

FLORISSANT FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
REQUIRED ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016

E

RECEIVED

Office of the State Auditor

March 20, 2018

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent auditors' report	1
Management's discussion and analysis	3
Financial statements	
Statement of net position and governmental fund balance sheet	8
Reconciliation of the governmental fund balance sheet to the statement of net position	9
Statement of activities and governmental fund revenue, expenditures and change in fund balances	10
Reconciliation of the governmental funds statement of revenue, expenditures and change in fund balances to the statement of activities	11
Notes to financial statements	12
Required supplementary information	
Schedule of revenue, expenditures and changes in fund balance budget and actual - governmental fund	23

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 AUDITORS' REPORT

Board of Directors
Florissant Fire Protection District
Florissant, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Florissant 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

The District's 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. 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 qualified and unmodified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified

INDEPENDENT AUDITORS' REPORT - CONTINUED

Page 2

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 8 to the financial statements, Management has not calculated the District's proportionate share of the pension plan's net pension asset or included the required pension schedules for the District's defined benefit pension plan. Accounting principles generally accepted in the United States of America require the District's proportionate share of the pension plan's net pension asset be included in the Statement of Net Position, along with related deferred inflows and deferred outflows of resources. The District's current year pension plan contributions would be included in deferred outflows of resources and the change in the District's proportionate share of the pension plan's net pension asset would be included as an expense in the Statement of Activities. The amount by which this departure would affect the assets, deferred inflows of resources, deferred outflows of resources, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of December 31, 2016, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the District as of December 31, 2016, and the 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 and the Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - Governmental Fund, 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.



Colorado Springs, Colorado

March 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FLORISSANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

This Management's Discussion and Analysis (MD&A) for the year ended December 31, 2016, is designed to provide an overview of the financial activities of the Florissant Fire Protection District (District) during 2016, and the integration of those activities within the long-range programs and planning of the District. The MD&A should be read in conjunction with the District's basic financial statements.

Background information

The Florissant Fire Protection District is a Special District organization under the provisions of the State of Colorado to provide fire suppression and protection and emergency services to the residents and visitors of the District

Overview of financial statements

The content of this memorandum is intended to serve as an introduction to the District's basic financial statements.

Government-wide and fund financial statements

The Government-wide financial statements (statements of net position and activities) are designed to provide readers with a broad overview of the District's finances using the economic resources measurement focus and accrual basis of accounting. Revenue is recorded when received and expense is paid and recorded when a liability is incurred.

Every fund, within the accounts of the District, is considered an individual fiscal and accounting unit. Each fund contains a self-balancing set of accounts that record cash and/or other assets with related liabilities, obligations, reserves and equities that have been specified for individual activities or objectives.

The District used a general fund to monitor its financial resources in 2016. The District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided to demonstrate compliance with the accepted budget.

**FLORISSANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Comparative statements of net position and comments relating to significant changes follows:

	Condensed		
	Statement of Net Position		
	2016	2015	Increase
	(Audited)	(Unaudited)	(Decrease)
Assets			
Current	\$ 807,322	\$ 729,149	\$ 78,173
Capital assets (net of depreciation)	570,351	561,809	8,542
Total assets	<u>\$ 1,377,673</u>	<u>\$ 1,290,958</u>	<u>\$ 86,715</u>
Liabilities			
Current	\$ 54,864	\$ 42,644	\$ 12,220
Long-term	121,898	148,834	(26,936)
Total liabilities	<u>176,762</u>	<u>191,478</u>	<u>(14,716)</u>
Deferred inflows of resources			
Unearned tax revenue	<u>300,299</u>	<u>297,763</u>	<u>2,536</u>
Net position			
Investment in capital assets net of related debt	421,518	387,323	34,195
Restricted for emergencies	11,000	8,585	2,415
Unrestricted	468,094	405,809	62,285
Total net position	<u>\$ 900,612</u>	<u>\$ 801,717</u>	<u>\$ 98,895</u>

Current Assets

Current assets increased due to a \$53,000 increase in cash and a \$22,000 increase in accounts receivable. Two accounts receivable accruals were recorded at year-end for 2016 deployment reimbursements.

Liabilities

Long-term liabilities continue to decrease as payments on the District's lease obligation are made.

**FLORISSANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Comparative statements of activities and comments relating to significant changes follows:

	Condensed		Increase (decrease)
	Statement of Activities		
	2016	2015	
	(Audited)	(Unaudited)	
Revenue			
Program revenue			
Deployment reimbursements	\$ 49,802	\$ -	\$ 49,802
Operating grants and contributions	11,304	12,195	(891)
Capital grants and contributions	29,000	-	29,000
General revenue			
Property tax	299,655	244,671	54,984
Specific ownership tax	26,283	25,033	1,250
Other revenue	5,101	11,619	(6,518)
Total revenue	<u>421,145</u>	<u>293,518</u>	<u>127,627</u>
Expense			
Administrative	172,264	141,600	30,664
Supplies, maintenance and utilities	114,886	110,184	4,702
Depreciation	27,018	27,703	(685)
Debt service			
Interest	8,082	9,335	(1,253)
Total expense	<u>322,250</u>	<u>288,822</u>	<u>33,428</u>
Change in net position	<u>\$ 98,895</u>	<u>\$ 4,696</u>	<u>\$ 94,199</u>

Revenue

Revenue increased because of increased property taxes, receipt of a large grant, money raised at a fundraising event, and increased deployment reimbursements.

Expense

Expenses increased due to increased deployment expenses.

**FLORISSANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

An analysis of budgeted amounts follows:

	Budgeted amounts		Change
	Original	Final	
Revenue			
Property tax	\$ 297,739	\$ 297,739	\$ -
Specific ownership tax	22,000	22,000	-
Operating grants and contributions	750	750	-
Recoveries	2,000	2,000	-
Investment income	850	850	-
Total revenue	323,339	323,339	-
Operating expenditures			
Administrative	138,600	138,600	-
Equipment repairs and maintenance	9,500	9,500	-
Station maintenance and supplies	19,000	19,000	-
New equipment and supplies	50,500	50,500	-
Training and education	13,500	13,500	-
Utilities	27,075	27,075	-
Vehicles	23,550	23,550	-
Capital outlay	7,239	7,239	-
Debt service			
Principal	25,652	25,652	-
Interest	8,723	8,723	-
Total expenditures	323,339	323,339	-

There was no modification to the original budget adopted.

**FLORISSANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

A comparison of the final budget (non-GAAP basis) and actual budgetary basis, with comments concerning significant variances follows:

	<u>Budgeted amounts</u>		<u>Actual budgetary basis</u>	<u>Variance with final budget favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Property tax	\$ 297,739	\$ 297,739	\$ 299,655	\$ 1,916
Specific ownership tax	22,000	22,000	26,283	4,283
Operating grants and contributions	750	750	11,304	10,554
Capital grants and contributions	-	-	29,000	29,000
Deployment reimbursements	-	-	27,657	27,657
Recoveries	2,000	2,000	348	(1,652)
Investment income	850	850	1,326	476
Other income	-	-	3,427	3,427
Total revenue	<u>323,339</u>	<u>323,339</u>	<u>399,000</u>	<u>75,661</u>
Operating expenditures				
Administrative	138,600	138,600	150,841	(12,241)
Equipment repairs and maintenance	9,500	9,500	6,442	3,058
Station maintenance and supplies	19,000	19,000	20,519	(1,519)
New equipment and supplies	50,500	50,500	43,229	7,271
Training and education	13,500	13,500	4,149	9,351
Utilities	27,075	27,075	28,869	(1,794)
Vehicles	23,550	23,550	21,523	2,027
Capital outlay	7,239	7,239	35,561	(28,322)
Debt service				
Principal	25,652	25,652	25,652	-
Interest	8,723	8,723	8,723	-
Total expenditures	<u>323,339</u>	<u>323,339</u>	<u>345,508</u>	<u>(22,169)</u>
Revenue over (under) expenditures (non-GAAP basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,492</u>	<u>\$ 53,492</u>

Variance with final budget

The District received more deployment reimbursements, grants, and donations than budgeted. The District spent more on deployment expenses and capital outlays than budgeted.

Requests for information

Additional information or questions may be addressed by contacting The Florissant Fire Protection District at Post Office Box 502, Florissant, CO 80816.

FINANCIAL STATEMENTS

FLORISSANT FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2016

	Governmental fund	Adjustments	Statement of net position
Assets			
Cash	\$ 474,759	\$ -	\$ 474,759
Cash with County Treasurer	2,176	-	2,176
Property tax receivable	300,299	-	300,299
Accounts receivable	22,146	-	22,146
Prepaid expense	7,942	-	7,942
Capital assets (net of depreciation)	-	570,351	570,351
Total assets	\$ 807,322	570,351	\$ 1,377,673
Liabilities			
Accounts payable and accrued expense	\$ 24,208	-	\$ 24,208
Accrued interest	-	3,721	3,721
Current portion of lease obligation	-	26,935	26,935
Long-term portion of lease obligation	-	121,898	121,898
Total liabilities	24,208	152,554	\$ 176,762
Deferred inflows of resources			
Unearned tax revenue	300,299	-	\$ 300,299
Fund balances			
Restricted for emergencies	11,000	(11,000)	-
Unspendable	7,942	(7,942)	-
Unassigned	463,873	(463,873)	-
Total fund balance	482,815	(482,815)	-
Total liabilities and fund balances	\$ 807,322		
Net position			
Investment in capital assets net of related debt		421,518	421,518
Restricted for emergencies		11,000	11,000
Unrestricted		468,094	468,094
Total net position		\$ 900,612	\$ 900,612

See accompanying notes

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

Fund balance per the governmental fund balance sheet \$ 482,815

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

Capital assets used in government activities are not current financial resources and are not reported as assets in the governmental funds. Capital assets at year end consist of

Land	\$ 61,701	
Depreciable assets	1,547,495	
Accumulated depreciation	(1,038,845)	
Net capital assets	570,351	570,351

Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of

Accrued interest payable	(3,721)	
Capital leases	(148,833)	
Total long-term liabilities	(152,554)	(152,554)

Total net position \$ 900,612

See accompanying notes

FLORISSANT FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016

	<u>Governmental fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
Expenditure/expense			
Current			
Administrative	\$ 172,264	\$ -	\$ 172,264
Equipment repairs and maintenance	6,442	-	6,442
Station maintenance and supplies	20,972	-	20,972
New equipment and supplies	35,686	-	35,686
Training and education	4,149	-	4,149
Utilities	25,803	-	25,803
Vehicles	21,834	-	21,834
Depreciation	-	27,018	27,018
Capital outlay	35,560	(35,560)	-
Debt service			
Principal	25,652	(25,652)	-
Interest	8,724	(642)	8,082
Total expenditure/expense	<u>357,086</u>	<u>(34,836)</u>	<u>322,250</u>
Revenue			
Program revenue			
Deployment reimbursements	49,802	-	49,802
Operating grants and contributions	11,304	-	11,304
Capital grants and contributions	29,000	-	29,000
Total program revenue	<u>90,106</u>	<u>-</u>	<u>90,106</u>
Net expenditure/expense	<u>(266,980)</u>	<u>34,836</u>	<u>(232,144)</u>
General revenue			
Property tax	299,655	-	299,655
Specific ownership tax	26,283	-	26,283
Investment income	1,326	-	1,326
Recoveries	348	-	348
Other income	3,427	-	3,427
Total general revenue	<u>331,039</u>	<u>-</u>	<u>331,039</u>
Revenue over expenditure	64,059	(64,059)	-
Change in net position	-	98,895	98,895
Fund balance/net position			
Beginning of the year	418,756	382,961	801,717
End of the year	<u>\$ 482,815</u>	<u>\$ 417,797</u>	<u>\$ 900,612</u>

See accompanying notes

**FLORISSANT FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Total net change in fund balances - governmental funds \$ 64,059

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

Capital outlay is reported in the governmental funds as an expenditure. However, in the statement of activities, the cost of acquired assets is allocated over their estimated useful lives as depreciation expense. The detail of capital outlay and depreciation expense follows:

Capital outlay	\$ 35,560	
Depreciation expense	<u>(27,018)</u>	
		8,542

Repayment of the principal portion of capital lease obligations is an expenditure in the governmental funds, but the payment reduces the long-term debt in the statement of net position. 25,652

Interest expense on capital lease obligations in the statement of activities differs from the amount reported in the governmental funds because interest expense is recognized as an expenditure in the funds when payment is due. In the statement of activities, interest expense is recognized as it accrues regardless of when it is due. The change in interest accrual reported in the statement of activities is the result of accruing interest on capital leases. 642

Change in net position \$ 98,895

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Florissant Fire Protection District (District) uses volunteer firefighters and emergency medical technicians to provide firefighting and emergency medical services to the residents of Teller County, Colorado.

Financial reporting entity - The District is a special district governed by an elected five-member board. The District applies the criteria set forth in GASB Statement #14, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units based on the elected officials accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to, fiscal dependency, imposition of will, legal standing, and the primary recipient of services. The District has no component units for which either discrete or blended presentation is required.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

The District's annual financial report includes the accounts and funds of all District operations presented in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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 nonfiduciary activities of the government. The statement of activities demonstrates the degree to which the direct expenses 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.

Fund financial statements - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into the general fund governmental fund type.

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.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset. Property tax is recorded as unearned revenue when levied even though a portion of the tax may be collected in subsequent years. Property tax is recognized as revenue when the money is available in the following year. Other income is recorded when received in cash because it is generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Budget accounting - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include "anticipated income and other means of financing proposed expenditures", and expenditures include, in addition to those shown in the operating statements, debt redemptions and capital expenditures. The budget is adopted on the cash basis of accounting, which is a non-GAAP basis.

Budgets - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. State law for all funds requires budgets. During September, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
- B. Public hearings are conducted by the Directors to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted and appropriations made by formal resolution.
- D. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets - Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets having an estimated life in excess of one year. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 3 - 40 years.

Property tax/deferred revenue - Upon certification of the amount of levy by the District to Teller County, 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.

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

Net position classifications - The government-wide financial statements classifies net position in the following categories:

Invested in capital assets, net of related debt - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction, or improvement of capital assets.

Restricted net position - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted net position - this classification represents the remainder of net position that does not meet the definition of “invested in capital assets, net of related debt”, or “restricted net position”.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund balance classifications - The governmental fund financial statements present fund balances on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications available to be used are as follows:

Non-spendable - 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 notes receivable.

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.

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 balance.

Unassigned - this is the residual classification for the general fund.

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.

NOTE 1 – DEPOSITS

Deposits - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the depository institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Deposits are categorized to give an indication of the risk assumed by the District at the end of the year. Category 1) includes deposits that are insured. Category 2) includes collateralized deposits held by the pledging institution’s trust department or agent in the District’s name. Category 3) includes uncollateralized, uninsured deposits.

Custodial credit risk deposits - 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. Throughout the year, the District’s deposits are in excess of the Federal Deposit Insurance Corporation (FDIC) limit but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution through the PDPA.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – CAPITAL ASSETS

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets				
Land	\$ 61,701	\$ -	\$ -	\$ 61,701
Buildings	645,756	-	-	645,756
Equipment	206,327	35,560	-	241,887
Vehicles	659,852	-	-	659,852
Total capital assets at historical cost	<u>1,573,636</u>	<u>35,560</u>	<u>-</u>	<u>1,609,196</u>
Less accumulated depreciation for				
Buildings	(176,028)	(17,076)		(193,104)
Equipment	(177,597)	(8,792)		(186,389)
Vehicles	<u>(658,202)</u>	<u>(1,150)</u>		<u>(659,352)</u>
Total accumulated depreciation	<u>(1,011,827)</u>	<u>(27,018)</u>	<u>-</u>	<u>(1,038,845)</u>
Capital assets, net	<u>\$ 561,809</u>	<u>\$ 8,542</u>	<u>\$ -</u>	<u>\$ 570,351</u>

Depreciation expense for the year ended December 31, 2016 was \$27,018.

NOTE 3 – CAPITAL LEASE OBLIGATIONS

During 2006, the District entered into a lease/purchase agreement for the construction of a new fire station and training center. The agreement provides for 15 annual payments of \$34,377 including interest of 5.0%. Terms of the lease allow return of the property and cancellation of the remaining lease obligation should the Board of Directors fail to appropriate funds to meet the required lease payments. At December 31, 2016, the current and long-term portions of lease obligation were \$26,935 and \$121,898, respectively. Depreciation for assets acquired through capital lease is included in depreciation expense (see NOTE 2 – CAPITAL ASSETS).

Assets acquired through capital leases are:

Buildings	\$ 451,391
Accumulated depreciation	<u>(108,424)</u>
	<u>\$ 342,967</u>

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CAPITAL LEASE OBLIGATIONS - Continued

The following is a summary of changes in general lease obligations:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 174,485	\$ -	\$ (25,652)	\$ 148,833	\$ 26,935

The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,935	\$ 7,442	\$ 34,377
2018	28,282	6,095	34,377
2019	29,696	4,681	34,377
2020	31,181	3,196	34,377
2021	32,739	1,638	34,377
	<u>\$ 148,833</u>	<u>\$ 23,052</u>	<u>\$ 171,885</u>

NOTE 4 – OPERATING LEASE OBLIGATIONS

In January 2016, the District entered into a 60-month copier lease with monthly payments of \$72. Total copier lease expense for the year ended December 31, 2016, was \$1,019.

Future minimum lease payments are:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 864
2018	864
2019	864
2020	864
	<u>\$ 3,456</u>

NOTE 5 – TAX, SPENDING, 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. In general, the TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the District.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – TAX, SPENDING, AND DEBT LIMITATIONS - Continued

Some provisions of TABOR are unclear and will require further 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.

TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. 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 carries an amount of \$11,000 restricted for emergencies.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are managed through the purchase of commercial insurance.

NOTE 7 – 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.

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.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

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.

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 \$1,064 for the year ended December 31, 2016, which the contributions recognized as pension expense.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – FIRE & POLICE STATEWIDE DEFINED BENEFIT PLAN - Continued

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%

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.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – 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%
Total	<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 Plan net pension liability to changes in the discount rate - The following presents the Plan net pension liability calculated using the discount rate of 7.50 percent, as well as what the Plan 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)

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.

NOTE 8 – GAAP DEPARTURE

The District has not calculated its proportionate share of the pension plan’s net pension asset as required by accounting principles generally accepted in the United States of America or included the required pension schedules for the District’s defined benefit plan (see NOTE 7). The District’s pension expense equals the District’s 2016 pension contributions.

**FLORISSANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – BUDGET LAW VIOLATION

During the year ended December 31, 2016, the District's General Fund had excess expenditures over appropriations of approximately \$22,000.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**FLORISSANT FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP) - GOVERNMENTAL 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>		
Revenue				
Property tax	\$ 297,739	\$ 297,739	\$ 299,655	\$ 1,916
Specific ownership tax	22,000	22,000	26,283	4,283
Operating grants and contributions	750	750	11,304	10,554
Capital grants and contributions	-	-	29,000	29,000
Deployment reimbursements	-	-	27,657	27,657
Recoveries	2,000	2,000	348	(1,652)
Investment income	850	850	1,326	476
Other income	-	-	3,427	3,427
Total revenue	<u>323,339</u>	<u>323,339</u>	<u>399,000</u>	<u>75,661</u>
Operating expenditures				
Administrative	138,600	138,600	150,841	(12,241)
Equipment repairs and maintenance	9,500	9,500	6,442	3,058
Station maintenance and supplies	19,000	19,000	20,519	(1,519)
New equipment and supplies	50,500	50,500	43,229	7,271
Training and education	13,500	13,500	4,149	9,351
Utilities	27,075	27,075	28,869	(1,794)
Vehicles	23,550	23,550	21,523	2,027
Capital outlay	7,239	7,239	35,560	(28,321)
Debt service				
Principal	25,652	25,652	25,652	-
Interest	8,723	8,723	8,724	(1)
Total expenditures	<u>323,339</u>	<u>323,339</u>	<u>345,508</u>	<u>(22,169)</u>
Revenue over expenditures (non-GAAP basis)				
	<u>\$ -</u>	<u>\$ -</u>	53,492	<u>\$ 53,492</u>
GAAP adjustments				
Accounts receivable			22,146	
Accounts payable and accrued expense			<u>(11,579)</u>	
Revenue over (under) expenditure (GAAP basis)				
			64,059	
Fund balance				
Beginning of the year			<u>418,756</u>	
End of the year			<u>\$ 482,815</u>	