

***CIMARRON HILLS FIRE PROTECTION DISTRICT***

***FINANCIAL STATEMENTS***

***AND***

***REQUIRED SUPPLEMENTAL INFORMATION***

***AND***

***SUPPLEMENTAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2016***



**RECEIVED**

*By the Office of the State Auditor at 4:30 pm, Aug 16, 2017*

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE  
COLORADO SPRINGS, COLORADO 80903-1005

JEFFREY S. ROSACKER, CPA – PARTNER  
MITCHELL K. DOWNS, CPA, ABV – PARTNER  
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321  
FAX (719) 636-2517  
WEB WWW.SPRINGSCPA.COM

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Cimarron Hills Fire Protection District  
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cimarron Hills Fire Protection District (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

Page 2

### 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 December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, the schedule of revenue, expenditures and changes in fund balance – budget and actual – General Fund on page 32, the schedule of the District's proportionate share of the net pension liability/(asset) on page 33, and the schedule of employer contributions on page 34 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.

#### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Osborne, Parsons & Mosacher LLP*

Colorado Springs, CO 80903  
August 10, 2017

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

The management of the Cimarron Hills Fire Protection District (District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also contains other supplemental information in addition to the financial statements.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and includes two statements:

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements (statement of net position and statement of activities) distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities and fire and emergency medical services.

**Government-Wide Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,070,611, which represents the ending net position.
- The net position increased by \$20,851 from the prior year. Approximately 46% of the net position, \$1,420,966, is available for spending at the District's discretion, as reflected in unrestricted net position.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

**Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has only one fund, the General Fund, which is a governmental fund.

**Governmental Funds** - The District's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

**General Fund Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,268,262, which represents the ending fund balance.
- The ending fund balance decreased by (\$48,283) from the prior year. Approximately 40% of the total fund balance, \$506,462, is available for spending at the District's discretion, as reflected in the unassigned fund balance.

**Notes to the Financial Statements** - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplemental Information** - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to allow for a direct comparison to each budget line item and to demonstrate compliance with the budget.

**Supplemental Information** – The District presents a detailed expenditure schedule showing budgeted and actual amounts for each expenditure line item and a five-year summary of assessed valuation, mill levy and property tax collected.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over a period of time as a useful indicator of the District's financial position. In the case of the District, total assets exceeded liabilities by \$3,070,611 as of December 31, 2016, as reflected in the total net position. Approximately 51% of the District's fund balance is in capital assets, net of related debt.

**Condensed Statement of Net Position  
Two-Year Comparison**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Assets</b>			
Current and net pension assets	\$ 3,250,718	\$ 3,444,872	\$ (194,154)
Capital assets	1,750,149	1,743,045	7,104
Total assets	<u>5,000,867</u>	<u>5,187,917</u>	<u>(187,050)</u>
<b>Deferred outflows of resources</b>	249,135	64,707	184,428
Total assets and deferred outflows	<u>\$ 5,250,002</u>	<u>\$ 5,252,624</u>	<u>\$ (2,622)</u>
<b>Liabilities</b>			
Current	\$ 140,880	\$ 119,858	\$ 21,022
Long-term	117,504	172,608	(55,104)
Total liabilities	<u>258,384</u>	<u>292,466</u>	<u>(34,082)</u>
<b>Deferred inflows of resources</b>	1,921,007	1,910,398	10,609
Total liabilities and deferred inflows	<u>\$ 2,179,391</u>	<u>\$ 2,202,864</u>	<u>\$ (23,473)</u>
<b>Net position</b>			
Net investment in capital assets	\$ 1,577,541	\$ 1,517,630	\$ 59,911
Restricted	72,104	66,249	5,855
Unrestricted	1,420,966	1,465,881	(44,915)
Total net position	<u>\$ 3,070,611</u>	<u>\$ 3,049,760</u>	<u>\$ 20,851</u>

**Comments - Assets**

The Department purchased numerous capital assets during 2016, including an administrative vehicle, three portable two-way radios and accessories, a forcible entry training prop, and a commercial-grade lawn mower for maintaining the grounds near the fire station. A new thermal imaging camera, fire-resistant file storage cabinets, office computer, and a wildland portable pump were also added to the Department's asset inventory.

The Department received a Firefighter Safety and Disease Prevention Grant in the amount of \$90,611, which was used to purchase sixteen Scott self-contained breathing apparatus (SCBA) and a respiratory fit testing machine. The Department's matching portion of the grant was \$30,438. The older SCBAs replaced by the grant were sold to another Colorado fire department.

As a whole, department assets decreased slightly, due to current year depreciation.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

**Comments - Liabilities**

Liabilities decreased due to scheduled payments on the long-term lease/purchase of the Department's quint, which is a combination pumper and aerial ladder apparatus. The final payment on this lease/purchase is scheduled for 2019. This is the Department's only long-term purchase.

**Condensed Statement of Activities  
Two-Year Comparison**

	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Expenses</b>			
General and administrative	\$ 116,238	\$ 146,009	\$ (29,771)
Fire and emergency medical services	2,192,234	1,892,763	299,471
Interest on long-term debt	8,849	14,395	(5,546)
Total expenses	2,317,321	2,053,167	264,154
 <b>Revenues</b>			
Program revenues			
Fire and emergency medical services	29,029	21,591	7,438
Grants and contributions	102,243	4,732	97,511
General revenues			
Property taxes	1,903,932	1,867,244	36,688
Specific ownership tax	219,427	213,823	5,604
Miscellaneous	98,666	21,273	77,393
Interest income	1,882	2,060	(178)
Loss on disposal of assets	(17,007)	-	(17,007)
Total revenues	2,338,172	2,130,723	207,449
 <b>Change in net position</b>	20,851	77,556	(56,705)
<b>Net position - beginning of year</b>	3,049,760	2,972,204	77,556
<b>Net position - end of year</b>	\$ 3,070,611	\$ 3,049,760	20,851

**Comments - Expenses**

Administrative expenses were less in 2016, primarily because there were no costly personnel investigations, such as occurred during 2015. Also, tax abatement refunds were significantly lower than the previous year.

Fire and EMS expenses increased during 2016 due to several factors. Personnel shortages during much of the year resulted in emergency responder hire-back overtime costs approximately 40% greater than if all positions were filled with qualified personnel. 2016 Workers' Compensation Insurance costs were also \$19,000 greater than in the previous year. Vehicle apparatus maintenance costs rose nearly \$10,000 as the District continued to keep its fleet of response vehicles in a safe and reliable condition. Due to an

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

improving economy, the amount of new construction and remodel plan review activity increased 34%, resulting in the increased costs of having a third party contractor review those plans and provide follow-up on-site inspections. The plan review activity costs were offset by fees charged to the architects and contractors who requested the services.

**Comments - Revenues**

Program revenues increased due to the fees collected for providing new construction and plan review services to architects and contractors. The District also received a Firefighter Safety and Disease Prevention Grant in the amount of \$90,611, which was used to purchase sixteen Scott self-contained breathing apparatus (SCBA) and a respiratory fit tester.

General revenues also increased during 2016. The largest contributor was insurance recovery for damage to both District buildings and several apparatus (\$90,247) that occurred during a July 28, 2016 hail storm. Property tax revenue increased due to a small amount of development in the area and the increased market value of improved property.

**GENERAL FUND FINANCIAL ANALYSIS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all activity in a single general fund.

As discussed on page 5, the General Fund is the operating fund of the District. The ending fund balance was \$1,268,262, as reflected on page 12 of the financials. Of this amount \$72,104 was TABOR restricted as a required reserve fund.

**BUDGETARY HIGHLIGHTS**

The District's 2016 final budget had a total revenue amount of \$2,153,430. The District ended the year with a total actual revenue amount of \$2,355,179, representing a favorable variance of \$201,749.

The District's final budget had total expenditures of \$2,635,063. The District ended the year with actual audited expenditures of \$2,403,462. Actual expenditures had a positive variance against budgeted expenditures of \$231,601. The majority of this positive variance was in operations, and general and administrative costs. It should be noted that the District tracks its expenditures on a modified cash basis. On a modified cash accounting basis the District spent approximately 91% of its budgeted expenditures.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

**Schedule of Revenues, Expenditures, and Change in Fund Balance,  
Budget and Actual – General Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
General property tax	\$ 1,906,930	\$ 1,903,932	\$ (2,998)
Specific ownership tax	215,000	219,427	4,427
Fire and emergency medical services	27,000	131,272	104,272
Miscellaneous	-	98,666	98,666
Interest income	4,500	1,882	(2,618)
Total revenues	<u>\$ 2,153,430</u>	<u>\$ 2,355,179</u>	<u>\$ 201,749</u>
<b>Expenditures</b>			
General and administrative	\$ 150,900	\$ 115,422	\$ 35,478
Operations	2,086,050	1,868,443	217,607
Maintenance	68,500	74,688	(6,188)
Training and associations	51,500	37,122	14,378
Prevention, safety and community service	27,000	38,113	(11,113)
Debt service	62,613	62,613	-
Capital outlay	188,500	207,061	(18,561)
Total expenditures	<u>2,635,063</u>	<u>2,403,462</u>	<u>231,601</u>
<b>Change in fund balance</b>	(481,633)	(48,283)	433,350
<b>Beginning fund balance, January 1</b>	<u>1,314,955</u>	<u>1,316,545</u>	<u>1,590</u>
<b>Ending fund balance, December 31</b>	<u>\$ 833,322</u>	<u>\$ 1,268,262</u>	<u>\$ 434,940</u>

**ECONOMIC FACTORS (Next year's budget and rates)**

The District budgeted for 2017 property tax revenue of \$1,917,871 (based on an assessed valuation for the District of \$125,465,840 and a mill levy of 15.286 mills) and charges for services of \$25,000 (which represents program fees charged by the District). The remaining amounts used to calculate the 2016 budget revenue includes \$210,000 for specific ownership tax (personal property tax collected on vehicle registrations), \$1,600 for interest income, and \$6,000 for miscellaneous income, resulting in a total revenue amount of \$2,160,471.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Cimarron Hills Fire Protection District, 1835 Tuskegee Pl., Colorado Springs, CO 80915.

***FINANCIAL STATEMENTS***

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<u>Governmental activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,304,506
Cash held by County Treasurer	19,540
Prepaid insurance	4,208
Property tax receivable	1,917,871
Issuance costs, net of amortization	1,937
Net pension asset	2,656
Capital assets, net of depreciation	1,750,149
<b>Total assets</b>	<u><u>\$ 5,000,867</u></u>
 <b>Deferred outflows of resources</b>	
Pension	<u><u>\$ 249,135</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 2,754
Wages and compensated absences payable	79,893
Accrued interest payable	3,129
Lease payable - due within one year	55,104
Lease payable - due in more than one year	117,504
<b>Total liabilities</b>	<u><u>\$ 258,384</u></u>
 <b>Deferred inflows of resources</b>	
Property taxes	\$ 1,917,871
Pension	3,136
<b>Total deferred inflows of resources</b>	<u><u>\$ 1,921,007</u></u>
 <b>Net position</b>	
Net investment in capital assets	\$ 1,577,541
Restricted	72,104
Unrestricted	1,420,966
<b>Total net position</b>	<u><u>\$ 3,070,611</u></u>

See notes to financial statements

**CIMARRON HILLS FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Capital grants and contributions</b>	<b>Net program expense</b>
		<b>Charges for services</b>	<b>Operating grants and contributions</b>		
<b>Governmental activities</b>					
General and administrative	\$ 116,238	\$ -	\$ -	\$ -	\$ (116,238)
Fire & emergency medical services	2,042,312	29,029	11,632	90,611	(1,911,040)
Maintenance	74,686	-	-	-	(74,686)
Training and associations	37,122	-	-	-	(37,122)
Prevention, safety & community service	38,114	-	-	-	(38,114)
Interest expense	8,849	-	-	-	(8,849)
<b>Total governmental activities</b>	<b>\$ 2,317,321</b>	<b>\$ 29,029</b>	<b>\$ 11,632</b>	<b>\$ 90,611</b>	<b>(2,186,049)</b>
<b>General revenues</b>					
General property tax					1,903,932
Specific ownership tax					219,427
Miscellaneous					8,419
Investment earnings					1,882
Loss on disposal of capital assets					(17,007)
Insurance recovery					90,247
<b>Total general revenues</b>					<b>2,206,900</b>
<b>Change in net position</b>					20,851
<b>Net position - beginning</b>					3,049,760
<b>Net position - ending</b>					<b>\$ 3,070,611</b>

See notes to financial statements

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND  
DECEMBER 31, 2016**

**ASSETS**

**Assets**

Cash and cash equivalents	\$ 1,304,506
Cash held by County Treasurer	19,540
Prepaid insurance	4,208
Property tax receivable	<u>1,917,871</u>
<b>Total assets</b>	<b>\$ <u>3,246,125</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 2,754
Wages payable	57,238
Total liabilities	<u>59,992</u>

**Deferred inflow of resources**

Property tax	1,917,871
Total deferred inflow of resources	<u>1,917,871</u>

**Fund balance**

Nonspendable	4,208
Restricted	72,104
Assigned	685,488
Unassigned	506,462
Total fund balance	<u>1,268,262</u>

<b>Total liabilities, deferred inflow of resources, and fund balance</b>	<b>\$ <u>3,246,125</u></b>
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See notes to financial statements

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

<b>Total fund balance - governmental fund</b>	\$	1,268,262
 Amounts reported for governmental activities in the statement of net position are different because:		
Debt issuance costs are not financial resources, and therefore are not reported as assets in governmental funds.		
Lease issuance costs		9,800
Accumulated amortization		(7,863)
 The net pension asset and related deferred items are not available for current period expenditures and are therefore not reported in the funds.		
Net pension asset		2,656
Deferred outflows of resources - pension		249,135
Deferred inflows of resources - pension		(3,136)
 Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.		
Capital assets		3,423,128
Accumulated depreciation		(1,672,979)
 Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.		
Accrued interest end of year		(3,129)
 Long-term liabilities, including compensated absences and capital leases, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.		
		(195,263)
<b>Total net position - governmental activities</b>	\$	3,070,611

See notes to financial statements

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

**Revenues**

General property tax	\$ 1,903,932
Specific ownership tax	219,427
Fire and emergency medical services	131,272
Miscellaneous	8,419
Investment earnings	1,882
<b>Total revenues</b>	<u>2,264,932</u>

**Expenditures**

General and administrative	115,422
Operations	1,868,443
Maintenance	74,688
Training and associations	37,122
Prevention, safety, and community service	38,113
Debt service	62,613
Capital outlay	207,061
<b>Total expenditures</b>	<u>2,403,462</u>

**Other financing sources**

Insurance recovery	90,247
<b>Total other financing sources</b>	<u>90,247</u>

**Net change in fund balance** (48,283)

**Fund balance - beginning** 1,316,545

**Fund balance - ending** \$ 1,268,262

See notes to financial statements

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016**

**Total net change in fund balance - governmental funds** \$ (48,283)

Amounts reported for governmental activities in the statement of activities are different because:

Changes in the net pension asset and related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 19,054

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Depreciation expense	(182,950)
Capital outlay	207,061

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (817)

Governmental funds report lease payments as expenses when paid, including principal payments. However, in the statement of activities the lease is capitalized and only interest is recognized as an expense when paid or accrued.

Lease payment (principal)	52,807
Prior year accrued interest	4,086
Current year interest accrual	(3,129)
Loss on disposal of assets	(17,007)

Governmental funds report compensated absences as expenses when paid. However, in the statement of activities the expense is accrued.

Prior year compensated absences payable	12,684
Current year compensated absences payable	(22,655)

<b>Change in net position - governmental activities</b>	<b>\$ 20,851</b>
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See notes to financial statements

***NOTES TO FINANCIAL STATEMENTS***

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cimarron Hills Fire Protection District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting policies that are described below. The following is a summary of the significant accounting policies.

**Reporting Entity** - The District is a quasi-municipal corporation, governed pursuant to provisions of the Colorado Special District Act. The District was established to provide fire protection services and emergency medical services to citizens and property located within their jurisdiction.

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Government Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units, nor is it a component unit of any other unit.

**Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements* - The government-wide financial statements, (i.e., the statement of activities), report information on all of the nonfiduciary activities of the government. The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program 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 the related cash flow. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Government-Wide and Fund Financial Statements - Continued**

*Fund Financial Statements* - Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets, revenues and expenditures-expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary.

The District reports the following major fund:

***Governmental Fund***

*General Fund* - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

**Measurement Focus** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. The major source of revenue susceptible to accrual is property tax.

**Basis of Accounting** - The modified accrual basis of accounting is used for all governmental fund types. The following are modifications of the accrual method:

- Expenditures other than accrued interest on general long-term debt are recognized at the same time the liabilities are incurred. Interest on long-term debt is recorded only when due.
- Revenue is recorded when received in cash except for revenue that is not received but is measurable and available and therefore susceptible to accrual.

**General Budget** - In accordance with the State Budget Law, the District's Board of Directors hold a public hearing in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Budgets are required by State law for all funds. By October 15, the District Manager submits to the District's Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end. Prior to December 31, the budget is adopted by formal resolution.
- B. Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- C. Expenditures may not legally exceed appropriations at the fund level.
- D. Revisions that alter the total expenditures of any fund must be approved by the District's Board of Directors.
- E. Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District's Board of Directors.

**Budget Basis of Accounting** - The modified accrual basis of accounting is used for budget purposes as well as financial reporting in the General Fund, except for capital lease refinancing. If the refinance does not generate or use cash proceeds, the refinances are not budgeted.

**Cash and Cash Equivalents** - Cash and invested cash are carried at fair value. For the purposes of the statement of cash flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less to be considered cash equivalents.

**Taxes Receivable** - Taxes receivable include current year property taxes, which become payable January 1 of the following year.

**Receivables** - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Capital Assets** - Capital assets are reported in the government-wide statements only. All capital assets are capitalized at cost (or estimated historical cost). Donated capital assets are recorded at their fair market values as of the dates received.

The District maintains a capitalization threshold of \$2,500. Improvements to capital assets are capitalized, and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. All reported capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Pensions** - 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 Fire & Police Statewide Defined Benefit Plan and additions to/deductions from Fire & Police Statewide Defined Benefit Plan's fiduciary net position have been determined on the same basis as they are reported by the Fire & Police Pension Association of Colorado. 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.

**Compensated Absences** - Vacation benefits are accrued as a liability on the government-wide statements as the benefits are earned, if the employees' rights to receive compensation are attributable to services already rendered, and it is probable the employer will compensate the employees for the benefits through paid time off or some other means.

**Property Tax and Deferred Inflows** - Upon certification of the amount of levy by the District to El Paso County, Colorado, the County levies the property tax in December of the year prior to the year of collection of the tax. The County also acts as the billing and collection agency for the District. Property tax attaches as a lien on January 1 and may be paid in full by April 30 or in equal installments by February 28 and July 31. The District records the tax as a receivable when it is measurable and an enforceable legal claim attaches to the property. The tax is recognized as revenue when the money is available in the following year.

**Equity Classifications**

- *Net Investment in Capital Assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, loans, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- *Restricted Net Position* - Consists of net position with constraints placed on the use either by external groups, such as creditors, or laws or regulations of other governments.
- *Unrestricted Net Position* - Includes all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**Fund Equity** - The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balance descriptions are presented below:

- *Nonspendable* - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term fund advances.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- *Restricted* - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- *Committed* - includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution. Commitments also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- *Assigned* - includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.
- *Unassigned* - this is the residual classification for the general fund.

As of December 31, 2016, the District had nonspendable, restricted, assigned, and unassigned fund balances.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 1 – DEPOSITS**

**Cash Deposits** - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. The eligible collateral is determined by the PDPA.

The PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102 percent of the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – DEPOSITS - CONTINUED**

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of bank failure the District's deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2016, deposits with a bank balance of \$1,071,420 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution through the PDPA.

**Credit Risk** - The District has not adopted a formal investment policy; however, the District follows State Statutes regarding investments.

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

**Interest Rate Risk** - Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with the debt service reserve or sinking fund requirements. As of December 31, 2016, the District held no investment securities.

**NOTE 2 – PROPERTY TAX**

Property tax is reported as a receivable and a deferred inflow of resources when the levy is certified and as a revenue when due for collection in the subsequent year. Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of December 31 of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are normally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The deferred inflow of resources is recorded as revenue in the year it is available or collected.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CAPITAL ASSETS**

Capital assets consist of:

<u>Type</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Useful lives</u>
Land	\$ 151,656	\$ -	\$ 151,656	
Structures, roads and grounds	1,603,654	645,276	958,378	10 - 40 years
Office and admin equipment	15,044	2,361	12,683	7 years
General equipment	372,159	193,780	178,379	5 - 15 years
Communications equipment	121,370	80,052	41,318	7 years
Vehicles and apparatus	1,159,246	751,511	407,735	5 - 15 years
	<u>\$ 3,423,129</u>	<u>\$ 1,672,980</u>	<u>\$ 1,750,149</u>	

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets, not being depreciated				
Land	\$ 151,656	\$ -	\$ -	\$ 151,656
Capital assets, being depreciated				
Structures, roads and grounds - all locations	1,588,897	14,757	-	1,603,654
Office and admin equipment	2,995	12,049	-	15,044
General equipment	326,032	150,785	104,658	372,159
Communications equipment	109,645	11,725	-	121,370
Vehicles and apparatus	1,141,501	17,745	-	1,159,246
<b>Total capital assets being depreciated</b>	3,169,070	207,061	104,658	3,271,473
Less: accumulated depreciation	(1,577,681)	(182,950)	87,651	(1,672,980)
Capital assets being depreciated, net	1,591,389	24,111	17,007	1,598,493
<b>Total capital assets, net</b>	<u>\$ 1,743,045</u>	<u>\$ 24,111</u>	<u>\$ 17,007</u>	<u>\$ 1,750,149</u>

Depreciation expense for the year ended December 31, 2016, was \$182,950, and was allocated to fire and emergency medical services.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – LONG-TERM DEBT**

The following is a schedule of changes in long-term debt year ended December 31, 2016:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Portion due within one year</u>
<b>Capital lease</b>					
Obligations	\$ 225,415	\$ -	\$ (52,807)	\$ 172,608	\$ 55,104
<b>Total</b>	<u>\$ 225,415</u>	<u>\$ -</u>	<u>\$ (52,807)</u>	<u>\$ 172,608</u>	<u>\$ 55,104</u>

There was one capital lease outstanding as of December 31, 2016. For financial statement presentation, the lease obligation has been capitalized and the vehicle recorded as an asset of the District. The gross amount of asset recorded under capital lease is \$565,202 with accumulated depreciation of \$310,861. Capital lease amortization is included in depreciation expense.

	<u>Principal balance</u>
Fire truck and equipment - Wells Fargo Leasing Services	
Lease term of 1 year with annual renewal options, annual payments of principle and interest due in July of each year. The lease bears an interest factor of 4.35%. The final maturity value, if all annual renewals are exercised, will be \$1 after the July 2019 payment.	
The lease purchase agreement does not constitute a general obligation debt of the District as defined by Colorado Revised Statutes as there is a annual appropriation clause in the lease agreement.	
	<u>\$ 172,608</u>

The following represents the debt service requirements to maturity of the debt of the District.

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 55,104	\$ 7,508	\$ 62,612
2018	57,501	5,111	62,612
2019	60,003	2,610	62,613
	<u>\$ 172,608</u>	<u>\$ 15,229</u>	<u>\$ 187,837</u>

Interest incurred on the lease amounted to \$8,849 during the year ended December 31, 2016.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – NET POSITION AND FUND BALANCE**

The District has a net position consisting of three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets as follows:

**Net investment in capital assets**

Capital assets, net of depreciation	\$ 1,750,149
Long-term liabilities due within one year	
Capital leases	55,104
Long-term liabilities due in more than one year	
Capital leases	117,504
<b>Total net investment in capital assets</b>	<u><u>\$ 1,577,541</u></u>

The *restricted* component of net position includes net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2016, the District had restricted net position as follows:

**Restricted net position**

TABOR emergency reserve (see NOTE 8)	<u><u>\$ 72,104</u></u>
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The *unrestricted* component of net position is the net amount of assets that do not meet the definition of net investment in capital assets or restricted net position. The District's unrestricted net position as of December 31, 2016, totaled \$1,420,966.

As of December 31, 2016, the fund balances were comprised of the following amounts:

Nonspendable	
Prepaid insurance	<u>\$ 4,208</u>
Restricted	
Emergency (TABOR)	<u>72,104</u>
Assigned	
3-month O&M reserve	595,988
Capital asset repairs from insurance recoveries	<u>89,500</u>
Total assigned	<u>685,488</u>
Unassigned	<u>506,462</u>
<b>Total</b>	<u><u>\$ 1,268,262</u></u>

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN**

**Plan Description** - The Fire & Police Statewide Defined Benefit Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (new hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015, has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in State statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association (FPPA) of Colorado issues a publicly available financial report that may be obtained at [www.fppaco.org](http://www.fppaco.org).

**Benefits Provided** - The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's Separate Retirement Account (SRA) each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their SRA until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their SRA has two components; the standard SRA, and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard SRA contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry SRA contribution rate was set at 3.60 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued**

**Contributions** - The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this plan are set by State statute. Employer contribution rates can only be amended by State statute. Member contribution rates can be amended by State statute or by election of the membership.

Members of this plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent through 2014. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5 percent of base salary through 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

Contributions to the Plan from the District were \$58,656 for the year ended December 31, 2016.

**Net Pension Asset** - At December 31, 2016, the District reported an asset of \$2,656 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating departments, actuarially determined. At December 31, 2015, the District's proportion was 0.150666% compared to 0.149181% measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$39,602.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued**

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between actual and expected experience	\$ 21,481	\$ 3,136
Changes in assumptions	41,719	-
Net difference between actual and projected earnings on pension plan investments	135,179	-
Changes in proportion and differences between District contributions and proportionate share of contributions	(7,900)	-
District contributions subsequent to measurement date	58,656	-
<b>Total</b>	<b>\$ 249,135</b>	<b>\$ 3,136</b>

The \$58,656 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an adjustment against the net pension asset in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ended</b>	<b>Amortization</b>
<b><u>December 31,</u></b>	<b><u>Amortization</u></b>
2017	\$ 40,218
2018	40,218
2019	40,218
2020	36,866
2021	5,585
Thereafter	24,238
	<b>\$ 187,343</b>

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.00%
Inflation	2.50%

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued**

Mortality rates were based on the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the table below.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected rate of return</u>
Global Equity	37%	6.50%
Equity Long/Short	10%	4.70%
Illiquid Alternatives	20%	8.00%
Fixed Income	16%	1.50%
Absolute Return	11%	4.10%
Managed Futures	4%	3.00%
Cash	2%	0.00%
<b>Total</b>	<u>100%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s 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 calculated using the discount rate of 7.50 percent, 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 (6.50 percent), or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Collective net pension liability (asset)	\$ 246,949,671	\$ (1,762,854)	\$ (208,061,345)
Proportionate share of net pension liability	\$ 372,069	\$ (2,656)	\$ (313,478)

**Pension plan fiduciary net position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – SECTION 457 DEFERRED COMPENSATION PLAN**

The District offers its paid responder personnel an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 (“457 Plan”). All compensation deferred under the 457 Plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are to be held in trust for exclusive benefit of the participants and their designated beneficiaries. Compensation deferred under the 457 Plan is not available to participants until termination, retirement, death, or unforeseeable emergency. The 457 Plan is administered by FPPA.

Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District does not contribute to the 457 Plan. For the year ended December 31, 2016, employee contributions totaled \$9,810.

The individual participants determine investment decisions within the 457 Plan and, therefore, the 457 Plan’s investment concentration varies between the participants. The District, as trustee of the 457 Plan, has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the 457 Plan. Consequently, the 457 Plan is not part of the District’s financial statements.

**NOTE 8 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS**

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures, plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserve funds. The reserve fund must equal at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The statement of net position indicates that an amount of \$72,104 is reserved for emergencies.

TABOR is complex and subject to interpretation. Some provisions of TABOR are unclear and will require further judicial interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation. No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs, or to engage in any subsequent financing activities.

The District believes it has complied with all aspects of the TABOR amendment.

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS - Continued**

In November 1996, the voters of the District approved a mill levy increase of 2.931 mills commencing January 1, 1997 and thereafter, and approved increases to the mill levy in future years up to annual inflation plus local growth. The voters also approved that the District shall be entitled to collect and spend the full revenues from such tax increases without any other limitation or condition, and without limiting the collection or spending of any other revenues or funds by the District, under Article X, Section 20 of the Colorado Constitution or any other law.

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for most risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 10 – COMPENSATED ABSENCES**

Paid personnel are entitled to take vacation annually. At December 31, 2016, there was \$22,655 in unpaid vacation benefits accrued.

**NOTE 11 – CONTINGENCIES**

The District has pending and threatened claims which are being handled by the District's insurance carrier. The management believes any and all settled claims will be covered by insurance and not result in payments by the District.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 10, 2017, the date on which the financial statements were available to be released.

***REQUIRED SUPPLEMENTAL INFORMATION***

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE,  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual budgetary basis</u>	<u>Variance with final budget favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
General property tax	\$ 1,906,930	\$ 1,906,930	\$ 1,903,932	\$ (2,998)
Specific ownership tax	215,000	215,000	219,427	4,427
Fire and emergency medical services	27,000	27,000	131,272	104,272
Miscellaneous	-	-	98,666	98,666
Investment earnings	4,500	4,500	1,882	(2,618)
<b>Total revenues</b>	<u>2,153,430</u>	<u>2,153,430</u>	<u>2,355,179</u>	<u>201,749</u>
<b>Expenditures</b>				
General and administrative	150,900	150,900	115,422	35,478
Operations	2,086,050	2,086,050	1,868,443	217,607
Maintenance	68,500	68,500	74,688	(6,188)
Training and associations	51,500	51,500	37,122	14,378
Prevention, safety, and community service	27,000	27,000	38,113	(11,113)
Debt service	62,613	62,613	62,613	-
Capital outlay	188,500	188,500	207,061	(18,561)
<b>Total expenditures</b>	<u>2,635,063</u>	<u>2,635,063</u>	<u>2,403,462</u>	<u>231,601</u>
<b>Net change in fund balance</b>	(481,633)	(481,633)	(48,283)	433,350
<b>Beginning fund balance, January 1</b>	<u>1,314,955</u>	<u>1,314,955</u>	<u>1,316,545</u>	<u>1,590</u>
<b>Ending fund balance, December 31</b>	<u>\$ 833,322</u>	<u>\$ 833,322</u>	<u>\$ 1,268,262</u>	<u>\$ 434,940</u>

See notes to required supplementary information

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY/(ASSET)  
FIRE POLICE STATEWIDE DEFINED BENEFIT PLAN  
AS OF DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability/(asset)	0.15%	0.15%	0.15%
District's proportionate share of the net pension liability/(asset)	\$ (2,656)	\$ (168,362)	\$ (127,075)
District's covered-employee payroll	\$ 730,000	\$ 653,000	\$ 617,000
District's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-0.36%	-25.78%	-20.60%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	106.80%	105.80%

The amounts presented for each fiscal year were determined as of the District's measurement date (the calendar year-end that occurred one year prior to the fiscal year-end). Information is only available beginning in fiscal year 2014.

See notes to required supplementary information

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 58,656	\$ 58,430	\$ 52,225
Contributions in relation to the statutorily required contribution	58,656	58,430	52,225
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	733,000	730,000	653,000
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

Information is only available beginning in fiscal year 2014.

See notes to required supplementary information

***NOTES REQUIRED SUPPLEMENTAL INFORMATION***

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2016**

**BUDGETARY INFORMATION**

Cimarron Hills First Protection District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the Fire Chief submits to the Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The District adopts budgets for all funds. The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

**PENSION INFORMATION**

**Changes in Plan Provisions** - The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2017 as a result of the member election.

**Benefit Adjustments** - Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0% to 3%. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

***SUPPLEMENTAL INFORMATION***

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
SCHEDULES TO FINANCIAL STATEMENTS  
DETAILED EXPENDITURES - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>budgetary basis</b>
<b>General and administrative</b>			
Audit and consulting	\$ 12,500	\$ 12,500	\$ 10,213
Awards and incentives	20,000	20,000	19,826
Bank service charges	5,000	5,000	1,925
Bookkeeping	5,000	5,000	4,135
County Treasurer fees	30,000	30,000	28,559
Data automation support	6,000	6,000	4,859
Election	10,000	10,000	5,425
Legal fees and notices	30,000	30,000	19,370
Office and administration supplies	4,000	4,000	4,649
Office and administration equipment	16,900	16,900	2,359
Tax abatement refunds	11,500	11,500	14,102
<b>Total general and administrative</b>	<b>\$ 150,900</b>	<b>\$ 150,900</b>	<b>\$ 115,422</b>
<b>Operations</b>			
Utilities	\$ 20,000	\$ 20,000	\$ 16,102
Service delivery and fire suppression	1,500	1,500	42
Facilities housekeeping and supplies	22,000	22,000	7,377
Insurance	16,000	16,000	16,141
EMS/Medical operations	5,300	5,300	5,508
Operations equipment	18,500	18,500	18,251
Protective and personal equipment	16,000	16,000	12,567
Communications operations	27,250	27,250	23,944
Vehicle and apparatus fuel	14,000	14,000	10,083
Salary	1,480,000	1,480,000	1,379,210
Benefits	351,500	351,500	290,190
Unemployment insurance	4,500	4,500	2,798
Workers compensation insurance	73,500	73,500	72,253
Health and wellness program	23,000	23,000	4,452
Volunteer stipend and incentive support	6,000	6,000	1,725
Director stipend	7,000	7,000	7,800
<b>Total operations</b>	<b>\$ 2,086,050</b>	<b>\$ 2,086,050</b>	<b>\$ 1,868,443</b>

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**CIMARRON HILLS FIRE PROTECTION DISTRICT  
SCHEDULES TO FINANCIAL STATEMENTS  
DETAILED EXPENDITURES - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

Continued from page 36

	<b>Budgeted Amounts</b>		<b>Actual budgetary basis</b>
	<b>Original</b>	<b>Final</b>	
<b>Maintenance</b>			
Structures, roads and ground	\$ 12,000	\$ 12,000	\$ 12,029
EMS/Medical equipment	1,000	1,000	1,119
Fire and general equipment	3,000	3,000	2,464
Office and administrative equipment	2,000	2,000	2,562
Fixed support equipment	4,500	4,500	2,628
Communications	3,000	3,000	3,240
Vehicle and apparatus	40,000	40,000	48,726
Protective and personal equipment	3,000	3,000	1,920
<b>Total maintenance</b>	<b>\$ 68,500</b>	<b>\$ 68,500</b>	<b>\$ 74,688</b>
<b>Training and associations</b>			
Fire	\$ 27,000	\$ 27,000	\$ 19,323
EMS/Medical	11,000	11,000	3,316
Administrative and executive	10,000	10,000	12,248
Association fee and dues	3,000	3,000	1,754
Subscription services	500	500	481
<b>Total training and associations</b>	<b>\$ 51,500</b>	<b>\$ 51,500</b>	<b>\$ 37,122</b>
<b>Prevention, safety and community service</b>			
Plans, permits and code compliance inspections	\$ 15,000	\$ 15,000	\$ 27,539
Plans, permits, and code compliance administration	500	500	93
Community information publications	4,500	4,500	3,822
Prevention training	2,000	2,000	1,773
Prevention education and community outreach	5,000	5,000	4,886
<b>Total prevention, safety and community service</b>	<b>\$ 27,000</b>	<b>\$ 27,000</b>	<b>\$ 38,113</b>

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**CIMARRON HILLS FIRE PROTECTION DISTRICT  
SCHEDULES TO FINANCIAL STATEMENTS  
DETAILED EXPENDITURES - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

Continued from page 37

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>budgetary</u>
			<u>basis</u>
<b>Debt service</b>			
Principal - 2007 lease purchase	\$ 52,807	\$ 52,807	\$ 52,807
Interest - 2007 lease purchase	9,806	9,806	9,806
<b>Total debt service</b>	<u>\$ 62,613</u>	<u>\$ 62,613</u>	<u>\$ 62,613</u>
 <b>Capital outlay</b>			
Structures, roads and grounds	\$ 132,000	\$ 132,000	\$ 14,757
General equipment	14,000	14,000	12,049
Communications	17,000	17,000	11,725
Vehicles and apparatus	18,000	18,000	17,745
Protective and personal	7,500	7,500	150,785
<b>Total capital outlay</b>	<u>\$ 188,500</u>	<u>\$ 188,500</u>	<u>\$ 207,061</u>

See notes to financial statements

**CIMARRON HILLS FIRE PROTECTION DISTRICT  
 FIVE-YEAR SUMMARY OF ASSESSED VALUATION,  
 MILL LEVY AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2016**

<u>December 31,</u>	<u>Prior valuation for current year tax levy</u>	<u>Mills levied (all funds)</u>	<u>Total Property Taxes</u>		<u>Percent collected to levied</u>
			<u>Levied</u>	<u>Collected currently</u>	
2012	\$ 131,983,840	12.150	\$ 1,603,604	\$ 1,598,110	99.66 %
2013	\$ 132,666,620	14.390	\$ 1,909,073	\$ 1,913,064	100.21 %
2014	\$ 123,080,390	14.390	\$ 1,771,127	\$ 1,776,710	100.32 %
2015	\$ 123,752,010	15.290	\$ 1,892,168	\$ 1,867,244	98.68 %
2016	\$ 124,750,120	15.286	\$ 1,906,930	\$ 1,903,932	99.84 %

**Estimated for the year ending December 31:**

2017	\$ 125,465,840	15.286	\$ 1,917,871		
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**NOTE: Property taxes collected in any one year includes collection of delinquent property taxes levied and/or abatements of valuations in previous years.**