

Foothills Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



RECEIVED

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Foothills Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the Foothills Fire Protection District (the "District"), as of and for the year ended December 31, 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinions on the Financial Statements

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Foothills Fire Protection District, as of December 31, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Omission of Required Supplementary Information

The Board of Directors has elected to omit the overall District Management's Discussion and Analysis and the supplementary 10-year fiscal history of the changes, components and related ratios related to the District's net pension liability, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Marc, James and Associates, PC

Highlands Ranch, Colorado
May 16, 2017

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Foothills Fire Protection District

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

Cash and cash equivalents	\$ 1,342,828
Restricted cash	26,900
Due from Jefferson County	5,408
Property taxes receivable	789,609
Prepaid expenses	12,535
Capital assets, net of accumulated depreciation of \$1,573,949	
Capital assets not being depreciated	
Land	138,180
Capital assets being depreciated	
Buildings	425,668
Vehicles	1,038,534
Equipment	502,916

Total capital assets	<u>2,105,298</u>
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Total assets	4,282,578
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DEFERRED OUTFLOWS OF RESOURCES	186,270
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LIABILITIES

Accounts payable	12,945
Accrued expenses	497
Net pension liability	412,490

Total liabilities	<u>425,932</u>
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DEFERRED INFLOWS OF RESOURCES	789,609
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NET POSITION

Invested in capital assets	2,105,298
Restricted for emergencies	26,900
Unrestricted	1,121,109

Total net position	<u><u>\$ 3,253,307</u></u>
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Foothills Fire Protection District

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

Program expenses	
Public safety	
Administration	\$ 346,822
Emergency medical services	4,267
Wildland and structural	1,040
Fleet maintenance	17,188
Fuel	7,374
Communications	6,256
Equipment maintenance	8,731
Stations, buildings and grounds	4,038
Training	10,505
Durable equipment	30,484
Pension expense	59,438
Depreciation	171,518
Total program expenses	667,661
Program revenues	
Response and permit fees	13,012
Grants and donations	50,969
Total program revenue	63,981
Net program expenses	603,680
General revenue	
Property taxes	792,335
Specific ownership taxes	58,240
Investment income	8,489
Total general revenue	859,064
CHANGE IN NET POSITION	255,384
NET POSITION - beginning of the year	2,997,923
NET POSITION - end of the year	<u><u>\$ 3,253,307</u></u>

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

FUND FINANCIAL STATEMENTS

Foothills Fire Protection District
BALANCE SHEET - GENERAL FUND
December 31, 2016

ASSETS	
Cash and cash equivalents	\$ 1,342,828
Restricted cash	26,900
Due from Jefferson County	5,408
Property taxes receivable	789,609
Prepaid expenses	<u>12,535</u>
Total assets	<u><u>\$ 2,177,280</u></u>
LIABILITIES	
Accounts payable	\$ 12,945
Accrued liabilities	<u>497</u>
Total liabilities	<u>13,442</u>
DEFERRED INFLOWS OF RESOURCES	789,609
FUND BALANCE	
Nonspendable	12,535
Restricted	26,900
Assigned	448,439
Unassigned	<u>886,355</u>
Total fund balance	<u>1,374,229</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 2,177,280</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Total fund balance	\$ 1,374,229
Amounts reported for governmental activities in the Statement of Net Position are different due to:	
The net pension liability reflected in the Statement of Net Position is not due and payable in the current period and therefore is not reported in the general fund,	(412,490)
Deferred outflows associated with the recording of the net pension liability in the Statement of Net Position are not resources in the general fund and are not reported in the general fund,	186,270
Capital assets reflected in the Statement of Net Position are not financial resources in the general fund and therefore are not reported in the general fund, net of accumulated depreciation of \$1,573,581.	<u>2,105,298</u>
Total net position	<u><u>\$ 3,253,307</u></u>

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

Foothills Fire Protection District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GENERAL FUND

For the Year Ended December 31, 2016

Revenue	
Property taxes	\$ 792,335
Specific ownership taxes	58,240
Response and permit fees	13,012
Interest income	8,489
Grants and donations	<u>6,769</u>
Total revenue	878,845
Expenditures	
Public safety	
Administration	346,822
Emergency medical services	4,267
Wildland and structural	1,040
Fleet maintenance	17,188
Fuel	7,374
Communications	6,256
Equipment maintenance	8,731
Stations, buildings and grounds	4,038
Training	10,505
Durable equipment	23,875
Pension contribution	100,000
Capital outlay	
Vehicles	22,552
Equipment	64,513
Stations, buildings and grounds	<u>23,080</u>
Total expenditures	<u>640,241</u>
CHANGE IN FUND BALANCE	238,604
FUND BALANCE - beginning of the year	<u>1,135,625</u>
FUND BALANCE - end of the year	<u><u>\$ 1,374,229</u></u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - GENERAL FUND TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

Change in fund balance - general fund	\$ 238,604
Amounts reported for governmental activities in the Statement of Activities are different due to:	
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 as depreciation expense. This is the amount of capital assets recorded in the current year,	
	147,736
The difference between the pension expense as reflected in the Statement of Activities and the pension contribution as reflected in the general fund,	
	40,562
Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such depreciation expense is not reported as an expenditure in the general fund,	
	<u>(171,518)</u>
Change in net position - statement of activities	<u><u>\$ 255,384</u></u>

Foothills Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 786,866	\$ 792,335	\$ 5,469
Specific ownership taxes	45,000	58,240	13,240
Response and permit fees	15,750	13,012	(2,738)
Grants and donations	2,000	6,769	4,769
Interest income	1,000	8,489	7,489
Total revenue	850,616	878,845	28,229
Expenditures			
Operations			
Administration	368,672	346,822	(21,850)
Emergency medical services	11,000	4,267	(6,733)
Fleet maintenance	40,000	17,188	(22,812)
Wildland and structural	15,000	1,040	(13,960)
Fuel	15,000	7,374	(7,626)
Communications	25,000	6,256	(18,744)
Equipment maintenance	14,000	8,731	(5,269)
Durable equipment	55,000	23,875	(31,125)
Stations, buildings and grounds	38,000	4,038	(33,962)
Training	25,000	10,505	(14,495)
Pension contribution	100,000	100,000	-
Capital outlay			
Vehicles	-	22,552	22,552
Equipment	-	64,513	64,513
Stations, building and grounds	-	23,080	23,080
Total expenditures	706,672	640,241	(66,431)
CHANGE IN FUND BALANCE	\$ 143,944	238,604	\$ 94,660
FUND BALANCE - beginning of the year		1,135,625	
FUND BALANCE - end of the year		\$1,374,229	

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

Foothills Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Foothills Fire Protection District (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established in 1997, resulting from the consolidation of the Idledale, Lookout Mountain and Mt. Vernon Fire Protection Districts, under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act. The District’s service area is located in Jefferson County, Colorado and the District provides firefighting, rescue and emergency medical services support (“EMS”) to the residents and visitors of the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Accounting Framework

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 non-fiduciary activities of the primary government.

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

Governmental Fund Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Foothills Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Fund Financial Statements - continued

Property taxes, specific ownership taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

For 2016, the District has one Governmental Fund, the *General Fund*, which accounts for all of the financial resources of the District.

3. Cash and Cash Equivalents

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and deferred outflows and inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2016, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

6. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Jefferson County bills and collects the property taxes on behalf of the District and remits the collections, less the County Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has recorded the levied property taxes and the related deferred inflow of resources.

Foothills Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

7. *Emergency Medical Services Support ("EMS") and Response Fees*

The District grants credit to residents, visitors and third-party medical payers for EMS and response services provided by the District. Due to uncertainty related to the collection of the EMS and response fees, the District recognizes the revenue when the payment for such services is received.

8. *Restricted Net Position*

The restriction of net assets represents amounts that may not be appropriated or are legally segregated for a specific purpose.

9. *Capital Assets*

The District's capital assets are recorded at cost if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District's capital assets consist of land, buildings, vehicles and other equipment. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize items less than \$5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of five years to fifty years.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's general fund. An annual appropriated budget is adopted for the general fund. The annual appropriation lapses at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Director's meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s).

Foothills Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – BUDGET INFORMATION - *continued*

Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

State of Colorado Statutes requires a balanced budget. For 2016, the District's budgeted revenues exceeded budgeted expenditures by \$143,944. It is anticipated the excess of revenues over expenditures will be used by the District to fund the future purchase of capital assets without incurring any debt.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions 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 uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2016, all of the District's deposits were either insured by the FDIC or held in eligible depositories.

At December 31, 2016, the District had \$1,082,557 invested in the Colorado Local Government Liquid Trust ("Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of the U.S. government agencies. The District's investments are in the COLOTRUST PLUS+ portfolio. COLOTRUST is rated AAAM by Standard & Poor's.

The District's has certain investments which are measured at fair value on a recurring basis and are categorized within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value measurement of the District's investment in COLOTRUST at December 31, 2016 is valued using Level 2 inputs.

Foothills Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2016 are as follows:

	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
Capital assets				
Land	\$ 138,180	\$ -	\$ -	\$ 138,180
Buildings	497,679	22,474	-	520,153
Vehicles	2,223,376	-	-	2,223,376
Equipment	672,276	125,262	-	797,538
Total	3,531,511	147,736	-	3,679,247
Accumulated depreciation				
Buildings	(82,302)	(12,184)	-	(94,486)
Vehicles	(1,088,777)	(96,064)	-	(1,184,841)
Equipment	(231,352)	(63,270)	-	(294,622)
Total	(1,402,431)	(171,518)	-	(1,573,949)
Net capital assets	\$ <u>2,129,080</u>	\$ <u>(23,782)</u>	\$ <u>-</u>	\$ <u>2,105,298</u>

The District considers all depreciation expense to be associated with the District's firefighting and EMS operations.

NOTE E – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the District's fund financial statements. Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable – represents amounts that cannot be spent because they are either in nonspendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Foothills Fire Protection District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – FUND BALANCE/NET POSITION - *continued*

Fund Balance - continued

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or an official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2016, the District's general fund balance consisted of the following:

Fund balances:		
Nonspendable	\$	
Prepaid expenses		12,535
Restricted		
TABOR reserve		26,900
Assigned		
Vehicles		253,797
Station improvements		<u>194,642</u>
Total assigned		<u>448,439</u>
Unassigned		<u>886,355</u>
Total fund balance	\$	<u><u>1,374,229</u></u>

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

Foothills Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – FUND BALANCE/NET POSITION - *continued*

Net Position - continued

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE F – PENSION PLANS

Volunteer Firefighters' Pension Plan

Description of the Plan and Benefits Provided

The District, on behalf of its volunteer firefighters, contributes to the District's Volunteer Firefighters' Pension Plan, a defined benefit plan (the "Plan") which is affiliated with the Colorado Fire and Police Pension Association ("FPPA").

In 2014, the District amended the District's Volunteer Firefighters' Pension Plan By-Laws. Under the amended District Volunteer Firefighters' Pension Plan By-Laws, a volunteer firefighter as of or before February 21, 2014 who has obtained the appropriate number of years of service and has not reached the age of 50 or becomes a volunteer firefighter after February 21, 2014 and has the appropriate number of years of service and has not reached the age of 62, upon application to and consent of the Board of Directors, may be granted vested status. As such the volunteer firefighter shall retain all rights to benefits as provided under the District Volunteer Firefighter's Pension Plan. However, the volunteer firefighter will be unable to receive benefits until such time the volunteer firefighter reaches age 50 if the volunteer firefighter was a volunteer firefighter on or before February 21, 2014 or age 62 if the volunteer firefighter became a volunteer firefighter after February 21, 2014.

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Trustees as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	400
Disability Retirement Benefit (monthly)		
Short-term disability for line of duty injury, not to exceed 1 year		200
Long-term disability for line of duty injury, lifetime benefit		200
Survivor Benefits (monthly)		
Death in the line of duty, before retirement eligible		200
Death after normal retirement		200
Death after disability retirement		100
Funeral Benefit, lump sum, one-time only		500

The above benefit provisions were also used to determine the total pension liability, discussed below.

Plan Participants Covered by the Plan as of January 1, 2015

Retirees and beneficiaries	46
Inactive, Non-retired	8
Active	37
Total Participants	91

Foothills Fire Protection District
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE F – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Net Pension Liability and Change in the Net Pension Liability

As defined within GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, ("GASB 68") the Net Pension Liability/(Asset) ("NPL"/"NPA") is the difference between the Total Pension Liability ("TPL") and the Plan's Net Position. This is analogous to the Plan's accrued liability less the market value of the Plan's assets. The TPL/NPA is based upon an actuarial valuation performed as of January 1, 2015 and the measurement date of December 31, 2015. As permitted under GASB 68, the measurement date is within one of the District's fiscal year-end of December 31, 2016, and may be used to fulfill the December 31, 2016 reporting requirements.

The change in the Plan's NPL consists of the following:

Service costs	\$	31,247
Interest on the TPL		137,209
District contribution		(100,000)
State of Colorado supplemental discretionary contribution		(33,120)
Net Plan investment income		(26,484)
Plan administrative expenses		3,450
Change in the Net Pension Liability		12,302
Net Pension Liability – Beginning of the Year		400,188
Net Pension Liability – End of the Year	\$	412,490

As of December 31, 2015, the measurement date, the NPL consisted of the following:

Total Pension Liability	\$	1,906,607
Plan Net Position Available for Benefits		1,494,117
Net Position Liability	\$	412,490
Percentage of Plan Net Position to Total Pension Liability		78.37%

The Plan's NPL is calculated using a Single Discount Rate of 7.50%. The Plan's NPL calculated using a Single Discount Rate that is 1% lower or 1% higher is as follows:

1% Discount 6.50%	7.50%	1% Increase 8.50%
\$ 608,446	\$ 412,490	\$ 247,620

Foothills Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year Ending December 31, 2015

The District makes contributions based upon the District's established benefits, as previously presented and funding requirements based upon the actuarial study. Plan participants do not make contributions. The State of Colorado also may make a supplemental discretionary contribution to the Plan in an amount established by statute.

The actuarially determined contributions are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, as such, the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017. The methods and assumptions used to determine the contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: PR-2000 Combined Mortality Table with Blue Collar Adjustment, Post-retirement :RP-2000 Combined Mortality Table with Blue Collar Adjustment, Disability: RP-2000 Disabled Mortality Table

For the year ended December 31, 2015, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Excess	Ratio
\$ 75,048	\$ 133,120	\$ (58,072)	177.38%

Assumption Changes

In connection with the January 1, 2017 actuarial valuation the rate of inflation will be reduced to 2.5% and the mortality information will be based upon the respective RP-2014 Mortality Tables.

Deferred Outflows and Inflows of Resources

The deferred outflows and inflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the annual pension expense. The deferred outflows and inflows of resources arise from differences between expected and actual experiences and changes, as applicable, of assumptions and District contributions subsequent to the measurement date of the Net Pension Liability.

Foothills Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan – continued

Deferred Outflows and Inflows of Resources - continued

The portions of these amounts which are not included in the current pension expense are reflected as deferred outflows of resources and consist of:

Deferred Outflows of Resources

Deferred Outflow of Resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL	\$	13,131
Deferred Outflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income		73,139
Contributions to the Pension Plan subsequent to the measurement date of Net Pension Liability - December 31, 2015		<u>100,000</u>
Total Deferred Outflows	\$	<u>186,270</u>

The deferred outflows of resources by year to be recognized in the future pension expense as of December 31, 2016 are as follows:

Year ended December 31,

2017	\$	31,471
2018		19,176
2019		18,756
2020		<u>16,867</u>
Total	\$	<u>86,270</u>

Fire and Police Pension Association

The Fire and Police Pension Association administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The affiliated pension plans have elected to use FPPA for plan administration investment services only. FPPA issues a publically available comprehensive annual financial report. That report may be obtained through the FPPA website at www.fppaco.org.

Deferred Compensation Pension Plan

The District also established a deferred compensation pension plan in accordance with Internal Revenue Code Section 457, which is being administered by the FPPA. The District has no administration or fiduciary responsibilities for this plan. Neither the assets nor corresponding liabilities of this plan are reflected in these financial statements.

Foothills Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Cash equal to the required emergency reserve is reflected as restricted.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits will require judicial interpretation.

In 1996, the electors within the consolidating districts approved that the consolidated District impose a general tax levy of 8 mills, which may be adjusted in the event there is a change in the statutory methodology or percentage used in calculating the assessed valuation of real or personal property and may be reduced below 8 mills, against all taxable property within the boundaries of the consolidated district annually for collection commencing in 1997 and continuing thereafter; and on an annual basis that the revenue from such levy be applied as follows: (a) first, to operations and maintenance expenses of the consolidated district up to \$240,000 in any one year, which shall be adjusted upward to reflect changes in the United States Bureau of Labor Statistics Consumer Price Index for the Denver-Boulder area, (b) second to the annual debt service requirements of the former Idledale Fire Protection District's general obligation bonds that were assumed by the consolidated District; (c) last, to any lawful purpose of the consolidated District; and that the revenue from such mill levies be spent as a voter-approved revenue change and an exception to the limits which would otherwise apply, including without limitation, Article X, Section 20, of the Colorado Constitution and Section 29-1-301, C.R.S., without limiting or affecting the collection or spending of other revenue.

Additionally, the District believes that election questions approved by the former Idledale Fire Protection District, and Lookout Mountain Fire Protection District voters in 1994 authorized the consolidated District to collect, retain, and spend all other non-property tax revenue legally available to the District for the purposing of providing additional fire protection and EMS, are applicable to the District.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God for which the District carries commercial insurance. The District's claims have not exceeded its coverage during the preceding three years.

NOTE I – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through May 16, 2017, which is the date the financial statements and accompanying footnotes were available for issuance.