

FRANKTOWN FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016



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CPA

Bruce L. Fosdick, CPA, PC
Certified Public Accountant

FRANKTOWN FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

FRANKTOWN FIRE PROTECTION DISTRICT

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Bruce L. Fosdick, CPA, PC
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INDEPENDENT AUDITOR'S REPORT

(303) 688-2751

To the Board of Directors
Franktown Fire Protection District
Franktown, Colorado 80116

I have audited the accompanying financial statements of the governmental activities and each major fund of the Franktown Fire Protection District, Franktown, Colorado, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 and the respective budgetary comparison for the general fund of the Franktown Fire Protection District, Franktown, Colorado, as of December 31, 2016, and the respective changes in financial position 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 pension schedules on page 34-37 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

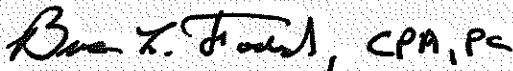
Franktown Fire Protection District has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franktown Fire Protection District's basic financial statements. The Other Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

 Bruce L. Fosdick, CPA, PC

Bruce L. Fosdick, CPA, PC
Castle Rock, Colorado
September 25, 2017

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

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash	\$ 236,871
Investments	4,478,159
Due from other Governments	17,724
Property Taxes Receivable	2,354,264
Accounts Receivable - net	74,704
Land	18,279
Capital Assets, Net of Depreciation	2,938,710
Net Pension Asset	<u>2,083,096</u>
Total Assets	<u>\$12,201,807</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Contributions Subsequent to Measurement date	169,873
Change in Pension Assumption	<u>339,821</u>
Total Deferred Outflows of Resources	\$ 509,694
<u>LIABILITIES</u>	
Accounts Payable	\$ 55,883
Overdraft	4,656
Wages Payable	17,840
Payroll Liabilities	<u>4,981</u>
Total Liabilities	<u>\$ 83,360</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Property Tax Revenue	\$ 2,354,264
Pension Difference - Expected versus Actual	<u>4,435</u>
Total Deferred Inflows of Resources	\$ 2,358,699
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 2,956,990
Restricted for emergencies	84,922
Unrestricted	<u>7,227,525</u>
Total Net Position	<u>\$10,269,437</u>

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

FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net Program Expense
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities:					
General and administrative	\$ 351,807	\$ 25,763	\$ -	\$ -	\$ (326,044)
Fire and emergency medical services	1,627,648	231,763	120	-	(1,395,765)
	<u>\$ 1,979,455</u>	<u>\$ 257,526</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ (1,721,809)</u>
Total governmental activities					
					2,278,207
General revenues:					209,557
General property tax					30,901
Specific ownership tax					24,656
Investment earnings					26,370
Insurance proceeds					1,583
Miscellaneous Income					2,571,274
Gain on Sale					849,465
					<u>9,419,972</u>
Total general revenues					<u>\$10,269,437</u>
Change in net position					
Net position, beginning					
Net position, ending					

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

FUND FINANCIAL STATEMENTS

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

ASSETS

Cash	\$ 236,871
Investments	4,478,159
Due from other Governments	17,724
Property Taxes Receivable	2,354,264
Accounts Receivable - net	<u>74,704</u>
Total Assets	<u>\$ 7,161,722</u>

LIABILITIES

Accounts Payable	\$ 55,883
Cash Overdraft	4,656
Wages Payable	17,840
Payroll Liabilities	<u>4,981</u>
Total Liabilities	<u>\$ 83,360</u>

DEFERRED INFLOWS OF RESOURCES

Property Tax Revenue	<u>\$ 2,354,264</u>
Total Deferred Inflows of Resources	<u>\$ 2,354,264</u>

FUND BALANCES

Fund Balance -	
- Restricted for Emergencies	\$ 84,922
- Unassigned - General Government	<u>4,639,175</u>
Total Fund Balances	<u>\$ 4,724,097</u>

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

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

Amounts Reported for the Governmental Activities in
the Statement of Net Position are different because;

Total Fund Balance of Government Fund	\$ 4,724,097
Capital Assets used in Governmental Activities are not financial resources and, therefore are not reported in the fund;	
Capital Assets, Net	2,956,990
Certain Assets used in Government Activities not financial resources and, therefore, are not reported in the Governmental Fund - Pension Assets	
	2,083,096
Deferred outflows of Resources used in Governmental activities are not financial and, therefore, are not reported in the Governmental Fund;	
Contributions Subsequent to Measurement date	169,873
Change in Pension Assumptions	339,816
Deferred inflows of Resources used in Governmental activities are not financial resources and therefore, are not reported in the Governmental fund;	
Pension Differences - expected versus actual	(4,435)
Net Position of Governmental Activities	10,269,437

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

**FRANKTOWN FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

REVENUE

Property Taxes	\$ 2,278,207
Specific Ownership Taxes	209,557
Charges for Services - net	231,763
Net Investment Income	30,901
Rental Income	25,763
Other	<u>54,648</u>

Total Revenue 2,830,839

EXPENDITURES

General & Administrative	254,917
Fire & Emergency Medical Services	1,681,966
Capital Outlay	<u>329,702</u>

Total Expenditures 2,266,585

EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES 564,254

FUND BALANCE - BEGINNING OF YEAR 4,159,843

ENDING FUND BALANCE \$ 4,724,097

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

**FRANKTOWN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balance - Governmental Funds \$ 564,254

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation	(199,957)
Capital Outlays	329,702

Some items reported in Statement of Activities do not require the use of current resources and, therefore, are not reported as expenditures in the Governmental Fund

Pension Expenses	157,385
Sale of Assets	(3,500)
Gain on Sale of Assets	1,581

Change in net position of governmental activities	<u>\$ 849,465</u>
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The accompanying notes are an integral part of the financial statements.

FRANKTOWN FIRE PROTECTION DISTRICT
GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016

	ORIGINAL & FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE			
Property Taxes	\$2,277,749	\$ 2,278,207	\$ 458
Specific Ownership Taxes	165,000	209,557	44,557
Charges for Services - net	250,000	231,763	(18,237)
Net Investment Income	4,000	30,901	26,901
Rental Income	23,000	25,763	2,763
Other	<u>41,860</u>	<u>54,648</u>	<u>12,788</u>
TOTAL REVENUE	\$2,761,609	\$ 2,830,839	\$ 69,230
EXPENDITURES			
General & Administrative	\$ 313,500	\$ 254,917	\$ 58,583
Fire & Emergency Medical Services	2,059,600	1,681,966	377,634
Capital Outlay	<u>692,000</u>	<u>329,702</u>	<u>362,298</u>
TOTAL EXPENDITURES	<u>\$3,065,100</u>	<u>\$ 2,266,585</u>	<u>\$ 798,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (303,491)	\$ 564,254	\$ 867,745
FUND BALANCE BEGINNING OF YEAR	3,375,616	4,159,843	784,227
FUND BALANCE END OF YEAR	<u>\$3,072,125</u>	<u>\$ 4,724,097</u>	<u>\$1,651,972</u>

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

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments. A summary of the Fire Protection District's significant accounting policies consistently applied in the preparation of these financial statements follows:

A. PRINCIPLES USED IN DETERMINING THE SCOPE OF THE REPORTING ENTITY

The Franktown Fire Protection 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 Southeastern Douglas County, Colorado.

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 the Governmental Accounting Standards Board's (GASB) 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 Franktown Fire Protection District has no component units, nor is it a component unit of any other unit.

B. GOVERNMENT-WIDE AND FUND 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 expenses of a given function or segment are offset by program revenues.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 flows. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 which constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary.

The following funds were used by the District during 2016:

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.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 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 government 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. However, debt service expenditures are recorded only when the 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 basis method:

1. 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.
2. Revenue is recorded when received in cash except for revenue that is not received but is measurable and available and therefore susceptible to accrual.

D. BUDGET AND BUDGETARY ACCOUNTING

i. General Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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.

ii. Budget Basis of Accounting

The Modified Accrual basis of accounting is used for budget purposes as well as financial reporting in the general fund.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND FUND BALANCES

i. Due to/from Other Governments

General Fund - The General Fund was due \$17,724 from Douglas County which was paid in January 2017.

ii. Taxes Receivable

The Taxes Receivable include 2016 property taxes which become payable January 1, 2017 as Taxes Receivable.

iii. Deferred Outflows

In addition to assets, the statement of net position will sometimes report separate sections for deferred outflows of resources. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The district has one item that qualifies as a deferred outflow of resources. A deferred outflow of resources related to the implementation of GASB Statement No. 68 has been recorded as of December 31, 2016, which consists of two components: 1) contributions subsequent to measurement date; 2) change in investment earnings. See Note III and Note IV for additional information.

iv. Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report separate sections for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has two items that qualify for reporting as deferred inflows of resources. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected. A deferred inflow related to the implementation of GASB Statement No. 68 has been recorded as of December 31, 2016 which consists of two components: 1) change in experience; and 2) change in proportionate share. See Notes III and Note IV for additional information.

v. Net Position

The net position has been restricted for that portion of the net position that is legally segregated or is not subject to future appropriation. Designations of unrestricted net position indicate management's intention for future utilization of such funds and are subject to change by management.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND FUND BALANCES (CONTINUED)

vi. Fund Balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classification of fund balance. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- * *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.
- * *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- * *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- * *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- * *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. ASSETS, LIABILITIES, AND FUND BALANCES (CONTINUED)
vi. Fund Balances (CONTINUED)

Restricted for Emergencies

Article X, Section 20 of the Constitution of the State of Colorado requires the Franktown Fire Protection District to establish Emergency Reserves (See Note X). A portion of the fund balance has been restricted in compliance with this requirement.

vii. Investments

Investments are carried at fair value.

- F. REVENUE, EXPENDITURES, AND EXPENSES

i. Property tax is reported as a receivable and a deferred revenue when the levy is certified and as a revenue when due for collection in the subsequent year. Property taxes are levied by the District 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 taxpayers 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 Treasurers remit the taxes collected monthly to the District.

Property Tax Calendar

Collection Schedule

First Half 2016 Taxes	February 28, 2017
Second Half 2016 Taxes	June 15, 2017

Assessment Schedule

Abstract of Assessments Submitted	August 25, 2016
Certification of Levies to Commissioners	December 15, 2016
Commissioners Levy Taxes	December 31, 2016
Lien Date	January 1, 2017

During the year ended December 31, 2016, the county treasurer withheld \$1,874 in property taxes from the District and regarding abatements.

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

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUE, EXPENDITURES, AND EXPENSES (CONTINUED)

ii. Expenditures for the General Fund are recorded when the related liability is incurred with the exception of unmatured principal and interest on general long-term debt.

iii. Charges for service revenues includes training income and emergency medical service income. The gross amount of these revenues was \$337,096. These were reduced by insurance/government discounts of \$83,846 and bad debts of \$26,572. Franktown Fire Protection District uses the direct write off method for bad debts.

NOTE II - SUMMARY DISCLOSURE OF CONTINGENCIES

LITIGATION

The Franktown Fire Protection District is not involved in any litigation.

NOTE III - STATE FIRE AND POLICE PENSION PLAN

Plan Description and Provisions

The District contributes to the Statewide Defined Benefit Plan (SDBP), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association (FPPA). The net pension asset, deferred outflows or resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDBP have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contribution) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Plan covers substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, 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 was established in 1980 pursuant to Colorado Revised Statutes. 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.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE III - STATE FIRE AND POLICE PENSION PLAN (CONTINUED)

Plan Description and Provisions (CONTINUED)

The Plan assets are included in the Fire & Police Member's Investment Fund and the Fire & Police Members' Self-Directed Investment Fund.

Members includes are active employees who are full-time salaried employees of a participating municipality, fire protection district, fire authority, or county improvement district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection. Also included are employees of any employer that covers members under the federal Social Security Act or any county that chooses to affiliate with the Fire & Police Pension Association and that covers salaried employees whose duties are directly involved with the provision of law enforcement or fire protection as certified by the county under the federal Social Security Act.

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contributions 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% of base salary for a total contribution rate of 16% through 2014. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase .5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% 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% of base salary through 2014. It is a local decision on who pays the additional 4% contribution. Per 2014 member election, the reentry group will also have their required member contribution rate increase .5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%. Contributions to the pension plan from the District was \$84,936 for the year ended December 31, 2016.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE III - STATE FIRE AND POLICE PENSION PLAN (CONTINUED)

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a net pension liability (asset) of \$183,683 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (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 entities, actuarially determined. At December 31, 2015, the District's proportion was 0.2130%, which was an increase of 0.0015% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$141,465. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 30,382	\$ -
Change in Assumptions	59,006	-
Difference Between Projected and Actual Investments Earnings	191,195	-
Deferred Outflows of Resources from Proportionate Change - Net Current Year Layer	490	-
Deferred Outflows of Resources from Proportionate Change - Prior Year Layer	1,118	-
Difference Between Expected and Actual Experience		4,435
District Contributions Subsequent to Measurement Date	84,936	-
Total	<u>\$367,127</u>	<u>\$ 4,435</u>

\$84,936 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase of 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:

<u>Year Ended June 30</u>	<u>Deferred Amounts</u>
2016	\$ 58,172
2017	58,172
2018	58,172
2019	53,432
2020	9,188
Thereafter	40,620
Total	<u>\$ 277,756</u>

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE III - STATE FIRE AND POLICE PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension asset in January 1, 2016 actuarial valuation was determined using the following actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	4.0 percent - 14.0 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 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-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 ages 55 through 64, a blend of the previous tables is used.

Mortality rates were based on 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 Fire and Police Pension Association'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 assumption. The recommendations were made by FPPA actuaries, based upon 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 roll forward 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.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE III - STATE FIRE AND POLICE PENSION PLAN (CONTINUED)

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 Fund's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37%	6.5%
Equity Long/Short	10%	4.7%
Liquid Alternative	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	2%	0%
Totals	<u>100%</u>	<u>0%</u>

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contribution from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which established the contractually required rates under Colorado statutes. Based on those assumptions, the SWBD 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 position liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's Proportionate State of the Net Pension Liability (asset)	\$ 520,076	\$ (3,112)	\$ 438,177

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA comprehensive annual financial report which can be obtained at www.fppaco.org/annual_reports.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE III - STATE FIRE AND POLICE PENSION PLAN (CONTINUED)

Deferred Compensation Plan

The Franktown Fire Protection District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by ICMA (International City Managers Association). Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years.

NOTE IV - VOLUNTEER PENSION FUND

PLAN DESCRIPTIONS AND PROVISIONS

The District, on behalf of its volunteer firefighters, contributes to a defined benefit pension plan which is affiliated with the Colorado Fire and Police Pension Association (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Board of Directors of the District. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues a publicly available annual financial report that includes the assets of the volunteer plan. That report may be obtained by calling FPPA at 303-770-3772 in the Denver Metro areas, or 1-800-332-FPPA (3772) from outside the metro area.

The Pension Fund's Board of Trustees is comprised of the five Directors of the District and two members of the fire department. At December 31, 2016, there are 19 retired volunteers and 5 widows receiving benefits, 10 active volunteers and none of the vested members have been terminated.

Volunteer firefighters who maintain an average training participation in the department of 36 hours per year are eligible to participate in the plan for that year. Volunteers' rights to a benefit vest after 10 years of service. Volunteers who retire at, or after the age of fifty with ten years of credited service, are entitled to a benefit. Surviving spouses are entitled to a 50% benefit. In addition, the plan provides death and disability benefits, funded by insurance policies.

Contributions

Contributions are determined by the FPPA actuary, using the entry age normal cost method as of January 1, 2015. Contributions into the pension fund are derived from two sources: contributions directly from the District and contributions from the State based on assessed property values and other formulas. For the year ended December 31, 2016, the Annual Required Contributions (ARC) measured in the most recent actuary report for the District was \$36,000.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE IV - VOLUNTEER PENSION FUND (CONTINUED)

Net Pension Liability (Asset)

The District's net position liability (asset) was measured by an actuarial valuation with a measurement date of December 31, 2014.

Actuarial assumptions. The total pension liability (asset) in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	N/A
Investment Rate of Return	7.50 percent

Mortality rates were based on the following:

- * Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality.
- * Post-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment
- * Disabled: RP-2000 Disable Mortality Table

All tables were projected and based on Scale AA.

The total pension liability (asset) is based on an actuarial valuation performed as of January 1, 2015 and a measurement date of December 31, 2015. This measurement is within one year of the plan sponsor's fiscal year end of December 31, 2016 and may be used for December 31, 2106 reporting purposes.

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H-156)); and the resulting Single Discount Rate is 7.5%.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE IV - VOLUNTEER PENSION FUND (CONTINUED)

Changes in the Net Position Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (asset)</u>
Balance at 12/31/2015	\$857,365	\$2,889,436	\$(2,032,071)
Changes for the Year			
Service Cost	3,445	-	3,445
Interest	34,961	-	34,961
Difference between Expected and Actual	8,853	-	8,853
Contributions - Employer	-	36,000	(36,000)
Contributions - Employees	-	-	-
Net Investment Income	-	51,755	(51,755)
Benefit Payments	(67,025)	(67,025)	-
Administrative Expenses	-	(5,379)	5,379
State of Colorado payment	-	32,400	(32,400)
Net Changes	<u>(19,766)</u>	<u>47,751</u>	<u>(67,517)</u>
Balance at 12/31/2016	<u>\$837,599</u>	<u>\$2,937,187</u>	<u>\$(2,099,588)</u>

Sensitivity of the net pension liability to the changes in the discount rate. The following table presents the net pension liability of the District, calculated using the discount rate of 7.5%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's Pension Liability (asset)	\$(1,947,891)	\$(2,032,071)	\$(2,103,608)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE IV - VOLUNTEER PENSION FUND (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the District recognized pension expense of (\$128,683) for the Volunteer Pension Plan. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	143,684	-
District Contributions Subsequent to the Measurement Date	<u>36,000</u>	<u>-</u>
Total	<u>\$ 179,684</u>	<u>\$ -</u>

\$36,000 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase of 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:

<u>Year Ended December 31</u>	<u>Deferred Amounts</u>
2017	\$ 36,908
2018	36,908
2019	36,907
2020	32,961
2021	-
Thereafter	-
Total	<u>\$ 143,684</u>

NOTE V - CASH DEPOSITS AND INVESTMENTS

Cash and investments as of December 31, 2016 consist of the following:

	<u>Balance</u>	<u>FDIC Insured</u>	<u>Collateralized</u>
Redstone Bank	\$236,871	236,871	-
Chase Bank	<u>(4,656)</u>	<u>-</u>	<u>-</u>
	\$232,215	\$236,871	\$ -
Investments	<u>4,478,159</u>		
Total cash and investments	\$4,710,374		

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE V - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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.

At December 31, 2016 the District's cash with financial institutions had a carrying balance of \$232,852.

Investments

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 which include:

- * Obligations of the United States and certain U.S. government agency securities and the World Bank
- * 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

The District has invested in two local government investment pools, the Colorado Local Government Liquid Asset Trust (Colotrust), and the Colorado Surplus Asset Fund Trust (CSAFE), which are both rated AAAM by Standard & Poor's.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE V - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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 had the following investments:

Investments	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted Average under 60 days	\$ 4,427,633
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average under 60 days	50,526
		<u>\$ 4,478,119</u>

COLOTRUST

As of December 31, 2016, the District had invested \$4,427,633 in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established by state statute for local government entities in Colorado to pool surplus assets. 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. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in the U.S. Treasury securities, certain obligations of U.S. government agencies, and repurchase agreements collateralized by U.S. Treasury securities and certain U.S. government agencies. COLOTRUST PLUS+ may also invest in certain obligation of U.S. Government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601 and repurchase agreements collateralized by U.S. Treasury securities or certain obligation of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Colotrust. Colotrust is rated AAAM by Standard & Poor's.

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE V - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

CSAFE

As of December 31, 2016, the District had invested \$50,526 in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE.

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer; however, the District invests primarily in local government investment pools, which is not subject to concentration of credit risk. CSAFE is rated AAAM by Standard & Poor's.

NOTE VI - ACCOUNTS RECEIVABLE

Accounts receivable include amounts due from customers for emergency medical services. There is no reserve for uncollectible accounts, as the direct write off method is used. During 2016, \$26,572 was written off as bad debts.

NOTE VII - NET POSITION

The District has a net position consisting of three components - net investment in capital assets; restricted; and 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	\$ 2,956,990
Long term liabilities	<u> 0</u>
Total net investment in capital assets	<u>\$ 2,956,990</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 IX)	<u>\$ 84,922</u>

**FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE VII - NET POSITION (CONTINUED)

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 \$7,737,219.

NOTE VIII - CAPITAL ASSETS

Capital assets are recorded at cost, or when cost information is unavailable, at estimated fair value at the time of donation or acquisition. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which are as follows:

Buildings	10 - 40 years
Vehicles & Fire Trucks	5 - 10 years
Equipment	5 - 10 years
Office Furniture	7 years
Improvements	5 years

The management of (the) Franktown Fire Protection District has set \$5,000 as the limit to capitalize Capital Assets.

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

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions &</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 18,279	\$ -	\$ -	\$ 18,279
Capital assets being depreciated:				
Buildings				
- all locations	3,598,468	39,304	-	3,637,772
Vehicles & Fire Trucks	1,874,083	257,799	54,504	2,077,378
Equipment	833,961	32,599	139,729	726,831
Office Furniture	48,548	-	2,378	46,170
Improvements	48,796	-	-	48,796
Total Capital assets being depreciated	6,403,856	327,702	196,611	6,536,947
Less Accumulated Depreciation	<u>3,592,975</u>	<u>199,957</u>	<u>194,695</u>	<u>3,598,236</u>
Capital Assets being depreciated, Net	<u>\$2,810,881</u>	<u>\$ 127,745</u>	<u>\$ 1,916</u>	<u>\$2,938,711</u>
Total capital assets, net	<u>\$2,829,160</u>	<u>\$ 127,745</u>	<u>\$ 1,916</u>	<u>\$2,956,990</u>

Depreciation expense for the year ended December 31, 2016 was \$199,957, of which \$96,890 was allocated to general and administrative expenses and \$103,067 was allocated to fire and emergency medical services.

**FRANKTOWN FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2016**

NOTE IX - COMPENSATED ABSENCES

Paid personnel are entitled to take vacation annually. At December 31, 2016, there was \$17,840 in unpaid vacation benefits.

Compensated absences activity for the year ended December 31, 2016, was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Ending Balance</u>
\$15,246	\$50,244	\$47,650	\$17,840

NOTE X - TAX, SPENDING, AND DEBT LIMITATION

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which 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 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.

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 interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

One election issue was put to the voters in November of 1997, under the TABOR amendment and passed;

Shall Franktown Fire Protection District taxes be increased \$116,000 annually in 1998 and by whatever additional amounts are raised thereafter from an increase in the District's property tax levy of 2 mills; and commencing January 1, 1997, and continuing thereafter, shall the District be authorized to collect, retain and spend for fire protection, ambulance and emergency medical services such tax revenue and all other revenues and other funds received from any source, as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, Section 29-1-301, C.R.S., or any other law?

FRANKTOWN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE X - TAX, SPENDING, AND DEBT LIMITATION (CONTINUED)

Another election issue was put to the voters in May 2004 under the TABOR amendment and passed;

Shall Franktown Fire Protection District taxes be increased \$424,025 annually in the first full fiscal year, or by such amount as may be raised by the imposition of an additional ad valorem property tax rate of 3.882 mills, commencing January 1, 2005, and continuing thereafter to provide fire, rescue, emergency medical and ambulance services, resulting in a total district mill levy rate, exclusive of refunds, abatements, or debt service, not to exceed 13.000 mills; and shall the district be authorized to collect, retain and spend all tax revenue collected from such total property tax rate, and all other revenue received from any source, commencing January 1, 2005, and continuing thereafter, as a voter - approved revenue change, offset and exception to the limits which would otherwise apply under TABOR (Article X, Section 20 of the Colorado Constitution) or any other law and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

NOTE XI - 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.

REQUIRED SUPPLEMENTAL INFORMATION

FRANKTOWN FIRE PROTECTION DISTRICT
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY (ASSET)
 FIRE AND POLICE PENSION ASSOCIATION STATEWIDE DEFINED BENEFIT PLAN
 LAST THREE FISCAL YEARS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2015*</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.2106	0.2131	0.211
District's proportionate share of the net pension liability (asset)	3,712	(190,501)	(189,215)
District's covered-employee payroll	1,075,900	1,172,875	1,091,932
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-	16.24	-
Plan fiduciary net position as a percentage of the total pension liability	<u>105.80%</u>	<u>106.80%</u>	<u>105.80%</u>

*The amounts presented for the year fiscal year were determined as of December 31. Information prior to 2013 is not available.

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FIRE AND POLICE PENSION ASSOCIATION STATEWIDE DEFINED BENEFIT PLAN
LAST NINE FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 86,072	\$ 81,334	\$ 76,921	\$ 73,725	\$ 70,781	\$ 71,720	\$ 78,265	\$ 78,633	\$ 78,728
Contributions in Relation to the									
Contractually Required Contribution	86,072	81,334	76,921	73,725	70,781	71,720	78,265	78,633	78,728
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 1,075,900	\$ 1,016,678	\$ 961,511	\$ 921,567	\$ 884,761	\$ 896,506	\$ 978,318	\$ 982,912	\$ 984,098
Contributions as a Percentage of									
Covered Employee Payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

*The amounts for each fiscal year were determined as of December 31.
Information prior to 2007 is not available.

FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET POSITION LIABILITY (ASSET) AND RELATED RATIOS
FIRE AND POLICE PENSION ASSOCIATION VOLUNTEER PENSION FUND
LAST TWO FISCAL YEAR

	<u>2015</u>	<u>2014*</u>
Total Pension Liability		
Service Cost	\$ 7,043	\$ 3,445
Interest on Total Pension Liability	62,094	34,691
Benefit Changes	-	372,168
Difference between expected and actual experience	-	20,538
Changes in Assumptions	-	-
Benefit payments	<u>(67,205)</u>	<u>(67,440)</u>
Net Change in Pension Liability	2,112	363,402
Total Pension Liability - beginning	<u>857,365</u>	<u>493,963</u>
Total Pension Liability - ending	<u>859,477</u>	<u>857,365</u>
Plan Fiduciary Net Position		
Contributions - Employer	36,000	36,000
Net Investment Income	51,755	183,361
Benefit Payments	(67,025)	(67,440)
Administrative Expenses	(5,379)	(4,602)
State of Colorado supplemental discretionary payment	<u>32,400</u>	<u>32,400</u>
Net Change in Plan Fiduciary Net Position	47,751	179,719
Plan Fiduciary Net Position - Beginning (Market Value of assets at beginning of year)	<u>2,889,436</u>	<u>2,709,717</u>
Plan Fiduciary Net Position - Ending (Market value of assets at end of year)	2,937,187	2,889,436
Net Pension Liability (asset) - End of Year	<u>\$ (2,077,710)</u>	<u>\$ (2,032,071)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	337.01%	337.01%
Covered Employee Payroll	N/A	N/A
District's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A

* Information prior to 2014 is unavailable.

FRANKTOWN FIRE PROTECTION DISTRICT
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 FIRE AND POLICE PENSION ASSOCIATION VOLUNTEER PENSION FUND
 LAST NINE FISCAL YEARS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$46,000	\$40,000	\$44,000	\$39,600
Contributions in Relation to the										
Actuarially determined contribution	36,000	36,000	36,000	36,000	36,000	36,000	36,000	40,000	44,000	39,600
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, every other fiscal year. Most recent valuation date was January 1, 2015.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level Dollar, Open
- Remaining amortization period: 20 years
- Asset Valuation method: 5-year smoothed market
- Inflation: 3.0%
- Salary increases: N/A
- Investment rate of return: 7.50%
- Retirement age: 50% per year of eligibility until 1005 at age 65
- Mortality: Pre-retirement: RP-2000 Combined Mortality table with Blue Collar adjustment, 40% multiplier for off-duty mortality
 Post-retirement: RP-2000 Combined Mortality table with Blue Collar adjustment
 Disabled: RP-2000 Disabled Mortality Table
 All tables projected with Scale AA

OTHER SUPPLEMENTAL INFORMATION

**FRANKTOWN FIRE PROTECTION DISTRICT
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

DETAILED EXPENDITURES - GENERAL FUND

	ACTUAL	BUDGET
General & Administrative:		
Accounting	\$ 28,945	\$ 42,500
Building/Grounds Maintenance	5,011	15,000
Administration	1,076	5,500
Insurance	29,556	28,000
Legal Fees	-	12,000
Professional Services	1,334	27,500
Salaries	79,856	45,000
Treasurer's Fees	34,171	34,000
Utilities	74,968	94,000
Election	<u>-</u>	<u>10,000</u>
Total General and Administrative	<u>\$ 254,917</u>	<u>\$ 313,500</u>
Fire and emergency medical services:		
Abatement/Refunds	\$ -	\$ 10,000
Dispatch Services	16,796	17,000
Training	13,173	30,000
Health & Safety	22,666	25,000
Firefighting, Equipment and Supplies	64,485	71,000
EMS Expenses	28,635	34,000
Repairs and maintenance	48,077	71,500
Gas and Oil	16,894	27,000
Payroll Tax Expense	17,636	21,900
Retirement and Benefits	204,935	266,300
Salaries	1,140,090	1,375,900
Volunteer Pension Contribution	36,000	36,000
Non-Capital Equipment	637	6,000
Worker's Compensation	<u>71,942</u>	<u>68,000</u>
Total Fire and Emergency Medical Services	<u>\$1,681,966</u>	<u>\$2,059,600</u>
Capital Outlay	<u>\$ 329,702</u>	<u>\$ 692,000</u>
Total Expenditures	<u>\$2,266,585</u>	<u>\$3,065,100</u>

See the accompanying auditor's report.

STATISTICAL INFORMATION

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

<u>Year Ended 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	\$158,837,910	13.110	\$2,082,365	\$2,079,406	99.86%
2013	\$161,772,350	13.170	\$2,114,365	\$2,102,929	99.46%
2014	\$156,583,460	13.020	\$2,039,168	\$2,041,040	100.09%
2015	\$174,942,340	13.020	\$2,102,929	\$2,053,147	97.63%
2016	\$174,942,340	13.02	\$2,278,239	\$2,278,207	100.00%
Estimated for the year ending December 31, 2017	\$180,811,500	13.02	\$2,354,264		

NOTE:

Property taxes collected in any one year includes collection of delinquent property taxes levied and/or abatements of valuations in prior years.