund financial statements, the face amount of the debt issued is reported as other financing sources.

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise prepaid items and other assets.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts reported as restricted funds represent mitigation fees collected for future capital expenditures.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board modifies, or removes the fund balance commitment. Committed fund balance represents resources set aside for the following:

Future payments for equipment and vehicles	$ 152,600
Relocation of administrative offices	60,000
Future purchases of equipment and apparatus	41,920
	$ 254,520

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the District’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board has established a Contingency Fund representing two months of operating expenses over the next three years. As of June 30, 2016, this Contingency Fund had a balance of $830,000, which is included as part of unassigned fund balance in the General Fund.

The District's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. The outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

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 preceding 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 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.

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 2016 was $113,066.

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 A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). GASB 79 addresses accounting and financial reporting for certain external pools and pool participants and established criteria for an external pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective beginning the year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective beginning the year ended June 30, 2017.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH

As of June 30, 2016, the District's cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	$ 2,095,074
Restricted cash and investments	144,808
Total cash and investments	$ 2,239,882

At June 30, 2016, the District's cash and investments consisted of the following:

Petty cash	$ 100
Deposits in financial institutions	14,410
Investment in Nevada County Investment Pool	2,225,372
Total cash and investments	$ 2,239,882

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. The amount invested by all public agencies in Nevada County's cash and investment pool is $187,199,193 at June 30, 2016. 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

NOTE B – CASH (Continued)

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.

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, 2016, 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 Credit 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 a 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, 2016.

NOTE C – CAPITAL ASSETS

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

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	$ 526,857				$ 526,857
Construction in progress	569,777	$ 7,347		$ (569,777)	7,347
Total capital assets, not being depreciated	1,096,634	7,347	-	(569,777)	534,204
Capital assets, being depreciated:					
Buildings and improvements	4,408,488		(2,935)	131,181	4,536,734
Land improvements	35,799			1,222	37,021
Vehicles	4,256,556	100,481	(578,138)	429,164	4,208,063
Furniture and equipment	146,601		(1,110)	(87,589)	57,902
Firefighting equipment	926,126	14,797	(121,996)	60,546	879,473
Communication equipment	241,085	12,425	(82,047)	35,253	206,716
Total capital assets, being depreciated	10,014,655	127,703	(786,226)	569,777	9,925,909
Less accumulated depreciation:					
Building and improvements	(2,544,539)	(115,171)	1,138	(117,931)	(2,776,503)
Land improvements	(9,091)	(1,790)		(1,222)	(12,103)
Vehicles	(3,321,567)	(195,436)	573,893	113,480	(2,829,630)
Furniture and equipment	(136,048)	(1,004)	1,110	81,352	(54,590)
Firefighting equipment	(753,413)	(37,498)	121,996	(46,663)	(715,578)
Communication equipment	(211,593)	(9,793)	82,047	(29,016)	(168,355)
Total accumulated depreciation	(6,976,251)	(360,692)	780,184	-	(6,556,759)
Total capital assets being depreciated, net	3,038,404	(232,989)	(6,042)	569,777	3,369,150
Capital assets, net	$ 4,135,038	$ (225,642)	$ (6,042)	$ -	$ 3,903,354

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity of the District for the year ended June 30, 2016:

	Restated Balance June 30, 2015	Additions	Repayments	Balance June 30, 2016	Due Within One Year
Capital lease obligations:					
WestAmerica Bank	$ 261,797		$ (43,144)	$ 218,653	$ 22,267
PNC	532,773		(174,161)	358,612	27,451
	794,570	-	(217,305)	577,265	49,718
Compensated absences	169,821	$ 32,132	(30,236)	171,717	171,717
Net pension obligation	3,882,600		(81,175)	3,801,425	
	$ 4,846,991	$ 32,132	$ (328,716)	$ 4,550,407	$ 221,435

The District's capital leases consist of the following:

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 this lease for an additional ten-year term. The refinancing required a $100,000 down payment which the District paid in July 2011. This 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 and the accumulated depreciation is $626,291 at June 30, 2016.

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 will be applied against the fiscal year 2017 payments. The cost of the fire engine is $532,773 and accumulated depreciation of $36,998 at June 30, 2016.

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

Year Ended June 30,	Principal	Interest	Total
2017	$ 49,704	$ 15,959	$ 65,663
2018	153,449	16,407	169,856
2019	158,428	11,428	169,856
2020	163,577	6,279	169,856
2021	52,107	1,736	53,843
	$ 577,265	$ 51,809	$ 629,074

NOTE E – DEFINED BENEFIT PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The District has the following cost-sharing Plans:

- Miscellaneous Plan
- Miscellaneous PEPRA Plan (inactive)
- Safety Fire Plan
- PEPRA Safety Fire Plan

Benefit provisions under the Plans are established by State statute. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: 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 (52 for PEPRA Miscellaneous Plan) 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 1959 Survivor Benefit level 3 or 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	**Safety Second Tier**	**PEPRA Safety**
Hire date	Prior to January 1, 2013	July 16, 1981 to December 31, 2012	On or after January 1, 2013
Benefit formula (at full retirement)	3.0% @ 60	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.4% to 3.00%	2.0% to 2.7%
Required employee contribution rates	8.00%	9.00%	11.50%
Required employer contribution rates	11.718%	16.523%	11.153%

In addition to the contribution rates above, the District was also required to make payments of $28,322 and $222,364 for the Miscellaneous and Safety Plans, respectively, toward its unfunded actuarial liability during the year ended June 30, 2016.

All Plans except the PEPRA plans are closed to new members that are not already CalPERS participants.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Contributions: 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. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, employer contributions made to the Miscellaneous and Safety Plans were $34,675 and $556,372, respectively.

Net Pension Liability: As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability for the Miscellaneous and Safety Plans of $350,559 and $3,450,866, respectively.

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous	**Safety Fire Second Tier**
Proportion - June 30, 2014	0.01364%	0.09452%
Proportion - June 30, 2015	0.01278%	0.08375%
Change - Increase (Decrease)	-0.00086%	-0.01077%

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65% for each 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 7.65 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 will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Paragraph 30 of Statement 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

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.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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 for each of the Plans. 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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:

	Miscellaneous	Safety Fire Second Tier
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 587,914	$ 5,532,933
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 350,559	$ 3,450,866
1% Increase	8.65%	8.65%
Net Pension Liability	$ 154,597	$ 1,743,620

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2016, the District had a pension expense of $378,699 for all Plans combined. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 591,047	
Differences between actual and expected experience	777	$ (101,132)
Changes in assumptions		(349,270)
Differences between the employer's contribution and the employer's proportionate share of contributions	65,048	
Change in employer's proportion		(148,658)
Net differences between projected and actual earnings on plan investments		(116,365)
Total	$ 656,872	$ (715,425)

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)0

The $591,047 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	$ (289,953)
2018	(289,373)
2019	(253,761)
2020	183,487
	$ (649,600)

Payable to the Pension Plan: At June 30, 2016, the District reported payables for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016 totaling $13,074.

NOTE F – INSURANCE

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 G –SUBSEQUENT EVENTS

In September 2016, the District entered into agreements to sell property for two former fire stations for $394,000. One station has been sold for $215,000 and the other station is in escrow for $179,000.

In October 2016, the District entered into agreements to purchase vehicles totaling $96,000.

NOTE H - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net position. The adjustments are as follows at June 30, 2016:

Fund balances - Total Governmental Funds	$ 2,168,407
Deferred outflows of resources on pensions are not reported in the governmental funds.	656,872
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	3,903,354
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Interest payable	(3,938)
Capital lease obligation	(577,265)
Compensated absences	(171,717)
Net pension obligation	(3,801,425)
Deferred inflows of resoures on pensions are not reported in the govermental funds.	(715,425)
Revenues and loans receivable which are deferred on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.	22,199
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,481,062

NOTE H–RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal year ended June 30, 2016 are as follows:

Net change in fund balance - Governmental Funds	$ 682,922
The change in net position for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlay	135,050
Depreciation	(360,692)
Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.	(6,042)
Governmental funds report debt issuance as revenue and debt service payment as expenditures. However, in the statement of activities, borrowing and repayments of principal of indebtedness increase and reduce long-term liabilities in the statement of net position.	
Principal payments	217,305
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	22,199
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest payable	5,678
Compensated absences	(1,896)
Changes in pension amounts	212,347
NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 906,871

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REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY CONSOLIDATED FIRE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years

	2016	2015
Proportion of the net pension liability	0.01278%	0.01364%
Proportionate share of the net pension liability	$ 350,559	$ 337,189
Covered - employee payroll - measuremant period	$ 112,206	$ 116,799
Proportionate share of the net pension liability as a percentage of covered payroll	312.42%	288.69%
Plan fiduciary net position as a percentage of the total pension liability	71.42%	72.18%

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.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years

	2016	2015
Contactually required contribution (actuarially determiend)	$ 34,675	$ 24,916
Contributions in relation to the actuarially determined contributions	(34,675)	(24,916)
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll - fiscal year	$ 173,033	$ 112,206
Contributions as a percentage of covered - employee payroll	20.04%	22.21%

Notes to Schedule:

Valuation date:	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	Entry age normal	
Amortized method	Level percentage of payroll, closed	
Remaining amortization period	14 years	15 years
Asset valuation method	5-year smoothed market	
Inflation	2.75%	2.75%
Salary increases	Varies by entry age and service	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	

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

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SAFETY PLANS (UNAUDITED)
Last 10 Years

	2016	2015
Proportion of the net pension liability	0.08375%	0.09452%
Proportionate share of the net pension liability	$ 3,450,866	$ 3,545,411
Covered - employee payroll - measurement period	$ 1,747,485	$ 1,892,802
Proportionate share of the net pension liability as a percentage of covered payroll	197.48%	187.31%
Plan fiduciary net position as a percentage of the total pension liability	78.79%	76.42%

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.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - SAFETY PLAN (UNAUDITED)
Last 10 Years

	2016	2015
Contactually required contribution (actuarially determiend)	$ 556,372	$ 464,415
Contributions in relation to the actuarially determined contributions	(556,372)	(464,415)
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll - fiscal year	$ 1,864,193	$ 1,747,485
Contributions as a percentage of covered - employee payroll	29.85%	26.58%

Notes to Schedule:

Valuation date:	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

	Entry age normal	
Amortization method	Level percentage of payroll, closed	
Remaining amortization period	14 years	15 years
Asset valuation method	5-year smoothed market	
Inflation	2.75%	2.75%
Salary increases	Varies by entry age and service	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	

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

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COMPLIANCE REPORTS

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Nevada County Consolidated Fire District
Grass Valley, California

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Nevada County Consolidated Fire District

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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.

Richardson & Company, LLP

December 8, 2016