

**LOVELAND RURAL FIRE PROTECTION DISTRICT
LOVELAND, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2016



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**LOVELAND RURAL FIRE PROTECTION DISTRICT
LOVELAND, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Loveland Rural Fire Protection District
Loveland, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Loveland Rural Fire Protection District (the "District") as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Loveland Rural Fire Protection 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 conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through iii 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 ("GASB") 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.

Watson Coon & Associates P.C.

September 25, 2017
Greenwood Village, Colorado

LOVELAND RURAL FIRE PROTECTION DISTRICT LOVELAND, COLORADO

Management's Discussion and Analysis December 31, 2016

Our discussion and analysis of the Loveland Rural Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please review it in conjunction with the District's basic financial statements, which follows this section:

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities and deferred inflows of resources by \$1,941,870; of this amount, \$147,420 represents the decrease in net position for the year ended December 31, 2016.

Total net position is comprised of the following:

- (1) Invested in capital assets of \$720,407 included property and equipment reduced by outstanding debt related to the purchase or construction of capital assets.
- (2) The District had \$2.31 million in expenses related to governmental activities with \$2.78 million in general revenues to cover the cost to those programs.

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 statement comprises three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finance, in a manner similar to a private-sector business. These statements include the following: 1) *Statement of Net Position* – presents information on all of the District's assets, liabilities, and deferred inflows of resources, with the difference being 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; and 2) *Statement of Activities* – presents information showing how the District's net position changed during the most recent 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.

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. All of the funds of the District can be divided into two categories: governmental funds and fiduciary 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The District adopts an annual appropriated budget for its single fund as required by State Statute. The budgetary comparison statement is provided to demonstrate compliance with this budget.

The statements on pages 1 and 2 consist of fund and government-wide information along with an adjustment column to reconcile between the two.

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

The District maintains one fiduciary fund. The Pension trust fund is used to report resources held in trust for retirees and beneficiaries covered by the Volunteer Firefighters Retirement Plan.

The fiduciary fund financial statements can be found on pages 4-5 of this report.

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 financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District's combined net position decreased \$147,421 between fiscal years 2015 and 2016.

Summary of Net Position

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$3,860,499	\$3,853,580
Capital Assets	698,407	1,075,556
Total Assets	<u>4,558,906</u>	<u>4,929,136</u>
Other Liabilities	136,441	193,558
Total Liabilities	<u>136,441</u>	<u>193,558</u>
Deferred Revenue	2,502,595	2,538,640
Total Deferred Inflows	<u>2,502,595</u>	<u>2,538,640</u>
Invested in capital assets	698,407	1,075,556
Restricted	88,514	84,080
Unrestricted	1,132,949	929,655
Total net position	<u>\$1,919,870</u>	<u>\$2,089,290</u>

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$929,655 to \$1,132,949 at the end of 2016. The increase can be attributed to revenues exceeding expenditures during the year indicating that the District has increased resources available to pay future bills.

The District's total revenues were \$2.78 million representing an increase of \$450,000 or 21% compared to the prior year. A significant portion, 97.9%, of the District's revenue comes from taxes. The remaining revenues, 2.1% come from other sources which may vary widely from year to year.

The total cost of all programs and services was \$2.3 million with a decrease of \$119,000 or 4.9%. This decrease was mainly due to the contract with the Loveland Fire Rescue Authority. Of the \$2.3 million, 90% of the total costs are for services (fire fighting).

Changes in Net Position (in thousands)			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
General Revenue			
Taxes	\$2,720	\$2,294	\$515
Interest	9	6	3
Other	50	18	32
Total Revenues	<u>2,779</u>	<u>2,318</u>	<u>550</u>
Expenses			
Fire Administration	230	155	75
Fire Fighting	2,059	2,171	(153)
Depreciation	20	101	(81)
Conveyed Assets	617	--	617
Total Expenditures	<u>2,925</u>	<u>2,427</u>	<u>457</u>
Change in net position	<u>\$ (147)</u>	<u>\$ (239)</u>	<u>\$ 92</u>

FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS

Governmental Funds

The District's general fund is reported in the fund statements with short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The ending fund balance was \$1,221,463. Of the year-end total, \$1,132,949 is unassigned indicating availability for continuing District service requirements. A reserved fund balance of \$88,514 is maintained to meet required Tabor emergency reserves that are equal to at 3% of total revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted General Fund budget for fiscal 2016 was approximately \$2,461,724 in expenditures. This was approximately \$154,000 more than the previous budget.

The General fund adopted and complied with financial policies approved by the Board of Directors to maintain core District services.

CAPITAL ASSETS

At the end of 2016, the District had invested \$720,000 in a broad range of capital assets, including land, buildings, fire trucks and fire fighting equipment net of depreciation. This amount represents a net decrease (including additions and deductions) of approximately \$350,000 or 33% over last year. Most of this decrease was related to the conveyance of assets to the Loveland Fire Rescue Authority.

District Capital Assets
Government Activities

	<u>2016</u>	<u>2015</u>
Land	\$6,091	\$6,091
Buildings	692,315	331,278
Fire Trucks	---	617,493
Equipment	---	28,441
Construction in progress	---	92,253
Total book value	<u>\$698,407</u>	<u>\$1,075,556</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Amounts being appropriated in the general fund for 2017 are \$3,078,192 for expenditures and revenue of \$3,391,861. If these estimates are realized, the District's budgetary general fund balance is expected to increase by \$313,669 by the close of the 2017 fiscal year.

REQUEST FOR INFORMATION

This fiscal report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's secretary at 970-667-5310.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Governmental Funds - Balance Sheet/Statement of Net Position
December 31, 2016

	General Fund	Adjustments (Note 6)	Statement of Net Position
Assets:			
Cash and investments	\$ 967,247	\$ --	\$ 967,247
Restricted investment	343,097	--	343,097
Taxes receivable-current	17,295	--	17,295
Taxes receivable-deferred	2,502,595	--	2,502,595
Prepaid and other assets	7,929	--	7,929
Capital assets, net:			
Land	--	6,092	6,092
Canyon station	--	692,315	692,315
Total assets	\$ 3,838,163	\$ 698,407	\$ 4,536,570
Deferred outflows of resources:			
Deferred outflows related to pensions	22,336	--	22,336
Total deferred outflows of resources	22,336	--	22,336
Liabilities:			
Accounts payable	5,883	--	5,883
Net pension liability	130,558	--	130,558
Total liabilities	136,441	--	136,441
Deferred inflows of resources:			
Deferred tax revenue	2,502,595	--	2,502,595
Total deferred inflows of resources	2,502,595	--	2,502,595
Fund balance			
Reserved for TABOR	88,514	(88,514)	--
Unassigned	1,132,949	(1,132,949)	--
Total fund balance	1,221,463	(1,221,463)	--
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,357,904		
Net investment in capital assets		698,407	698,407
Restricted for TABOR		88,514	88,514
Unrestricted		1,132,949	1,132,949
Total net position		\$ 1,919,870	\$ 1,919,870

The accompanying notes are an integral part of these statements.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Governmental Funds - Statement of Revenues, Expenditures, and Changes
in Fund Balance/Statement of Activities
For the Year Ended December 31, 2016

	General Fund	Adjustments (Note 6)	Statement of Activities
Expenditures/expenses:			
Fire administration	\$ 229,549	\$ --	\$ 229,549
Fire fighting	2,341,083	(262,345)	2,078,738
Total expenditures/expenses	2,570,632	(262,345)	2,308,287
Revenues:			
Property tax	2,516,018	--	2,516,018
Specific ownership tax	203,836	--	203,836
Interest income	8,927	--	8,927
Miscellaneous revenue	49,579	--	49,579
Total revenues	2,778,360	--	2,778,360
Excess (deficiency) of revenues over expenditures	207,728	262,345	470,073
Special Item			
Loss on conveyed assets	--	(639,493)	(639,493)
Total special items		(639,493)	(639,493)
Change in net position		(377,148)	(169,420)
Fund balance/net position:			
Beginning of year	1,013,735	1,075,555	2,089,290
End of year	\$ 1,221,463	\$ 698,407	\$ 1,919,870

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

LOVELAND RURAL FIRE PROTECTION DISTRICT
General Fund - Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property tax	\$ 2,538,640	\$ 2,516,018	\$ (22,622)
Specific ownership tax	180,000	203,836	23,836
Interest income	6,000	8,927	2,927
Miscellaneous revenue	13,155	49,579	36,424
Total revenues	2,737,795	2,778,360	40,565
Expenditures:			
Fire administration:			
Board secretary	4,500	4,500	--
District directors	6,000	6,000	-
Bookkeeper	10,000	9,000	1,000
Insurance	13,000	13,628	(628)
Office supplies	500	374	126
Professional fees	52,000	45,656	6,344
Contingency	100,000	100,000	-
Election Expense	20,000	--	20,000
Collection fee	50,772	50,391	381
Total Fire administration	256,772	229,549	27,223
Fire fighting:			
City contract	2,244,290	2,244,290	-
Facilities	17,140	--	17,140
Capital expenditures:			
Canyon station	29,000	5,000	24,000
Miscellaneous	5,000	12,552	(7,552)
Canyon department	38,000	48,695	(10,695)
Canyon fireman's pension fund	25,000	30,546	(5,546)
Total Fire fighting	2,358,430	2,341,083	17,347
Total Expenditures	2,615,202	2,570,632	44,570
Excess (deficiency) of revenues over expenditures	122,593	207,728	85,135
Fund balance - beginning	512,653	1,013,735	501,082
Fund balance - ending	\$ 635,246	\$ 1,221,463	\$ 586,217

The accompanying notes are an integral part of this financial statement.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Fiduciary Fund - Statement of Net Position
December 31, 2016

	Pension Trust Fund
Assets:	
Cash and investments held by trustee	\$ 376,465
Total assets	<u><u>\$ 376,465</u></u>
Net Position:	
Held in trust for pension benefits	\$ 376,465
Total net position	<u><u>376,465</u></u>

The accompanying notes are an integral part of these statements.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Fiduciary Fund - Statement of Changes in Net Position
For the Year Ended December 31, 2016

	Pension Trust Fund
Additions:	
Employer Contributions	\$ 25,000
State Contribution	4,971
Net Investment Income	9,524
Total additions	39,495
Deductions:	
Benefits Payment	33,425
Administrative Expense	5,658
Total deductions	39,083
Changes in net position	412
Net position - Beginning of year	376,053
Net position - Ending of year	\$ 376,465

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

1. Summary of significant accounting policies

The accounting policies of the Loveland Rural Fire Protection District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant policies consistently applied in the preparation of the financial statements.

Reporting entity

The District was established by State of Colorado Revised Statutes and is governed by a five-member elected Board of Directors. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments.

The District follows the GASB pronouncements which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

Basis of Presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 34, Sp 20 Special Purpose Governments.

Both of the government-wide financial statements are designed to distinguish functions of the District that are principally supported by tax revenue.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by general and program revenues. District expenses are those that are clearly identifiable within a specific function or program. Revenues not directly related to a particular function or program, if any, are reported separately as general revenues.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The pension trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The District reports the following governmental fund:

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

Additionally, the government reports the following fund:

Pension Trust Fund - accounts for the activities of the Volunteer Firefighters Retirement Plan, which accumulates resources for pension benefit payments to qualified firefighters.

Financial statement accounts

Cash and investments

Cash is defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less. Cash and investments include demand deposits and money market accounts. The District has restricted investments in the amount of \$343,097 for self-insurance of vehicles for physical damage that is not covered under the District's insurance policy; funds are not legally restricted and can be used for other purposes at the direction of the Board.

Fair value of financial instruments

The District's financial instruments include cash, investments, receivables, accounts payables, and deferred revenue. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instrument.

Use of estimates

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

Fund equity

The District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides additional clarity in defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$88,514 of fund balance has been restricted in compliance with this requirement.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose.

For classifications of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net position

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

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

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

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

LOVELAND RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2016

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

Property taxes

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments, due February 28 and June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible. In accordance with US GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

Capital assets

Capital assets, which include land, equipment, and fire vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method based on estimated useful lives of between 5 and 39 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset have not been capitalized.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will 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 and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

2. Stewardship, compliance, and accountability

Budgets and budgetary accounting

Budgets are adopted on a US GAAP basis where no depreciation is budgeted in the fund. State law requires the District to adopt annual balanced appropriated budgets for the general fund.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15, of each year the District's Secretary submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes that allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

TABOR also 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. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service) for the fiscal year ended December 31, 2016.

On November 3, 1998, the voters of the District approved a ballot issue which removed the District budgeting process and operations from the revenue and spending limitations of Article X, Section 20 of the Colorado Constitution and the 5.5% revenue limitation set forth in Section 29-1-301 C.R.S. The passage of this Ballot question allows the District to receive and spend all revenues that the District receives at its current mill levy without voter approval to retain said revenues.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

3. Other information

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions; and natural disasters for which the District carries commercial insurance. District claims have not exceeded coverage during the preceding three years.

Contract with the City of Loveland

On August 19, 2011, the District and the City of Loveland entered into an Intergovernmental Agreement forming a separate governmental entity, the Loveland Fire Rescue Authority (the "Authority"). The effective date of the Authority was January 1, 2012. The Authority is governed by a five person Board of Directors with the Loveland City Council appointing two of its members, the City Manager, and the District Board appointing two of its members to the Board. The Authority is responsible for fire and emergency services within its Service Area which includes the jurisdictional boundaries of the City and the District. The City of Loveland is responsible for 82% of the cost and expense of the Authority with the District responsible for 18%.

Related parties

The District Secretary/ Assistant Treasurer also provides legal and administrative services to the District. During 2015, payments included \$31,300 for legal services and \$12,825 for office space and administrative services by the District in addition to the \$3,840 received for being the District's Board Secretary.

4. Detailed notes

Cash

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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,

LOVELAND RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2016

or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

As of December 31, 2016, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Investments

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools. As of December 31, 2016, the District invested \$1,080,870 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), which was rated AAAM by Standard and Poor's.

Capital assets

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

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Assets not being depreciated:					
Land	\$ 6,092	\$ --	\$ --	\$ --	\$ 6,092
Construction in progress	92,253	282,747	(375,000)	--	--
Total	<u>98,344</u>	<u>282,247</u>	<u>(375,000)</u>	<u>--</u>	<u>6,092</u>
Assets being depreciated:					
Fire trucks	2,187,733	--	--	(2,187,733)	--
Equipment	166,146	--	--	(166,146)	--
Canyon station	447,307	--	375,000	--	822,307
Total	<u>2,801,186</u>	<u>--</u>	<u>375,000</u>	<u>(2,353,879)</u>	<u>822,307</u>
Less accum. depreciation:					
Fire trucks	(1,570,240)	--	--	1,570,240	--
Equipment	(137,705)	(6,440)	--	144,146	--
Canyon station	(116,029)	(13,963)	--	--	(129,992)
Total accum. depreciation	<u>(1,823,974)</u>	<u>(20,403)</u>	<u>--</u>	<u>1,714,386</u>	<u>(129,992)</u>
Total assets being depreciated	<u>977,212</u>	<u>(20,403)</u>	<u>--</u>	<u>639,493</u>	<u>692,315</u>
Total capital assets, net	\$ <u>1,075,556</u>	\$ <u>262,344</u>	\$ <u>--</u>	\$ <u>639,493</u>	\$ <u>698,407</u>

Depreciation expense was charged to the Fire fighting function of the District.

In December 2016, the District conveyed certain fire and rescue vehicles to the Loveland Fire Rescue Authority. The net book value of these assets at the date conveyed was \$639,493. This amount was recorded as a special item in the Statement of Activity.

5. Volunteer fire fighters retirement plan

Plan Description: The District provides an individual defined benefit pension plan available to provide retirement income for volunteer fire fighters in recognition of their service to the District through the Big Thompson Canyon Volunteer Fire Department. The volunteer plan is affiliated with the Fire and Police Pension Association of Colorado ("FPPA"). Assets for the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, a multiple-employer defined benefit pension plan administered through FPPA and consists of investments allowable under specific state statutes for FPPA. The investments are stated at fair value. FPPA has the responsibility to invest plan assets and conduct required actuarial valuations.

FPPA issues a publicly available annual financial report that includes the assets of the volunteer plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111 or by calling FPPA at (303) 770-3772 in the Denver Metro area, or 1-800-332-FPPA (3772) from outside the metro area.

The plan, as established and amended by the plan's Board of Trustees through the bylaws, provides for a monthly pension of \$350 for volunteers who have satisfied the normal age and service requirements and pro rata pensions for volunteers who have satisfied the normal age, but only a portion of the service requirement. It further provides a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the latest date a volunteer reaches 50 years of age or completes 20 years of service. Pro rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. As of January 1, 2016, the latest actuarial valuation date, there were 10 retirees receiving benefits, and 13 active members.

Funding Policy: The District is required to contribute at a rate to maintain the actuarial soundness of the plan as set by statute. The contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes, as amended. The District contributed \$25,000 during both 2016 and 2015 for the respective 2016 and 2015 funding requirements, with the State of Colorado contributing \$4,971 for 2016 and 2015, respectively.

Actuarial Information: An actuarial firm determined the "annual required contribution" as of the January 1, 2016 study (the most recent prepared) using the "entry age" and "aggregate" actuarial cost methods. The significant actuarial assumptions used in the valuation as of January 1, 2016 were:

- a. Investment rate of return - 7.5%
- b. Inflation - 3.0%
- c. Amortization method - level dollar, open
- d. Asset valuation method - 5-year smoothed fair market value

Benefits are not based on salary as volunteers did not receive a salary and there is no post-retirement benefit increases scheduled. The benefit is totally based on years of service.

The three year trend information is as follows:

LOVELAND RURAL FIRE PROTECTION DISTRICT
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Fiscal Year	Annual Assumed Contribution (AAC)	Percentage of ARC contributed
2014	29,971	100%
2015	29,971	100%
2016	29,971	100%

A summary of funding progress based upon actuarial studies is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)(b)	Unfunded AAL/(Surplus) (b) - (a)	Funded Ratio a/b
1/1/2011	\$ 281,797	\$ 394,624	\$ 112,827	71%
1/1/2013	324,630	495,294	170,664	66%
1/1/2015	371,371	495,548	124,177	75%

Consolidated Rural and Loveland Pension Fund: In 1966, the District and the City of Loveland entered into an agreement which defines the responsibilities of the two parties with regard to a defined benefit pension plan available to provide retirement income for volunteer fire fighters in recognition of their service to the District and the City of Loveland. The Rural District's contribution to this pension fund is based upon the ratio of the assessed valuation of the two entities. This volunteer plan is affiliated with the Fire and Police Pension Association of Colorado (FPPA). The District funds its obligation under the 1966 Agreement by transferring the appropriate amount to the City of Loveland which then contributes the District's funds and the City's funds to FPPA for administration and investment of the fund. During 2016, the District contributed \$22,367 to the fund.

6. Reconciliation of government-wide and fund financial statements

Explanation of differences between the Governmental Funds Balance Sheet and the government-wide Statement of Net Position

The Governmental Funds Balance Sheet and the government-wide Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds.

Explanation of differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additionally, in 2016 the District conveyed certain assets to the Loveland Fire Rescue Authority, the book value of these assets was reported as a loss in the Statement of Activities.

Big Thompson Canyon Volunteer Fire Department Fund
Schedule of Required Supplemental Information
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios Current Period
Measurement Period Ended December 31, 2015

The changes in the net pension liability for the measurement period at December 31, 2015 are calculated as follows:

A. Total Pension Liability	
Service Cost	\$ 8,299
Interest on the Total Pension Liability	\$ 36,241
Benefit changes	\$ -
Difference between expected and actual experience of the Total Pension Liability	0
Benefit payments	(33,425)
Net change in total pension liability	\$ 11,115
Total pension liability - beginning	495,548
Total pension liability - ending	<u>\$ 506,663</u>
B. Plan fiduciary net position	
Contributions - employer	\$ 25,000
Net investment income	6,737
Benefit payments	(33,425)
Pension plan Administrative Expense	(2,871)
State of Colorado supplemental discretionary payment	4971
Net change in plan fiduciary net position	\$ 412
Plan fiduciary net position - beginning (Market value of assets at beginning of year)	<u>376,053</u>
Plan fiduciary net position - ending (Market value of assets at end of year)	<u>\$ 376,465</u>
C. Net pension liability/(asset)	<u>\$ 130,198</u>
D. Plan fiduciary net position as a percentage of the total pension liability	74.30%

Contributions subsequent to the measurement date of December 31, 2015, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction in the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Net Deferred Outflows/ (Inflows) of Resources
December 31, 2016	\$ (1,689)
2017	2,634
2018	4,940
2019	4,246
2020	-
Thereafter	-
Total	<u>\$ 10,131</u>

Big Thompson Canyon Volunteer Fire Department Fund

Schedule of Required Supplemental Information

Schedule of Contributions Multiyear

Last 10 Fiscal years (to be built prospectively)

FY Ending December 31,	Acturially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$23,900	\$29,971	(\$6,071)	N/A	N/A
2015	\$23,900	\$29,971	(\$6,071)	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment