

LOS PINOS FIRE PROTECTION DISTRICT  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



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**INDEPENDENT AUDITOR'S REPORT**

April 13, 2017

Board of Directors  
Los Pinos Fire Protection District  
Ignacio, Colorado

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Los Pinos 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 each major fund of Los Pinos 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.

April 13, 2017  
Los Pinos Fire Protection District  
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**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 6), the general fund budgetary comparison (pages 26 through 27), and the pension information (pages 28 through 29) 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.

 et Co., LLC

# Los Pinos Fire Protection District

## Management's Discussion and Analysis December 31, 2016

As management of Los Pinos Fire Protection District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave).

The governmental activity of the District is primarily providing fire protection services for the Town of Ignacio, the areas of the Southern Ute Indian Tribe Reservation and the outlining 325 square miles of the District.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two funds, the General Fund, which is a governmental fund and the Pension Trust Fund, which is a Fiduciary fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The fund financial statements are contained on pages 9-12 of the report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for the accumulation of resources to be used for retirement payments for volunteer firemen.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 25 of this report.

## Condensed Financial Information

The following table shows the District's condensed financial information for 2014, 2015 & 2016:

	<u>2014</u>		<u>2015</u>		<u>2016</u>	
<b>Assets</b>						
Current and other assets	\$	8,993,282	\$	9,528,465	\$	9,304,275
Non current and capital assets, net	\$	4,258,332	\$	4,322,352	\$	4,289,527
<b>Total assets</b>	\$	13,251,614	\$	13,850,817	\$	13,593,802
Deferred outflows of resources			\$	156,863	\$	458,282
<b>Liabilities</b>						
Other liabilities	\$	210,466	\$	208,885	\$	223,333
Long-term liabilities outstanding	\$	104,928	\$	108,431	\$	95,140
<b>Total liabilities</b>	\$	315,394	\$	317,316	\$	318,473
Deferred Inflows of resources	\$	1,748,264.00	\$	1,994,203.00	\$	1,189,642.00
<b>Net Position</b>						
Invested in capital assets, net of related debt	\$	4,258,332	\$	4,322,352	\$	4,289,527.00
Restricted	\$	75,628	\$	87,412	\$	87,681.00
Unrestricted	\$	6,853,996	\$	7,572,834	\$	8,171,080.00
<b>Total net position</b>	\$	11,187,956	\$	11,982,598	\$	12,548,288
<b>Program Revenues</b>						
Operating grants and contributions	\$	695,931	\$	724,987	\$	883,268
Capital grants and contributions	\$	-	\$	-	\$	154,419
Charges for services	\$	409,938	\$	449,835	\$	430,068
<b>General revenues</b>						
Property Taxes	\$	1,605,319	\$	1,905,133	\$	2,161,230
Interest Income	\$	13,083	\$	11,285	\$	13,258
Transfer from pension trust fund			\$	119,203	\$	-
<b>Total revenues</b>	\$	2,724,271	\$	3,210,443	\$	3,642,243
<b>Expenses</b>						
Public safety	\$	2,827,885	\$	2,781,600	\$	3,076,553
Interest on long-term debt	-	-	-	-	-	-
Loss on sale of assets	-	-	-	-	-	-
<b>Total Expenses</b>	\$	2,827,885	\$	2,781,600	\$	3,076,553
<b>Increase in net position</b>	\$	103,614	\$	428,846	\$	565,690
Net position January 1	\$	11,291,570	\$	11,553,752	\$	11,982,598
<b>Net Position December 31</b>	\$	11,187,956	\$	11,982,598	\$	12,548,288

**Government-wide Financial Analysis.** With a large dip in the price of natural gas the District is looking at prudent spending and a hope for better economic times as our goals for 2016. Governmental Accounting Standards Board Statement No. 68 was implemented during 2015.

**Financial Analysis of the District's Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$7,896,399.

**Capital assets.** The District's investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$4,289,527 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, equipment and vehicles.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Los Pinos Fire Protection District, P.O. Box 319, Ignacio, CO 81137.

Los Pinos Fire Protection District

STATEMENT OF NET POSITION

December 31, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,032,451
Investments	792,500
Prepaid expenses	44,640
Receivables	
Property taxes receivable	1,184,543
Grants receivable	10,129
Contract receivables	183,800
Patient receivables, net of estimated uncollectible amounts of \$84,318	56,212
Restricted asset	
Pension asset	4,319
Capital assets (net of accumulated depreciation)	
Land (non-depreciable)	522,717
Construction in progress	143,299
Buildings	2,491,387
Vehicles and equipment	1,083,181
Office furniture and equipment	10,605
Other improvements	38,338
	<u>Total assets</u> 13,598,121
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Items related to pension plan	458,282
	<u>Total deferred outflows of resources</u> 458,282
<b>LIABILITIES</b>	
Accounts payable	\$ 28,864
Accrued liabilities	69,469
Unearned tribal contract revenue	125,000
Non-current liabilities, due after one year	
Compensated absences	95,140
	<u>Total liabilities</u> 318,473
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	1,184,543
Items related to pension plan	5,099
	<u>Total deferred inflows of resources</u> 1,189,642
<b>NET POSITION</b>	
Net investment in capital assets	4,289,527
Restricted for emergencies	87,681
Unrestricted	8,171,080
	<u>Total net position</u> \$ 12,548,288

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Public safety	\$ 3,076,553	\$ 430,068	\$ 883,268	\$ 154,419	\$ (1,608,798)
Total governmental activities	<u>3,076,553</u>	<u>430,068</u>	<u>883,268</u>	<u>154,419</u>	<u>(1,608,798)</u>
General revenues:					
					2,161,230
					13,258
					<u>2,174,488</u>
					565,690
					<u>11,982,598</u>
					<u>\$12,548,288</u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,032,451
Investments	792,500
Prepaid expenses	44,640
Receivables	
Property taxes receivable	1,184,543
Grants receivable	10,129
Contract receivables	183,800
Patient receivables, net of estimated uncollectible amounts of \$84,318	56,212
	<u>9,304,275</u>
Total assets	<u>\$ 9,304,275</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 28,864
Accrued liabilities	69,469
Unearned tribal contract revenue	125,000
	<u>223,333</u>
Total liabilities	223,333
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	1,184,543
<b>Fund equity</b>	
Reserved for emergencies	87,681
Nonspendable	44,640
Unassigned	7,764,078
	<u>7,896,399</u>
Total fund equity	7,896,399
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 9,304,275</u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

December 31, 2016

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

Total fund balance - governmental funds \$ 7,896,399

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds. The cost of the assets is  
\$9,746,978 and the accumulated depreciation is \$5,457,451. 4,289,527

Deferred outflows and inflows as well as the net pension asset related to pensions  
are not available to pay for current-period expenditures or due and payable in the  
current period and, therefore, are not reported in the funds.

Net pension asset 4,319  
Deferred outflows: deferred amortization related to the pension plan 458,282  
Deferred inflows: deferred amortization related to the pension plan (5,099)

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the funds.

Compensated absences (95,140)

Total net position - governmental activities \$ 12,548,288

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS

For the year ended December 31, 2016

	<u>General</u>
Revenues	
Taxes	\$ 2,161,230
Tribal contributions	498,185
Patient fees, net	430,068
Intergovernmental	218,207
Other local sources	166,876
Interest	<u>13,258</u>
	Total revenues 3,487,824
Expenditures	
Public safety	
Fire administration and fire fighting	2,636,742
Fire stations and buildings	114,064
Fire training	32,427
Fire prevention	3,551
Capital outlay	<u>135,919</u>
	Total expenditures <u>2,922,703</u>
	Net change in fund balance 565,121
Fund balance at beginning of year	<u>7,331,278</u>
Fund balance at end of year	<u><u>\$ 7,896,399</u></u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

December 31, 2016

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

Net change in fund balances - total governmental funds	\$ 565,121
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(319,974)
Capital outlay capitalized	132,730
Donated equipment	154,419
Governmental funds do not record the changes in the net pension asset, deferred outflows related to pension, and deferred inflows related to pension as an adjustment to current year expenditures. However, in the Statement of Activities, this change is shown as an adjustment to expenses.	20,103
In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid to employees), whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. This is the amount the liability for compensated absences increased during the year.	<u>13,291</u>
Change in net position of governmental activities	<u><u>\$ 565,690</u></u>

The accompanying notes are an integral part of this statement.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Los Pinos Fire Protection District (the District) was formed in 1985 for the purpose of providing fire protection and emergency services for the Town of Ignacio and areas of the Southern Ute Indian Tribe Reservation. The District has an elected governing board and levies taxes on the property within the District for operations and debt service.

The District's annual financial report includes the accounts of all District operations.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of such significant policies:

Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if 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 to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Currently, the District has only governmental activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

Fund Accounting

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

Governmental Fund

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and 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.

Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Restricted Assets and Classification of Fund Balance

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. It is the District's policy to use restricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

In the governmental fund financial statements fund balance is reported in five classifications.

**Nonspendable:** Prepaid expenses represent fund balance amounts that are not in spendable form.

**Restricted:** The Colorado Constitution as amended by TABOR (see separate tax, spending, and debt limitation footnote) requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

**Committed:** Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. The District does not have any committed fund balance at year end. It is the District's policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**Assigned:** Assignments of fund balance are designated by District management. The District does not have any assigned fund balance at year end.

**Unassigned:** Fund balance that has not been reported in any other classification is reported as unassigned.

Investments

Investments are stated at fair value.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on January 1 and are due and payable February 28 and July 31. In accordance with U.S. generally accepted accounting principles, the District has recorded as taxes receivable, current property taxes, which have been levied and are due within one year but are not yet considered delinquent. Because revenue from taxes receivable will not be available for expenditure until next year, management has deferred recognition of this revenue until next year.

Budgets and Budgetary Accounting

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

1. In accordance with State statutes, prior to October 15, the proposed operating budget is submitted to the District Board for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statutes require a more detailed line item budget be submitted in summary form. In addition, more detailed line item budgets are included for administration control.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The District bookkeeper is required to present a monthly report to the District Board explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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6. Budgets for the Governmental and Fiduciary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each calendar year.
8. The District Board may authorize supplemental appropriations during the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of more than one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40
Equipment	8-30
Vehicles and software	7
Computer and office equipment	5

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Statewide Defined Benefit Plan administered by the Fire and Police Pension Association of Colorado (FPPA) and additions to/deductions from the pension plan's net position have been determined on the same basis as they are reported by 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.

**CASH AND INVESTMENTS**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) required that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 aggregate uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Los Pinos Fire Protection District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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The composition of all cash held by the District at December 31, 2016 is as follows:

Cash on hand	\$	254
Cash held with treasurer		999
Cash deposited with banks		<u>7,031,198</u>
		<u>\$ 7,032,451</u>

At December 31, 2016, the bank balances of the District's deposits totaled \$7,025,645 of which \$750,000 was insured and \$6,275,645 was collateralized under PDPA.

Investments

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

- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Guaranteed investment contracts
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Banker's acceptances of certain banks
- Certain money market funds

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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Investments, at fair value, of the District at December 31, 2016 are as follows:

	<u>Moody's Rating</u>	
General Fund		
Wells Fargo Government Money Market Funds	Aaa	\$ 162,198
FHLMC bond, matures 11/19/18, 1.29% coupon	Aaa	310,398
FHLB bond, matures 6/8/18, 1.25% coupon	Aaa	319,904
		<u>\$ 792,500</u>

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The credit ratings received from Moody's are disclosed above.

Custodial credit risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk because they are held by the District or the District's custody agent in the District's name.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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. Colorado statutes limit authorized investments to those having a maturity of five years or less, unless the entity's governing body specifically authorizes longer maturities.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**CAPITAL ASSETS**

A summary of changes in capital fixed assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital asset not being depreciated				
Land	\$ 522,717	\$ -	\$ -	\$ 522,717
Construction in progress	-	143,299	-	143,299
Total assets not being depreciated	522,717	143,299	-	666,016
Capital assets being depreciated				
Buildings	3,500,409	-	-	3,500,409
Equipment	5,241,419	143,850	-	5,385,269
Furniture and office equipment	95,920	-	-	95,920
Other improvements	99,364	-	-	99,364
Total assets being depreciated	8,937,112	143,850	-	9,080,962
Less accumulated depreciation for:				
Buildings	(923,408)	(85,614)	-	(1,009,022)
Equipment	(4,074,561)	(227,527)	-	(4,302,088)
Furniture and office equipment	(84,521)	(794)	-	(85,315)
Other improvements	(54,987)	(6,039)	-	(61,026)
Total accumulated depreciation	(5,137,477)	(319,974)	-	(5,457,451)
Net capital assets being depreciated	3,799,635	(176,124)	-	3,623,511
Net governmental activities capital assets	<u>\$ 4,322,352</u>	<u>\$ (32,825)</u>	<u>\$ -</u>	<u>\$ 4,289,527</u>

**CHANGES IN LONG – TERM DEBT**

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

	Beginning Balance	Additions	Reductions	Ending Balance
Future compensated absences	\$ 108,431	\$ -	\$ (13,291)	\$ 95,140
Total long-term liabilities	<u>\$ 108,431</u>	<u>\$ -</u>	<u>\$ (13,291)</u>	<u>\$ 95,140</u>

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NET PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payments arrangements include:

*Medicare.* Services rendered to Medicare program beneficiaries are paid based on a combination cost-reimbursement methodology and fee schedules.

*Medicaid.* Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and defined capital costs related to Medicaid beneficiaries are paid based on a cost-reimbursement methodology.

The Balanced Budget Act of 1997 changed how the Medicare and Medicaid programs pay the District for certain services and overall reduces payments.

The District provides services to the Native American tribes that live in the district. The District's policy is to charge for services for those that have commercial insurance and the rest are not charged. The District receives contributions from the Southern Ute Tribe to offset the costs of providing services to this group. During 2016, the Southern Ute Tribe contributed \$498,790. After adjustments for deferrals of revenues related to this contract at the beginning and end of the year, \$498,185 is recognized as revenue in the current period.

**PENSION AND RETIREMENT PLANS**

Defined Benefit, Multiple-Employer Cost Sharing Pension Plan

**Plan Description.** Full-time firefighters participate in the Statewide Defined Benefit Plan - Fire and Police Pension Plan (FPPA SWDB). The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado (FPPA) that provides normal, early, vested, or deferred retirement and death benefits. Authority for the plan, including benefit and contribution provisions, is derived from Title 31, Articles 30, 30.5, and 31 of the Colorado Revised Statutes. The plan is amended by statute and is accounted for using the economic resources measurement focus and the accrual basis of accounting. FPPA issues a publicly available comprehensive annual financial report that can be obtained at [http://fppaco.org/toc\\_frames.html](http://fppaco.org/toc_frames.html).

**Funding Policy.** Statute requires the District contribute 8.00% of base salary and employees make a pre-tax contribution of 9.00% for a total contribution rate of 17.00%. In 2014, employees elected to increase the member contribution rate to the plan beginning in 2015. Employee contribution rates will increase 0.50% annually through 2022 to a total of 12.00% of base salary. Employer contributions will remain at 8.00% resulting in a combined contribution rate of 20.00% in 2022. The District's contributions to the New Hire Plan for the year ended December 31, 2016, were \$91,515.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**Pension Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** At December 31, 2016, the District reported an asset of \$4,319 for its proportionate share of the net pension asset related to the FPPA SWDB plan. 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 December 31, 2014. Standard update procedures were used to roll forward the total pension asset to December 31, 2015. The District's proportion of the net pension asset was based on District contributions to FPPA SWDB plan for the calendar year 2015 relative to the total contributions of participating employers to the FPPA SWDB plan.

At December 31, 2015, the District's proportion was .24498%. At December 31, 2014 the District's proportion was .25380%.

For the year ended December 31, 2016, the District recognized pension expense of \$71,412. The components of the District's proportionate share of the net pension asset related to FPPA SWDB as of December 31, 2016, are as follows:

Plan fiduciary net position	\$ 4,529,006
Total pension liability	<u>4,524,687</u>
Net pension asset	<u>\$ 4,319</u>

A summary of the District's deferred outflows of resources and deferred inflows of resources related to pensions for FPPA SWDB as of December 31, 2016 is as follows:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 34,927	\$ 5,099
Change in assumptions	67,833	-
Net difference between projected and actual earnings on pension plan investments	219,797	-
Change in proportion	44,220	-
Contributions subsequent to the measurement date	91,505	-
	<u>\$ 458,282</u>	<u>\$ 5,099</u>

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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The \$91,505 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase in the net pension asset in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

2017	\$	36,630
2018		36,630
2019		36,630
2020		36,630
2021		36,630
Thereafter		<u>178,528</u>
	\$	<u>361,678</u>

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Investment rate of return	7.5%
Salary increases	4% to 14%
Inflation	2.5%

Mortality rates were based on the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality is used in the valuation of off-duty mortality active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2015, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equity	37%	6.5%
Equity long/short	10%	4.7%
Illiquid alternatives	20%	8.0%
Fixed income	16%	1.5%
Absolute return	11%	4.1%
Managed futures	4%	3.0%
Cash	2%	0.0%
	<u>100.00%</u>	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.50%. 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 Board’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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 Asset to Changes in the Discount Rate.** The following table presents the District’s proportionate share of the net pension asset, calculated using a discount rate of 7.5%, as well as what the District’s proportionate share of plan's net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher:

	<u>1% Decrease 6.5%</u>	<u>Single Discount Rate Assumption 7.5%</u>	<u>1% Increase 8.5%</u>
District’s proportionate share of the net pension asset (liability)	\$ (604,972)	\$ 4,319	\$ 509,704

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FPPA financial reports found at <http://fppaco.org>.

**TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Los Pinos Fire Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**RISK OF LOSS**

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 for which the government carries commercial insurance for vehicles, property and general, and management liability through McNeil & Company, Inc. and workmen's compensation coverage with Colorado Special District Property and Liability.

**INTERGOVERNMENTAL SERVICES**

The District provides fire protection services to property belonging to the Southern Ute Indian Tribe (the Tribe). During 2016, the Tribe contributed \$498,790 to the District. After adjustments for deferrals of revenues related to this contract at the beginning and end of the year, \$498,185 is recognized as revenue in the current period.

REQUIRED SUPPLEMENTAL INFORMATION

Los Pinos Fire Protection District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND

For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
<b>Taxes</b>				
General property	\$ 1,988,302	\$ 1,988,302	\$ 1,988,317	\$ 15
Specific ownership tax	150,000	150,000	172,909	22,909
Interest and penalty on tax	-	-	4	4
	<u>2,138,302</u>	<u>2,138,302</u>	<u>2,161,230</u>	<u>22,928</u>
<b>Intergovernmental</b>				
Wildfire	-	-	218,207	218,207
	<u>-</u>	<u>-</u>	<u>218,207</u>	<u>218,207</u>
<b>Charges for services</b>				
Patient fees and tribal contributions	618,184	618,184	997,561	379,377
Adjustments	-	-	(69,308)	(69,308)
	<u>618,184</u>	<u>618,184</u>	<u>928,253</u>	<u>310,069</u>
<b>Other local sources</b>				
Interest	9,000	9,000	13,258	4,258
Other	115,660	151,922	166,876	14,954
	<u>124,660</u>	<u>160,922</u>	<u>180,134</u>	<u>19,212</u>
<b>Total revenues</b>	<b>2,881,146</b>	<b>2,917,408</b>	<b>3,487,824</b>	<b>570,416</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
<b>Fire administration and fire fighting</b>				
Salaries and benefits	2,255,237	2,255,237	1,927,154	(328,083)
Purchased services	167,049	167,049	175,077	8,028
Supplies and repairs	218,750	218,750	387,368	168,618
Wildfire fighting expense	125,000	125,000	92,498	(32,502)
Other	45,000	45,000	54,645	9,645
	<u>2,811,036</u>	<u>2,811,036</u>	<u>2,636,742</u>	<u>(174,294)</u>
<b>Fire training</b>				
Purchased services	49,000	49,000	32,427	(16,573)
<b>Fire prevention</b>				
Supplies and repairs	10,000	10,000	3,551	(6,449)

Los Pinos Fire Protection District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - BUDGET AND ACTUAL (Continued)

For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
Fire stations and buildings				
Purchased services	78,100	78,100	69,870	(8,230)
Supplies and repairs	18,300	18,300	44,194	25,894
	<u>96,400</u>	<u>96,400</u>	<u>114,064</u>	<u>17,664</u>
Capital outlay	211,989	248,251	135,919	(112,332)
Contingency	94,106	94,106	-	(94,106)
	<u>94,106</u>	<u>94,106</u>	<u>-</u>	<u>(94,106)</u>
Total expenditures	<u>3,272,531</u>	<u>3,308,793</u>	<u>2,922,703</u>	<u>(386,090)</u>
Excess (deficit) of revenues over expenditures	(391,385)	(391,385)	565,121	956,506
Fund balance at beginning of year	<u>7,331,278</u>	<u>7,331,278</u>	<u>7,331,278</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 6,939,893</u></u>	<u><u>\$ 6,939,893</u></u>	<u><u>\$ 7,896,399</u></u>	<u><u>\$ 956,506</u></u>

Los Pinos Fire Protection District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATEWIDE DEFINED BENEFIT PLAN - FIRE AND POLICE PENSION PLAN

December 31,

	2016	2015
District's porpotion of the net pension liability	0.244978%	0.253804%
District's propotionate share of the net pension asset	\$ 4,319	\$ 286,437
District's covered-employee payroll	\$ 1,140,225	\$ 1,141,362
District's propotionate share of the net pension asset as a percentage of its covered-employee payroll	0.38%	25.10%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	106.83%

Los Pinos Fire Protection District

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
STATEWIDE DEFINED BENEFIT PLAN - FIRE AND POLICE PENSION PLAN

December 31,

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 95,007	\$ 91,218
Contributions in relation to the contractually required contributions	(95,007)	(91,218)
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$1,187,588	\$1,140,225
Contributions as a percentage of covered-employee payroll	8%	8%