

# Hartsel Fire Protection District

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Annual Financial Report

December 31, 2016



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*By the Office of the State Auditor at 4:19 pm, Aug 15, 2017*

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**Certified Public Accountants** (a professional corporation)  
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

## Independent Auditor's Report

To the Board of Directors  
Hartsel Fire Protection District

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

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

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

### **Auditor's Responsibility**

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

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

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

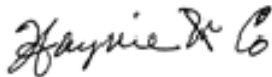
## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Hartsel Fire Protection District 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 management's discussion and analysis, the budgetary comparison schedule for the General Fund and other required supplemental schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Littleton, Colorado  
July 27, 2017

# **Hartsel Fire Protection District Management's Discussion and Analysis For the Year Ended December 31, 2016**

## **Introduction**

The Hartsel Fire Protection District's (the "District") Management's Discussion and Analysis is intended to provide the reader and user of the District's financial statements, with (a) an understanding of the financial status of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual budgets, and (e) an assessment of any future financial or operating issues of the District.

This discussion and analysis is intended to focus on the 2016 activities, resulting changes, and currently known facts and conditions and should be read in conjunction with the accompanying audited financial statements and related notes to the financial statements.

## **Overview of the Financial Statements of the District**

The financial statements of the District are:

Government-Wide Financial Statements:

Statement of Net Position

Statement of Activities

Fund Financial Statements:

Balance Sheet and Reconciliation of the Governmental Fund Balance Sheet  
with the Government-wide Statement of Net Position

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balance with the Government-wide Statement of Activities

Notes to Financial Statements

Required Supplementary Information:

Statement of Revenues, Expenditures and Changes in Fund Balance –  
Actual and Budget – General Fund

Schedules of Employer Contributions

Schedules of Proportionate Share of the Net Pension Liability and Related Ratios

These statements, notes and schedules follow the independent auditor's report and the management's discussion and analysis. These provide information about the District's financial position as of December 31, 2016, the results of the operations for the year ended December 31, 2016, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year.

**Hartsel Fire Protection District  
Management's Discussion and Analysis  
December 31, 2016**

The statement of net position, prepared using the full accrual basis of accounting, provides information about the District's assets, liabilities, and net position. Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The statement of activities provides information about the components of the District's annual operating activities and how those activities affected net position.

The fund financial statements present the District's financial position and results of operations using the traditional government modified accrual method of accounting, which accounts for the District's current financial resources.

The balance sheet does not account for capital assets or long-term debt and the statement of revenues, expenditures and changes in fund balances records as revenue proceeds from sale of capital assets and capital lease proceeds and as expenditures debt service payments and acquisition of capital assets.

The reconciliations of the District's financial statements reflect explanations of the specific differences between the government-wide and fund financial statements.

The budgetary comparison schedules include a comparison of actual revenues and expenditures with the final budget.

The notes to the financial statements provide additional required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

**Hartsel Fire Protection District  
Management's Discussion and Analysis  
December 31, 2016**

The following is a summary of the District's statements of net position as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 215,306	\$ 207,746
Receivables	426,342	413,965
Prepaid expenses	<u>-</u>	<u>794</u>
<b>Total current assets</b>	<u>641,648</u>	<u>622,505</u>
<b>Non-current assets</b>		
Capital assets — net	953,236	817,496
Pension asset—District's proportionate share of Defined Benefit Plan	<u>248</u>	<u>13,551</u>
<b>Total non-current assets</b>	<u>953,484</u>	<u>831,047</u>
<b>Deferred outflows of resources</b>		
Volunteer Firefighters plan	91,123	61,199
Defined Benefit Plan	<u>18,866</u>	<u>6,768</u>
<b>Total deferred outflows of resources</b>	<u>109,989</u>	<u>67,967</u>
<b>Liabilities</b>		
Current liabilities	58,871	27,249
Noncurrent liabilities	91,037	34,811
Pension liability Volunteer Firefighters plan	<u>456,172</u>	<u>433,822</u>
<b>Total liabilities</b>	<u>606,080</u>	<u>495,882</u>
<b>Deferred inflows of resources</b>		
Unearned revenue—property taxes	422,635	413,965
Deferred inflows of Volunteer Firefighters plan	7,587	12,741
Deferred inflows of Defined Benefit plan	<u>293</u>	<u>3,701</u>
<b>Total deferred inflows of resources</b>	<u>430,515</u>	<u>430,407</u>
<b>Net Position</b>		
Net investment in capital assets	953,236	782,685
Restricted for emergencies	20,607	15,462
Unrestricted	<u>(305,317)</u>	<u>(202,917)</u>
<b>Total net position</b>	<u>\$ 668,526</u>	<u>\$ 595,230</u>

**Hartsel Fire Protection District  
Management's Discussion and Analysis  
December 31, 2016**

The following is a summary of the District's statements of activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program expenses	\$ (539,528)	\$ (486,723)
Program revenues	<u>123,328</u>	<u>16,023</u>
<b>Net program expenses</b>	(416,200)	(470,700)
General revenues		
Property and specific ownership	463,559	488,128
Other	<u>25,937</u>	<u>11,260</u>
<b>Total general revenues</b>	489,496	499,388
<b>Increase (decrease) in net position</b>	73,296	28,688
Net position at beginning of year	595,230	819,584
Net change in accounting principles	<u>-</u>	<u>(253,042)</u>
<b>Net position at end of year</b>	<u><u>\$ 668,526</u></u>	<u><u>\$ 595,230</u></u>

The above comparative statements of net position and statements of activities are summaries of the financial information contained in the District's audited financial statements. The District recommends a close review of the accompanying audited financial statements for more detailed information.

The District's net position increased from \$595,230 in 2015 to \$668,526 in 2016, showing a net increase of \$73,296. Program and general revenues were sufficient to cover the 2016 operating expenses, including depreciation of \$65,215.

The increase in net position of \$73,296 during 2016 contrasts to an increase of \$28,688 during 2015. This change was due to careful management of assets during the year.

Restricted portion of the net position includes \$18,385 and \$15,462 at December 31, 2016 and 2015, respectively, for emergency reserves as required by Article X, Section 20 of the Colorado constitution ("TABOR").

Cash and cash equivalents at December 31, 2016, were \$7,560 higher than the amount at

**Hartsel Fire Protection District  
Management's Discussion and Analysis  
December 31, 2016**

December 31, 2015. Cash and cash equivalents at December 31, 2016, were approximately 34% of current assets and 13% of total assets.

At December 31, 2016, net capital assets were \$953,236, which was a net increase of \$135,740. Assets were purchased at a cost of \$200,955 and offset by depreciation of \$65,215. The largest expenditures for new assets were for the purchase of land and air-supply equipment.

Total liabilities of the District at December 31, 2016, were \$606,080, which were comprised of equipment lease obligations of \$120,000, accounts payable and accrued expenses of \$29,908, and a net pension liability in the Firefighters' Plan of \$456,172. Deferred inflows of resources, unearned revenue from property taxes were \$422,635 and \$413,965 at December 31, 2016 and 2015, respectively. Deferred inflows of resources were \$7,587 for the Firefighters' Plan and \$293 for the Combined Benefit Plan. During 2016 the District reduced the principal on one capital lease by \$34,811 and entered into a new capital lease for \$120,000.

For more information about these changes in net position and the operating activities please review the accompanying audited financial statements.

**General Fund Discussion**

For 2016, the general fund balance increased by \$9,374. This compares to a decrease in 2015 of \$20,988.

Revenues in 2016 were \$97,413 more than in 2015, reflecting grant revenue not received in the prior year and increases in impact fee revenue. Expenditures were \$186,801 more in 2016 than in 2015, due to purchase of capital assets and increased administration expenditures.

The fund balance for 2016 includes \$20,607 reserved for emergencies as required by TABOR.

**Budgetary Analysis and Discussion—General Fund**

There were no amendments to the 2016 budget, which appropriated \$711,965 for general fund expenditures. The District's budget for the general fund anticipated that expenditures would exceed revenues by \$200,000. The actual results for the year show a \$9,374 excess of expenditures over revenues in the general fund for 2016. See the Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) General Fund in the accompanying financial statements for more detail.

**Capital Assets and Long-Term Liabilities**

Capital asset additions during 2016 included the purchase of land in Hartsel, Colorado, to serve as the Station 1 Bunk House, and the purchase of air pack assembly equipment. See the Notes to Financial Statements, Note 4, Capital Assets, for more information.

**Hartsel Fire Protection District  
Management's Discussion and Analysis  
December 31, 2016**

During 2016, the District's long-term liabilities were reduced by \$34,811 and increased by \$120,000 due to a new capital lease obligation entered to finance the land purchase. The obligation will be paid over a four-year term. See Notes to Financial Statements, Note 5, Long-Term Debt for more information.

**Capital Assets—Depreciation**

The District depreciates its capital assets using the straight-line method over estimated useful lives as shown in Notes to the Financial Statements, Note 1, Capital Assets.

**Conditions, Decisions, and Facts Applicable to Future Operations**

During 2004, the Park County Board of Commissioners approved the assessment by the District of fiscal impact fees. The District collected \$32,303 and \$16,023 in impact fees during the years ended December 31, 2016 and 2015, respectively.

The District budgeted \$422,635 for general property tax revenues (based on an assessed valuation for the District of \$56,737,150 (an increase of \$1,163,940 from 2015) and a mill levy of 7.449 mills) and \$724,635 for expenditures in the General Fund during 2017. The tax levy, plus carryover funds, should be adequate to cover all the District's 2017 budgeted expenditures.

**Contacting the District's Financial Management**

The financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hartsel Fire Protection District, P.O. Box 10, Hartsel, CO 80449.

## **Basic Financial Statements**

**Hartsel Fire Protection District**  
**Statement of Net Position**  
**As of December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 215,306
Accounts receivable	3,707
Property taxes receivable	422,635
Total current assets	<u>641,648</u>
Non-current assets:	
Capital assets, net (Note 5)	953,236
Net pension asset	248
Total non-current assets	<u>953,484</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension - volunteer pension	91,123
Deferred outflows related to pension - SWDB	18,866
Total deferred outflows of resources	<u>109,989</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,705,121</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 14,185
Accrued payroll & benefits	14,313
Accrued interest payable	1,410
Noncurrent liabilities:	
Capital lease due in one year	28,963
Capital lease due in more than one year	91,037
Net pension liability	456,172
Total liabilities	<u>606,080</u>
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	422,635
Deferred inflows related to pension - volunteer pension	7,587
Deferred inflows related to pension - SWDB	293
Total deferred inflows of resources	<u>430,515</u>
<b>Net Position</b>	
Net investment in capital assets	953,236
Restricted for emergencies	20,607
Unrestricted	(305,317)
Total net position	<u>668,526</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 1,705,121</u></u>

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

**Hartsel Fire Protection District**  
**Statement of Activities**  
**For the year ended December 31, 2016**

<u>Functions/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Governmental Activities</u>
Governmental activities				
Public safety	\$ 539,528	\$ 32,303	\$ 91,025	\$ (416,200)
Total governmental activities	<u>\$ 539,528</u>	<u>\$ 32,303</u>	<u>\$ 91,025</u>	<u>\$ (416,200)</u>
<b>General revenues:</b>				
Property taxes				463,559
Investment income				3,072
Other income				<u>22,865</u>
<b>Change in net position</b>				73,296
<b>Net position - beginning of year</b>				<u>595,230</u>
<b>Net position - end of year</b>				<u>\$ 668,526</u>

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

**Hartsel Fire Protection District**  
**Balance Sheet and Reconciliation**  
**of the Governmental Fund Balance Sheet**  
**with the Government-wide Statement of Net Position**  
**As of December 31, 2016**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 215,306
Accounts receivable	3,707
Property taxes receivable	422,635
Total assets	<u>\$ 641,648</u>
<b>Liabilities</b>	
Accounts payable	\$ 14,185
Accrued payroll & benefits	14,313
Total liabilities	<u>28,498</u>
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	422,635
Total deferred inflows of resources	<u>422,635</u>
<b>Fund Balances</b>	
Restricted for:	
Emergency reserve	20,607
Unassigned	169,908
Total fund balance	<u>190,515</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 641,648</u>
<b>Fund Balances - Total Governmental Funds</b>	<u>\$ 190,515</u>
Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:	
Capital assets used in governmental activities are not current financial resources and are excluded from the funds.	
Governmental capital assets	2,469,722
Less accumulated depreciation	<u>(1,516,486)</u>
Long-term liabilities, such as capital leases, are not due and payable in the current period and therefore are not reported in the funds.	(120,000)
Accrued interest payable	(1,410)
Pension balances are not available resources and are not included in fund financial statements.	
Net pension asset	248
Net pension liability	(456,172)
Deferred outflows related to pension	109,989
Deferred inflows related to pension	<u>(7,880)</u>
<b>Net position of governmental activities</b>	<u>\$ 668,526</u>

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

**Hartsel Fire Protection District**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - General Fund**  
**For the year ended December 31, 2016**

	<b>General Fund</b>
<b>Revenues</b>	
Taxes	\$ 463,559
Charges for services	32,303
Grants	91,025
Investment income	3,072
Other income	22,865
Total Revenues	612,824
<b>Expenditures</b>	
Treasurer's fees	12,465
Administration	276,455
Firefighting and prevention	96,981
Communications	3,196
Equipment, repairs, and maintenance	47,359
Station, repairs and maintenance	49,498
Debt Service	
Principal	34,811
Interest	1,480
Capital outlay	200,955
Total Expenditures	723,200
<b>Excess of Expenditures over Revenues</b>	(110,376)
<b>Other Financing Sources (Uses)</b>	
Capital lease obligation	119,750
Total Other Financing Sources (Uses)	119,750
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	9,374
<b>Fund balances:</b>	
Beginning of the year	181,141
End of the year	\$ 190,515

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

**Hartsel Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances with the**  
**Government-wide Statement of Activities**  
**For the year ended December 31, 2016**

**Net change in fund balance—total governmental funds** \$ 9,374

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Current year depreciation	(65,215)
Capital outlay - capitalized portion	200,955

Long-term debt provides current financial resources to governmental funds, while the rerepayment of the principal of long-term debt consumes the current financial resources of governmental funds:

Capital lease obligation	(120,000)
Repayment of capital lease obligation	34,811

Some expenditures reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Prepaid expenses - Change	(794)
Accrued interest - Change	(766)

Pension expenses and income do not use current financial resources and are excluded from the funds.

Current-year pension contributions are reported as deferred outflows	62,503
Pension expense	<u>(47,572)</u>

**Change in net position of governmental activities** **\$ 73,296**

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

# Hartsel Fire Protection District

## Notes to Financial Statements

### December 31, 2016

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#### 1. Summary of Significant Accounting Policies

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##### **Form of Organization**

The Hartsel Fire Protection District (the "District") is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("CRS"). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

##### **Reporting Entity**

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other stand alone government."

# **Hartsel Fire Protection District**

## **Notes to Financial Statements (continued)**

### **December 31, 2016**

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#### **1. Summary of Significant Accounting Policies (continued)**

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##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. The District does not report any business-type activities.

The statement of 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 those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has only one governmental fund, the General Fund.

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting whereby 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

# Hartsel Fire Protection District

## Notes to Financial Statements (continued)

### December 31, 2016

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#### 1. Summary of Significant Accounting Policies (continued)

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considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, ("GASB No. 33") the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying nonexchange transaction occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The following is the District's only major governmental fund:

*General Fund* - The General Fund is the District's primary operating fund. It accounts for all the financial resources of the District.

#### **Budgets**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- By October 15, the District staff submits to the Board of Directors, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**1. Summary of Significant Accounting Policies (continued)**

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- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors through passage of a formal resolution.
- The District legally adopts budgets for all of the funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

The total budget for the General Fund for the year ended December 31, 2016 was \$711,965; there were no revisions to the budget during the year.

In 2016, the District's expenditures exceeded budgeted appropriations, which may be a violation of State statutes.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

**Investments**

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which approximates fair value.

**Receivables**

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2016. Property taxes levied on December 31, 2016 are identified as property taxes receivable and deferred inflows of resources.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items in the government-wide financial statements, and will be reported as expenses in the following year. These amounts are reflected as expenditures in the year paid in the governmental fund financial statements.

# Hartsel Fire Protection District

## Notes to Financial Statements (continued)

### December 31, 2016

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#### 1. Summary of Significant Accounting Policies (continued)

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##### **Debt Issuance Costs**

In the government-wide financial statements debt issuance costs are recognized as an expense during the period of issuance.

In the fund financial statements, governmental fund types recognize debt issuance costs during the period of issuance. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

##### **Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable District activities in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Description	Estimated Lives
Building and improvements	20-40 years
Vehicles and accessories	5-10 years
Equipment	3-20 years

##### **Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, ("GASB No. 16"). Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. Upon termination of employment from the District, an employee will be compensated for all unused personal leave. The District has no liability for compensated absences at December 31, 2016.

##### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid

# Hartsel Fire Protection District

## Notes to Financial Statements (continued)

### December 31, 2016

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#### 1. Summary of Significant Accounting Policies (continued)

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from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

#### **Fund Balance and Net Position**

In the government-wide financial statements, net position is classified in the following categories:

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

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

*Unrestricted Net Position* - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor

# Hartsel Fire Protection District

## Notes to Financial Statements (continued)

### December 31, 2016

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#### 1. Summary of Significant Accounting Policies (continued)

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constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, fund balances of the governmental funds are classified as follows:

*Nonspendable* - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

*Committed* - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

*Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

*Unassigned* - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

#### **Revenue Recognition/Property Taxes**

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which they are levied provided they become available and measurable. Property tax revenues are considered

# Hartsel Fire Protection District

## Notes to Financial Statements (continued)

### December 31, 2016

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#### 1. Summary of Significant Accounting Policies (continued)

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available when they become due or past due and are received by the District within 60 days of the end of the fiscal year.

##### **Pensions**

The District contributes to the Statewide Defined Benefit Plan ("SWDB"). The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SWDB plan and additions to/deductions from the SWDB plan fiduciary net position have been determined on the same basis as they are reported by the FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition, the District contributes to a defined benefit pension plan to provide retirement income for volunteer firefighters in recognition of their service to the District. This plan is an agent multiple-employer Public Employee Retirement System affiliated with the FPPA for the purpose of administering the plan and managing the funds of the plan for investment.

##### **Estimates**

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

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#### 2. Cash and Investments

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##### *Custodial Credit Risk – Deposits*

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes (CRS) require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the

# Hartsel Fire Protection District

## Notes to Financial Statements (continued)

### December 31, 2016

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## 2. Cash and Investments (continued)

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State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. As of December 31, 2016, the District had cash deposits with a bank balance of \$233,996 and a carrying balance of \$215,306. The bank balances with the financial institutions was \$179,911, all of which was covered by FDIC.

### *Investments*

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

- Certificates of deposit with an original maturity in excess of three months.
- Obligations of the United States and certain U.S. government agency securities,
- Certain international agency securities,
- General obligation and revenue bonds of U.S. local government entities,
- Bankers' acceptances of certain banks,
- Commercial paper,
- Written repurchase agreements collateralized by certain authorized securities,
- Certain money market funds,
- Guaranteed investment contracts, and
- Local government investment pools.

District policy is to hold investments until maturity.

### *Custodial Credit Risk - Investments*

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of December 31, 2016, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the "Trust"), discussed below.

### *Interest Rate Risk*

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investments is the means of limiting exposure to fair value losses arising from increasing interest rates.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**2. Cash and Investments**

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*Local Government Investment Pools*

At December 31, 2016, the District had invested \$50,038 in COLOTRUST, a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to [www.colotrust.com](http://www.colotrust.com).

At December 31, 2016, the District had cash and cash equivalent balances as follows:

Bank deposits	\$ 161,344
Cash with county treasurer	3,924
Local Government investment pool	<u>50,038</u>
	<u>\$ 215,306</u>

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**4. Fair Value Measurement and Application**

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The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

**3. Capital Assets**

The following table presents capital assets activity of the District for the year ended December 31, 2016:

	Balance December 31, 2015	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2016
Capital assets, not being depreciated:				
Land	\$ 9,500	\$ 120,000	\$ -	\$ 129,500
Total capital assets, not being depreciated	<u>9,500</u>	<u>120,000</u>	<u>-</u>	<u>129,500</u>
Capital assets, being depreciated:				
Buildings and improvements	657,936	-	-	657,936
Equipment	242,875	80,955	-	323,830
Vehicles and accessories	<u>1,358,457</u>	<u>-</u>	<u>-</u>	<u>1,358,457</u>
Total capital assets, being depreciated	<u>2,259,268</u>	<u>80,955</u>	<u>-</u>	<u>2,340,223</u>
Less accumulated depreciation for:				
Buildings and improvements	(273,020)	(21,007)	-	(294,027)
Equipment	(216,524)	(7,552)	-	(224,076)
Firefighting vehicles	<u>(961,728)</u>	<u>(36,656)</u>	<u>-</u>	<u>(998,384)</u>
Total accumulated depreciation	<u>(1,451,272)</u>	<u>(65,215)</u>	<u>-</u>	<u>(1,516,487)</u>
Total capital assets, being depreciated, net	<u>807,996</u>	<u>15,740</u>	<u>-</u>	<u>823,736</u>
Capital assets, net	<u>\$ 817,496</u>	<u>\$ 135,740</u>	<u>\$ -</u>	<u>\$ 953,236</u>

Depreciation for governmental activities capital assets has been allocated to the various activities as follows:

Firefighting and prevention	\$ (36,656)
Equipment, repairs and maintenance	(7,552)
Station, repairs and maintenance	<u>(21,007)</u>
Depreciation Expense	<u>\$ (65,215)</u>

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

**4. Long-Term Debt**

Long-term debt consisted of the following at December 31, 2016:

**Capital Lease**

On August 5, 2008, the District entered into an 82 month capital lease with a leasing company to acquire a 2006 Chevy rescue truck with a cost of \$240,513. The lease required annual payments of \$36,291, principal and interest, at 4.25%, through August 1, 2016. The lease was collateralized by the truck and was paid off on August 1, 2016.

On July 15, 2016, the District entered into a lease/purchase agreement as lessee to finance the acquisition of land. The initial lease is for a 4-year term. The interest rate on the lease is 2.35%. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the fair value of the leased property. The lease is collateralized by two vehicles owned by the District.

Changes in governmental activities Long-Term Debt:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Capital lease					
August 5, 2008	\$ 34,811	-	(34,811)	-	-
July 15, 2016	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>28,963</u>
	<u>\$ 34,811</u>	<u>\$ 120,000</u>	<u>\$ (34,811)</u>	<u>\$ 120,000</u>	<u>\$ 28,963</u>

The District's future minimum lease obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	28,963	2,820	31,783
2018	29,644	2,139	31,783
2019	30,340	1,443	31,783
2020	<u>31,053</u>	<u>730</u>	<u>31,783</u>
	<u>\$ 120,000</u>	<u>\$ 7,132</u>	<u>\$ 127,132</u>

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**5. Risk Management**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance covering specific and general risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

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**7. Volunteer Firefighter's Pension Plan**

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*Plan description.* The District has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). As of December 31, 2016, the Plan had 18 retirees and beneficiaries, 4 inactive, nonretired members, and 12 active members. FPPA issues an annual, publicly available financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at [www.fppaco.org](http://www.fppaco.org).

*Benefits provided.* Any firefighter who has both attained the age of 50 and completed 20 years of active service shall be eligible for a monthly pension. Pro rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. A firefighter, who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity which extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute.

*Funding Policy.* The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2016, indicated that the current level of contributions to the fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present Plan.

The District contributed \$58,320 and the State of Colorado contributed \$9,000 to the plan for the year ended December 31, 2016.

*Pension Liabilities, 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 of \$456,172. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**7. Volunteer Firefighter’s Pension Plan (continued)**

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For the year ended December 31, 2016, the District recognized pension expense related to this plan of \$45,592. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ (7,587)
Net difference between projected and actual investment earnings on pension plan investments	32,803	-
Current-year contributions	<u>58,320</u>	<u>-</u>
Total	<u>\$ 91,123</u>	<u>\$ (7,587)</u>

The \$58,820 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

**Year ending December 31,**

2017	\$ 3,328
2018	6,049
2019	8,481
2019	<u>7,358</u>
	<u>\$ 25,216</u>

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

Investment Rate of Return	7.5% per annum (net of operating expenses), compounded annually
Retirement Age	50% per year of eligibility until 100% 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.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

**7. Volunteer Firefighter's Pension Plan (continued)**

Withdrawal	Twenty percent (20%) of members age 50 and eligible for a terminated vested benefit which would commence immediately are assumed to withdraw each year.
Marital Status	90% male and female; males are assumed to be three years older than females
Changes in Actuarial Assumptions	None
Changes in Actuarial Methods	None
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Remaining Amortization Period	20 years
Asset valuation Period	5-year smoothed market
Inflation	3.00%
Salary Increases	N/A
Cost-of-living adjustments	None

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1.00% Decrease*	Current Discount Rate*	1.00% Increase *
District's net pension liability	\$575,211	\$456,172	\$356,387

*\*The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.*

*FPPA System Description.* The FPPA 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 pension plan has elected to affiliate with FPPA for plan administration and investment only.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**8. State of Colorado Fire and Police Pension Association – Defined Benefit Plan**

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*Plan description.* The Statewide Defined Benefit Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2016 has 216 participating employer fire and police departments.

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

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

*Benefits provided.* The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and Losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account ("SRA") has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2016, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**8. State of Colorado Fire and Police Pension Association – Defined Benefit Plan (continued)**

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percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

A member may elect to participate in the deferred retirement option plan ("DROP") after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds.

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

Members of this Plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2014. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20 percent of base salary through 2014. The District is contributing 8 percent of base salary and the employees are contributing 12 percent of base salary for the reentry group. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent.

The contribution rate for members and employers of affiliated social security employers is 4 percent of base salary for a total contribution rate of 8 percent effective January 1, 2007 through 2014. Per the 2014 member election, the affiliated social security group will also have their

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**8. State of Colorado Fire and Police Pension Association – Defined Benefit Plan (continued)**

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required member contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Contributions to the Plan from the District were \$4,183 for the year ended December 31, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*

At December 31, 2016, the District reported an asset of \$248 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. At December 31, 2015, the District's proportion was 0.0140685% percent.

For the year ended December 31, 2016, the District recognized pension expense related to this plan of \$1,980. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ 293
Net difference between projected and actual investment earnings on pension plan investments	14,683	-
District contributions subsequent to the measurement date	4,183	-
Total	\$ 18,866	\$ 293

The \$4,183 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**8. State of Colorado Fire and Police Pension Association – Defined Benefit Plan (continued)**

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending December 31,**

2017	\$ 3,840
2018	3,840
2019	3,527
2020	607
2021	607
Thereafter	<u>1,969</u>
	<u>\$ 14,390</u>

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

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 - 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	3.0 percent

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. On-duty related mortality is assumed to be 0.00020 per year for all members.

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

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**8. State of Colorado Fire and Police Pension Association – Defined Benefit Plan (continued)**

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Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Total	100.0%	

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate.

	1.00% Decrease*	Current Discount Rate*	1.00% Increase *
District's proportionate share of the net pension liability/asset	\$34,742	\$(248)	\$(29,271)

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**8. State of Colorado Fire and Police Pension Association – Defined Benefit Plan (continued)**

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

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**9. Voluntary Investment Program**

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Description- Effective May 1, 2010, employees of the District who are members of the SWDB (see Note 8) may voluntarily contribute to the Voluntary Investment Program ("457 Plan"), an Internal Revenue Code Section 457 defined contribution plan administered by FPPA. Plan participation is optional, and contributions are separate from others made to FPPA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 457 Plan provisions to the State Legislature.

Funding Policy - The 457 Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar years 2016 and 2015 and \$17,500 for calendar year 2014). Catch-up contributions up to \$6,000 for calendar years 2016 and 2015 and \$5,500 for the calendar year 2014 and were allowed for participants who had attained age 50 before the close of the plan year, subject to the Limitations of IRC §414(v). For the years ended December 31, 2016, 2015, and 2014, no member contributions were made to this 457 Plan.

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**9. TABOR Compliance**

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In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local districts. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

**Hartsel Fire Protection District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016**

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**9. TABOR Compliance (continued)**

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The Amendment also requires local districts to establish emergency reserves to be used for declared only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$20,607 for this purpose.

On May 5, 1998, the voting electors voted to allow the Hartsel Fire Protection District to retain all revenues from all sources in 1998 and subsequent years, without imposing any new taxes or increases in tax rates, and to spend the same as voter-approved revenue change for each year without regard to and an exception to the expenditure, revenue-raising or other limitations contained within Article X, Section 20 of the Colorado Constitution, Section 29-1-301, CRS, or any other law. This effectively removed all revenue and expenditure limitations imposed by TABOR

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

# **Hartsel Fire Protection District**

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**Required Supplementary Information**

**Hartsel Fire Protection District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**General Fund**  
**For the year ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes	\$ 460,965	\$ 463,559	\$ 2,594
Charges for services	45,000	32,303	(12,697)
Grants	-	91,025	91,025
Investment income	3,000	3,072	72
Other income	3,000	22,865	19,865
Total Revenues	<u>511,965</u>	<u>612,824</u>	<u>100,859</u>
<b>Expenditures:</b>			
Treasurer's fees	13,000	12,465	535
Administration	269,360	276,455	(7,095)
Firefighting and prevention	140,300	96,981	43,319
Communications	6,000	3,196	2,804
Equipment repairs and maintenance	49,500	47,359	2,141
Station repairs and maintenance	31,200	49,498	(18,298)
Debt Service			
Principal	34,820	34,811	9
Interest	1,480	1,480	-
Capital outlay	166,305	200,955	(34,650)
Total Expenditures	<u>711,965</u>	<u>723,200</u>	<u>(11,235)</u>
<b>Excess Revenue Over (Under)</b>			
<b>Expenditures</b>	<u>(200,000)</u>	<u>(110,376)</u>	<u>89,624</u>
<b>Other Financing Sources (Uses)</b>			
Capital lease obligation	-	119,750	119,750
Total Other Financing Sources (Uses)	<u>-</u>	<u>119,750</u>	<u>119,750</u>
<b>Excess of Revenues and Other Financing Sources</b>			
<b>Over Expenditures and Other Financing Uses</b>	(200,000)	9,374	209,374
<b>Fund Balance—Beginning of year</b>	<u>200,000</u>	<u>181,141</u>	<u>(18,859)</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ 190,515</u>	<u>\$ 190,515</u>

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

**Hartsel Fire Protection District**  
**Required Supplementary Information**  
**Schedules of Employer Contributions**  
**For the period ended December 31, 2016**

**Statewide Defined Benefit Plan**

<u>Year Ending</u>	<u>Actuarially Required Contributions</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2014	\$ 4,320	\$ 4,320	\$ -	\$ 54,000	8.0%
12/31/2015	\$ 5,456	\$ 5,456	\$ -	\$ 68,200	8.0%
12/31/2016	\$ 4,183	\$ 4,183	\$ -	\$ 52,287	8.0%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**Volunteer Firefighter's Pension Plan**

<u>Year Ending</u>	<u>Actuarially Required Contributions</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2006	\$ 43,214	\$ -	\$ 43,214	N/A**	N/A**
12/31/2007	\$ 43,214	\$ -	\$ 43,214	N/A**	N/A**
12/31/2008	\$ 43,214	\$ 30,000	\$ 13,214	N/A**	N/A**
12/31/2009	\$ 44,000	\$ 55,000	\$ (11,000)	N/A**	N/A**
12/31/2010	\$ 77,645	\$ 75,998	\$ 1,647	N/A**	N/A**
12/31/2011	\$ 77,645	\$ 80,998	\$ (3,353)	N/A**	N/A**
12/31/2012	\$ 74,268	\$ 77,000	\$ (2,732)	N/A**	N/A**
12/31/2013	\$ 74,268	\$ 63,000	\$ 11,268	N/A**	N/A**
12/31/2014	\$ 72,718	\$ 65,700	\$ 7,018	N/A**	N/A**
12/31/2015	\$ 72,718	\$ 65,700	\$ 7,018	N/A**	N/A**
12/31/2016	\$ 58,320	\$ 58,320	\$ -	N/A**	N/A**

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

\*\* Ratio not applicable (N/A) since payroll is zero due to the plan covering volunteers.

**Hartsel Fire Protection District**  
**Required Supplementary Information**  
**Schedules of Proportionate Share of the Net Pension Liability and Related Ratios**  
**Statewide Defined Benefit Plan**  
**December 31, 2016**

**Statewide Defined Benefit Plan**

<b>Year Ending*</b>	<b>Proportion of the Net Pension Liability/(Asset)</b>	<b>Proportionate Share of the Net Pension Asset</b>	<b>Actual Covered Member Payroll</b>	<b>Net Pension Asset as a Percentage of Covered Payroll</b>	<b>Fiduciary Net Position as a Percentage of Total Pension Asset</b>
12/31/2014	0.00778%	\$ (11,276)	\$ 49,222	-22.91%	105.8%
12/31/2015	0.01201%	\$ (13,551)	\$ 54,118	-25.04%	106.8%
12/31/2016	0.01407%	\$ (248)	\$ 52,288	-0.47%	100.1%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

\* The data provided in this schedule is based as of the measurement date of the District's net pension liability, which is as of the beginning of the year.

**Hartsel Fire Protection District**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Volunteer Firefighter's Pension Plan**  
**December 31, 2016**

Year ended December 31,	<u>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 28,391	\$ 17,065
Interest	78,662	79,161
Difference between expected and actual experience	(17,895)	-
Benefit Payments	<u>(72,211)</u>	<u>(81,851)</u>
<b>Net change in total pension liability</b>	16,947	14,375
<b>Total pension liability - Beginning</b>	1,070,335	1,087,282
<b>Total pension liability - Ending (a)</b>	1,087,282	1,101,657
<b>Plan fiduciary net position</b>		
Employer contributions	56,700	56,700
Employee contributions	-	-
Net investment income	40,637	11,506
Benefit payments	(72,211)	(81,851)
Administrative expense	(1,315)	(3,330)
State of Colorado Supplemental Discretionary Payment	<u>9,000</u>	<u>9,000</u>
<b>Net change in plan fiduciary net position</b>	32,811	(7,975)
<b>Plan fiduciary net position - beginning</b>	620,649	653,460
<b>Plan fiduciary net position - end (b)</b>	653,460	645,485
<b>District's net pension liability - ending (a)-(b)</b>	433,822	146,172
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	60.10%	58.59%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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