

**INTER-CANYON  
FIRE PROTECTION DISTRICT  
BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 11:22 am, Jul 31, 2017*

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## Independent Auditors' Report

Board of Directors  
Inter-Canyon Fire Protection District  
Morrison, Colorado

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

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

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

### ***Auditors' Responsibility***

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

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### *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 the District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions on pages 4 through 6 and 23 through 24 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

June 28, 2017  
Denver, Colorado



**INTER-CANYON FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS**



# **INTER-CANYON FIRE PROTECTION DISTRICT**

## **INTER-CANYON FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS**

### **Reporting Entity**

This section is the Inter-Canyon Fire Protection District's (the District) annual financial report's discussion and analysis of the District's financial performance from January 1, 2016 through December 31, 2016. Please read it in conjunction with the District's financial statements that follow this section.

The District is a governmental subdivision incorporated under the laws of the State of Colorado. The District provides fire protection, ambulance, emergency medical and rescue services to residents in the area from Tiny Town on the North, to Hilldale Pines Subdivision on the South and from Deer Creek Canyon on the East to Hillview Road on the West.

The District is the primary special purpose government responsible for the above services in its service area. As a result, all significant activities have been included in the basic financial statements. The District's financial statements represent those of a stand-alone government, as there are no components units.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States.

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

The annual report consists of two parts, management's discussion and analysis and the basic financial statements. The District operates with only one fund, a General Fund, which is a governmental fund.

In prior years, the District has also reported the Pension Trust Fund, but no longer reports this fund as it is an agent multiple-employer plan in the Fire and Police Pension Association of Colorado (FPPA).

The basic financial statements include footnotes that are an integral part of the financial statements that provide detailed additional information.

The financial statements provide both long-term and short-term information about the District's overall operating financial status. These statements explain how expenditures are financed and what remains for future spending. The governmental fund statement reports information about the District as a whole using the modified accrual basis of accounting. The statements of net position include all of the government's assets and liabilities.

The governmental fund is reported in the following summary. The District's services are funded primarily through taxes levied by the District and collected by Jefferson County.

## Government-wide Overall Financial Analysis

### Summary of Governmental Statements of Net Position

December 31,	2016	2015
<u>Assets</u>		
Current and other assets	\$ 1,789,858	\$ 1,807,936
Capital assets, net	<u>3,230,569</u>	<u>3,262,631</u>
Total Assets	5,020,427	5,070,567
<u>Deferred Outflow of Resources</u>		
Pension related deferred inflows	<u>178,612</u>	<u>116,025</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 5,199,039</u>	<u>\$ 5,186,592</u>
<u>Liabilities</u>		
Current liabilities	\$ 32,872	\$ 161,609
Noncurrent liabilities	<u>599,153</u>	<u>585,486</u>
Total Liabilities	<u>632,025</u>	<u>747,095</u>
<u>Deferred Inflows of Resources</u>		
Unavailable revenue – property taxes	897,935	895,749
Pension related deferred outflows	<u>181,962</u>	<u>275,236</u>
Total Deferred inflows of resources	<u>1,079,897</u>	<u>1,170,985</u>
Total Liabilities and Deferred Inflow of Resources	<u>\$ 1,711,922</u>	<u>\$ 1,918,080</u>
<u>Net Position</u>		
Net investment in capital assets	\$ 3,230,569	\$ 3,121,693
Restricted	36,438	27,767
Unassigned	<u>220,110</u>	<u>119,052</u>
Net Position	<u>\$ 3,487,117</u>	<u>\$ 3,268,512</u>

### Summary of Governmental Statements of Activities

December 31,	2016	2015
<u>Revenues</u>		
Property taxes	\$ 884,855	\$ 770,133
Specific ownership taxes	79,112	63,645
Intergovernmental revenues	18,500	33,823
Fees for services	67,563	73,906
Investment earnings	498	432
Other revenue	<u>129,468</u>	<u>236,162</u>
Total Revenues	<u>1,179,996</u>	<u>1,178,101</u>
<u>Expenses</u>		
Administration	345,856	210,591
Firefighting	80,339	48,096
Firefighting equipment	41,784	47,252
Communications	22,621	24,012
Emergency medical services	67,734	31,837
Stations expense	102,237	81,046
Depreciation	316,324	306,657
Interest	2,511	7,069
Pension plan contribution (revenue)	<u>(18,015)</u>	<u>(7,939)</u>
Total Expenses	<u>961,391</u>	<u>748,621</u>
Increase in Net Position	218,605	429,480
Net Position – beginning of year	<u>3,268,512</u>	<u>2,839,032</u>
Net Position - end of year	<u>\$ 3,487,117</u>	<u>\$ 3,268,512</u>

## **Financial Highlights**

The General Fund operated under budget for 2016.

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes:			
Property taxes	\$ 897,544	\$ 884,855	\$ (12,689)
Specific ownership taxes	0	79,112	79,112
Intergovernmental revenues	0	18,500	18,500
Fees for services	73,904	67,563	(6,341)
Other	34,948	129,966	95,018
Total Revenues	<u>1,006,396</u>	<u>1,179,996</u>	<u>173,600</u>
<u>Expenditures/Expenses</u>			
Current	758,272	784,750	(26,478)
Capital outlay	207,879	284,262	(76,383)
Debt service:			
Principal	136,449	141,086	(4,637)
Interest	0	4,489	(4,489)
Total Expenses	<u>1,102,600</u>	<u>1,214,587</u>	<u>(111,987)</u>
Increase (decrease) in Net Position	<u>\$ (96,204)</u>	<u>(34,591)</u>	<u>\$ 61,613</u>
Fund balance – January 1		<u>893,642</u>	
Fund balance – December 31		<u>\$ 859,051</u>	

## **General Fund Budgetary Highlights**

The District remodeled Station 1 for use as a community resource and more effective training facility. The District received a grant for extractors, the extractors help prevent cancer by removing toxins from bunker gear. A portion of the grant was used for a new compressor providing more efficient and safer refilling of air bottles. Both Station 3 and Station 4 were remodeled to include bunk areas to improve overnight call response.

## **Contacting the District's Administrative Office**

The financial report is designed to provide our citizens, taxpayers 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 the District's Administrative Office at (303) 697-4413, located at Station 1, 7939 South Turkey Creek Road, Morrison, CO 80465.

**303-697-4413 office 303-697-6770 fax [www.intercanyonfire.org](http://www.intercanyonfire.org)  
7939 South Turkey Creek Rd., Morrison, CO 80465**

## **BASIC FINANCIAL STATEMENTS**

INTER-CANYON FIRE PROTECTION DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31,	2016		
	General Fund	Adjustments (Note 7)	Statement of Net Position
<u>Assets</u>			
Cash and cash equivalents	\$ 842,797	\$ 0	\$ 842,797
Cash with county treasurer	5,905	0	5,905
Property tax receivable	897,935	0	897,935
Accounts receivable, net of allowance	15,667	0	15,667
Other receivable	13,958	0	13,958
Prepaid expenses	13,596	0	13,596
Capital assets, net of depreciation	0	3,230,569	3,230,569
Total Assets	<u>1,789,858</u>	<u>3,230,569</u>	<u>5,020,427</u>
<u>Deferred Outflows of Resources</u>			
Pension related deferred outflows	0	178,612	178,612
Total deferred outflows of resources	<u>0</u>	<u>178,612</u>	<u>178,612</u>
Total Assets, and Deferred Outflows of Resources	<u>\$1,789,858</u>	<u>\$ 3,409,181</u>	<u>\$ 5,199,039</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u>			
Accounts payable and accrued liabilities	\$ 32,872	\$ 0	\$ 32,872
Noncurrent liabilities			
Net pension liability	0	599,153	599,153
Total liabilities	<u>32,872</u>	<u>599,153</u>	<u>632,025</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue-property taxes	897,935	0	897,935
Pension related deferred inflows	0	181,962	181,962
Total deferred inflows of resources	<u>897,935</u>	<u>181,962</u>	<u>1,079,897</u>
<u>Fund Balance</u>			
Non-spendable	13,596	(13,596)	
Restricted for Emergencies (TABOR)	36,438	(36,438)	
Unassigned	809,017	(809,017)	
Total fund balance	<u>859,051</u>	<u>(859,051)</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,789,858</u>	<u>\$ (77,936)</u>	<u>\$ 1,711,922</u>
<u>Net Position</u>			
Net investment in capital assets		\$ 3,230,569	\$ 3,230,569
Restricted		36,438	36,438
Unrestricted		220,110	220,110
Total Net Position		<u>\$ 3,487,117</u>	<u>\$ 3,487,117</u>

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

INTER-CANYON FIRE PROTECTION DISTRICT  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2016

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Activities</u>
<u>Revenues</u>			
<u>Taxes</u>			
Property taxes	\$ 884,855	\$ 0	\$ 884,855
Specific ownership taxes	79,112	0	79,112
Intergovernmental revenues	18,500	0	18,500
Fees for services	67,563	0	67,563
Contributions	111,488	0	111,488
Interest income	498	0	498
Other income	<u>17,980</u>	<u>0</u>	<u>17,980</u>
Total revenues	<u>1,179,996</u>	<u>0</u>	<u>1,179,996</u>
<u>Expenditures/Expenses</u>			
<u>Current</u>			
Administration	345,856	0	345,856
Firefighting	80,339	0	80,339
Firefighting equipment	41,784	0	41,784
Communications	22,621	0	22,621
Emergency medical services	67,734	0	67,734
Stations expense	102,237	0	102,237
Pension contribution	124,179	(142,194)	(18,015)
Depreciation	0	316,324	316,324
Capital outlay	284,262	(284,262)	0
Debt service			
Principal	141,086	(141,086)	0
Interest		<u>4,489</u>	<u>(1,978)</u>
Total expenditures/expenses	<u>1,214,587</u>	<u>(253,196)</u>	<u>961,391</u>
Excess (deficiency) of revenues over (under) expenditures	(34,591)	<u>34,591</u>	
Change in net position		<u>\$ 218,605</u>	218,605
Fund balances/net position, January 1,	<u>893,642</u>		<u>3,268,512</u>
Fund balances/net position, December 31	<u>\$ 859,051</u>		<u>\$3,487,117</u>

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

INTER-CANYON FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL FUND

For the Year Ended December 31,

2016

	<u>General Fund</u>		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
<u>Taxes</u>			
Property taxes	\$ 897,544	\$ 884,855	\$ (12,689)
Specific ownership taxes	0	79,112	79,112
Intergovernmental revenues	0	18,500	18,500
Fees for services	73,904	67,563	(6,341)
Contributions	24,355	111,488	87,133
Investment earnings	32	498	466
Miscellaneous	10,561	17,980	7,419
Total revenues	1,006,396	1,179,996	173,600
<u>Expenditures</u>			
<u>Current</u>			
Administration	345,906	345,856	50
Firefighting	80,919	80,339	580
Firefighting equipment	51,088	41,784	9,304
Communications	27,096	22,621	4,475
Emergency medical services	38,547	67,734	(29,187)
Stations expenses	109,037	102,237	6,800
Pension plan contribution	105,679	124,179	(18,500)
Capital outlay	207,879	284,262	(76,383)
Debt service			
Principal	136,449	141,086	(4,637)
Interest	0	4,489	(4,489)
Total expenditures	1,102,600	1,214,587	(111,987)
Net change in fund balances	\$ (96,204)	(34,591)	\$ 61,613
Fund balances – January 1		893,642	
Fund balances – December 31		\$ 859,051	

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

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organized in 1956, Inter-Canyon Fire Protection District (District) is an independent local governmental unit incorporated under the laws of the State of Colorado and organized under a charter and governed by an elected board of directors to provide volunteer fire protection and emergency services within the boundaries of the District in Jefferson County, Colorado.

Five stations and fifty active volunteer firefighters serve the approximately 55 square miles of varied topography, southwest of Denver in the foothills. The east edge of the District begins near the first hogback west of the Ken Caryl subdivision and extends west past State Highway 285. The northern edge is south of Marshdale and extends south to within a few miles of Waterton Canyon and the South Platte River. Throughout this area are fuels of grasses, brush, ponderosa, and lodge pole pines with steep canyons, remote residences as well as subdivisions with hundreds of clustered homes. These conditions add to the challenges to provide residents with quality fire, rescue and emergency medical services.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. As required by generally accepted governmental accounting principles, the financial statements of the reporting entity include those of the District (the primary government) which has no component units. The District does not exercise oversight responsibility over any other entity, nor is the District a component of any other governmental entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net position column and the statement of activities column) report information on all of the non-fiduciary activities of the primary government. As a general rule, interfund activity is eliminated from the government-wide financial statements.

The statement of activities column demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the 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. Separate financial statements are also provided for governmental funds.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities 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.

The governmental funds column on the governmental fund balance sheet/statement of net position and the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District uses a governmental fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources of funds and uses the balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Assets, Liabilities and Net Position/Fund Balances

*Cash and Investments* – Cash equivalents are defined as investments with original maturities of three months or less. Investments are stated at fair value.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

*Receivables* – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2016, management has recorded an allowance of \$101,058 for uncollectible ambulance service.

*Prepaid Expenses* – Expenditures for insurance premiums on policies extending over more than one accounting period are amortized over the policy period.

*Capital assets* – Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against their operations in the government-wide financial statements. Depreciation is provided over the estimated useful lives using the straight-line method.

Buildings and improvements	10-30 years
Vehicles and equipment	5-20 years

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so 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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period.

*Capital leases* - Leasing agreements, for which the economic substance is a financing arrangement, are recorded as capital leases. Accordingly, where the District is the lessee, the asset and corresponding obligation are recorded in the District's financial statements.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

*Net Position/Fund Balances* – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Fund balances of the governmental funds are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) 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, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted funds include amounts restricted for emergencies, per the Colorado Taxpayer's Bill of Rights (TABOR) of \$36,438 at December 31, 2016.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action of District's Board of Directors (Board). The Board is the highest level of decision making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2016, the District has no committed funds.

*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. Only the Board may assign fund balances for specific purposes. At December 31, 2016, the District has no assigned funds.

*Unassigned* – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds 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.

Property Taxes

Property taxes are levied by December 15, on assessed valuation as of August 25 of each year and attach as an enforceable lien on January 1 of the following year. These taxes are due in full by April 30; however, they are not delinquent if paid in installments by February 28, and June 15. Taxes become delinquent after those dates and are subject to interest charges.

Property owners within the boundaries of the District have been assessed \$897,935 in taxes for 2016. Since these taxes are levied for operations during 2016, the taxes are classified as deferred inflows of resources. Taxes are collected and remitted to the District by the Treasurer's Office of Jefferson County.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Interest income is considered to be susceptible to accrual.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Non-exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Budgets

In accordance with the Colorado Budget Law, the Board holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Board can modify the budget and appropriation resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. Budgets for governmental fund types are adopted on a basis consistent with U.S. generally accepted accounting principles, in accordance with Colorado Budget Law.

For the year ended December 31, 2016, the District's Capital Replacement Fund incurred expenditures which exceeded the final approved budget. This may be a violation of Colorado Budget law.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

Tax, Spending, and Debt Limitations

TABOR establishes revenue and spending limits, and imposes other specific requirements on state and local governments. In May, 1998, the District's voters approved changes that reduced certain limits imposed by TABOR. As a result, the District is permitted to retain all revenues from all resources. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has recorded \$36,438 restricted net position for emergencies at December 31, 2016, based on 3% of governmental expenditures.

Risk Management

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 volunteers and natural disasters. It carries commercial insurance coverage of these risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

Use of Estimates

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

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

The Board and the Volunteer Firefighters volunteer their time and perform a variety of tasks that assist the District in its operations. No amounts have been reflected in the financial statements for such services.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments at December 31, 2016, follows:

Cash deposits	\$ 242,503
Investments	<u>600,294</u>
Total cash and investments	<u>\$ 842,797</u>

Deposits

*Custodial Credit Risk – Deposits* - In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the carrying amount and bank balance of the District’s deposits were \$242,503 and \$254,041. Of the bank balances \$250,000 was covered by FDIC insurance and \$4,041 was covered by the PDPA.

The District has no policy regarding custodial risk for deposits.

Investments

The District invests funds in the Colorado Local Government Liquid Asset Trust (“COLOTRUST”). As an investment pool, it operates under the Colorado Revised Statutes (24-75-601.1). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (related A1 to better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00. The State Securities Commissioner administers and enforces all State statutes governing this pool. This fund is rated AAAM by Standard and Poor’s Corporation.

*Interest Rate Risk* - Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. The District has interest rate risk related to its investments in COLOTRUST. At December 31, 2016, COLOTRUST had a weighted average maturity of 36 days to reset and 76 days to final maturity.

*Concentration of Credit Risk* - The District places no limit on the amount that may be invested in any one issuer.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

*Credit Risk* – The District is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in general fixed assets during 2016:

	<u>Balances</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/16</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 122,301	\$ 0	\$ 0	\$ 122,301
Capital assets, being depreciated				
Buildings	2,038,001	80,757	0	2,118,758
Vehicles and Equipment	4,155,296	203,505	0	4,358,801
Total Capital Assets, Being Depreciated	<u>6,193,297</u>	<u>284,262</u>	<u>0</u>	<u>6,477,559</u>
Less Accumulated Depreciation				
Buildings	(821,949)	(65,936)	0	(887,885)
Vehicles and Equipment	(2,231,018)	(250,388)	0	(2,481,406)
Total Accumulated Depreciation	<u>(3,052,967)</u>	<u>(316,324)</u>	<u>0</u>	<u>(3,369,291)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,140,330</u>	<u>(32,062)</u>	<u>0</u>	<u>3,108,268</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,262,631</u>	<u>\$ (32,062)</u>	<u>\$ 0</u>	<u>\$ 3,230,569</u>

NOTE 4 - DEBT

Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2016:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/16</u>
Leases payable	\$ 140,938	\$ 0	\$ 140,938	\$ 0

Interest paid during the year totaled \$2,364.

The District entered into a lease agreement to finance the acquisition of fire apparatus. The lease was originally dated January 2010, and refinanced in December 2012. The lease was payable in annual installments of \$145,575, including interest at 3.29% per annum, through July 2016. The lease has a \$1 purchase option at the end of the lease term. The obligation was collateralized by certain fire equipment.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - PENSION PLANS

Volunteer Firefighters' Pension Plan

Plan Description – The District has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado Statute.

The defined benefit plans are administered by the Fire and Police Pension Association of Colorado ("FPPA"). It is reported in the FPPA comprehensive annual financial report (CAFR). The CAFR of the FPPA may be obtained by contacting FPPA at 5290 DTC parkway, Suite 100, Greenwood Village, Colorado 80111-2721.

Benefits Provided – Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a full benefit monthly pension of \$432. Any firefighter who has completed ten to twenty years of active service shall be eligible for a benefit of \$21.60 for each year served. The Volunteer Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter.

Spouses of deceased firefighters receive benefits equal to one-half those of a firefighter. Benefits are determined by the Volunteer Firefighter Pension Board.

Contributions – In addition to contributions from the District, the Volunteer Plan received contributions from the State in an amount not to exceed one-half mill of property tax revenue. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions.

Amounts to be contributed are determined by the District as part of its budget process. The actuarial study as of January 1, 2016, indicated that the current level of contributions to the fund, approximately \$105,679 per year, is adequate to support, on an actuarially sound basis, the prospective benefits for the present Volunteer Plan. For the year ended December 31, 2016 the District and State actual contributions of \$105,679 and \$33,823, respectively, were in excess of the required contributions to the Volunteer Plan. The State contribution is included in the financial statements as an on-behalf payment.

All Defined Benefit Plans

Employees Covered by Benefit Terms- Employee membership data related to the Volunteer Plan, as of January 1, 2016 was as follows:

Retirees and beneficiaries currently receiving benefits	22
Terminated employees entitled to but not yet receiving benefits	4
Active plan members	<u>38</u>
Total	<u>64</u>

Pension Liabilities – At December 31, 2016, the Volunteer Plan reported a net pension liability of \$599,153. 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, 2015.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - PENSION PLANS (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resource. For the year ended December 31, 2016, the District recognized revenue of \$142,194 related to the Volunteer Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources from the following sources for each plan:

	Deferred Outflow of Resources	Deferred Inflows of Resources
<u>Volunteer Plan</u>		
Net difference between projected and actual earnings on Plan investments	\$ 72,933	\$ 0
Change in assumptions	0	95,485
Differences between expected and actual experience	0	86,477
District contributions subsequent to the measurement date	105,679	0
Total	\$ 178,612	\$ 181,962

The District's contributions subsequent to the measurement date, \$105,679 for the volunteer plan will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

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

<u>Years ending December 31:</u>	Volunteer Plan
2017	\$ (74,393)
2018	(69,807)
2019	18,879
2020	16,292

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

	Volunteer Plan
Measurement date	December 31, 2015
Actuarial valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	5 year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - PENSION PLANS (CONTINUED)

For the Volunteer Plan mortality Pre and Post-retirement: RP-2000 Combined Mortality Table with Blue Collar adjustment, and pre-retirement 40% multiplier for off-duty mortality. Disabled retirement: RP-2000 Disabled Mortality Table for males and females. All tables projected with Scale AA.

For the actuarial computation to be dated January 1, 2017, the inflation rate will be reduced from 3.00% to 2.50%. In addition, certain changes will be made to the mortality assumptions.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected 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%

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, where applicable, employer, employee and state contributions will be made at the current contribution rate and will also be made at the current statutorily required or actuarially determined rates.

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - PENSION PLANS (CONTINUED)

*Changes in The District's Net Pension Liability* – Changes in the District's net pension liability for the Volunteer Plan for the year ended December 31, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	[a]	[b]	[a] - [b]
<u>Volunteer Plan</u>			
Balance, December 31, 2015	\$ 2,008,729	\$ 1,423,243	\$ 585,486
Changes for the year:			
Service cost	22,392	0	22,392
Interest	146,759	0	146,759
Changes in assumptions	0	0	0
Difference between expected and actual experience	0	0	0
Net investment income	0	25,347	(25,347)
Contributions - employer	0	105,679	(105,679)
Benefit payments including refunds of employee contributions	(128,188)	(128,188)	0
Administrative expense	0	(9,365)	9,365
State of Colorado supplemental discretionary payment	0	33,823	(33,823)
Net changes	40,963	27,296	13,667
Balance, December 31, 2016	\$ 2,049,692	\$ 1,450,539	\$ 599,153

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* – The following presents the District's net pension liability or the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	Discount rate	Volunteer Plan
1% decrease	6.5%	\$ 815,878
Current discount rate	7.5%	599,153
1% increase	8.5%	416,245

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - NEW ACCOUNTING PRONOUNCEMENTS

During 2016, the District implemented the following GASB pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. This pronouncement resulted in expanded footnote disclosures around fair value. The District had no investments required to be reported under fair value hierarchy.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by itself or other governments that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Neither the District or any other government has entered into an agreement which will result in an abatement of the District's taxes.

In addition, the GASB has issued several pronouncements prior to December 31, 2016 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These Statements replace the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB*. These statements establish new accounting and financial reporting requirements for OPEB plans. Management is currently determining the effects of the implementation of this statements on the District's financial records.

Governmental Accounting Standards Board Statement No. 83 *Certain Asset Retirement Obligations*. In November of 2016, the GASB issued Statement No. 83. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. Management is currently determining the effects of the implementation of this statements on the District's financial records.

INTER-CANYON FIRE PROTECTION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds and the government-wide statement of net position and statement of activities follows:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Also, current year additions are an expenditure in the funds, but are capitalized and depreciated over their respective useful lives in the statement of net position. As a result, \$3,230,569 was adjusted to increase capital assets in the statement of net position, and \$284,262 was adjusted to decrease current year expenditures in the statement of activities. An adjustment was also made to record current year depreciation of \$316,324.

Principal payments on debt are expenditures in the funds, but reduce the liability in the statement of net position. Expenditures were reduced \$141,086 for principal payments and \$1,978 for accrued interest in the statement of activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

INTER-CANYON FIRE PROTECTION DISTRICT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
VOLUNTEER PENSION TRUST FUND  
LAST 10 FISCAL YEARS\*

<u>Measurement periods ended December 31,</u>	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>		
Service cost	\$ 22,392	\$ 30,834
Interest on total pension liability	146,759	150,138
Differences between expected and actual experience	0	(175,133)
Assumption changes	0	(193,377)
Benefit payments	<u>(128,188)</u>	<u>(124,765)</u>
Net change in total pension liability	40,963	(312,303)
Total pension liability-beginning	<u>2,008,729</u>	<u>2,321,032</u>
Total pension liability-ending (a)	<u>\$ 2,049,692</u>	<u>\$ 2,008,729</u>
<u>Plan Fiduciary Net Position</u>		
Employer contributions	\$ 105,679	\$ 80,790
Pension plan net investment income	25,347	87,712
Benefit payments	(128,188)	(124,765)
Pension plan administrative expense	(9,365)	(2,421)
State of Colorado discretionary payment	<u>33,823</u>	<u>33,823</u>
Net change in plan fiduciary net position	27,296	75,139
Plan fiduciary net position-beginning	<u>1,423,243</u>	<u>1,348,104</u>
Plan fiduciary net position-ending (b)	<u>\$ 1,450,539</u>	<u>\$ 1,423,243</u>
Net pension liability-ending (a)-(b)	<u>\$ 599,153</u>	<u>\$ 585,486</u>
Plan fiduciary net position as a percentage of total pension liability	70.77%	70.85%
Covered employee payroll	N/A	N/A
Net pension liability as percentage of covered employee payroll	N/A	N/A

\*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

INTER-CANYON FIRE PROTECTION DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
VOLUNTEER PENSION TRUST FUND  
LAST 10 FISCAL YEARS\*

<u>Measurement periods ended December 31,</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 105,679	\$ 105,679
Actual contribution	<u>139,502</u>	<u>114,613</u>
Contribution excess	<u>\$ (33,823)</u>	<u>\$ (8,934)</u>
Covered payroll	N/A	N/A
Actual contribution as a percentage of covered employee payroll	N/A	N/A

\*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.