

SOUTH FORK FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

December 31, 2016



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**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

SOUTH FORK FIRE PROTECTION DISTRICT
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
South Fork Fire Protection District
South Fork, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Fork Fire Protection District (the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the South Fork Fire Protection District, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The District has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the pension information on pages 20 through 22 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 12, 2017

SOUTH FORK FIRE PROTECTION DISTRICT

BASIC FINANCIAL STATEMENTS

SOUTH FORK FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 345,066
Property taxes receivable	251,990
Ambulance receivable (net of allowance for uncollectible accounts of \$54,321)	94,635
Due from other governments	4,644
Prepaid	6,795
Total Current Assets	<u>703,130</u>
Noncurrent Assets	
Capital assets	
Buildings	596,000
Machinery and equipment	217,708
Vehicles	504,827
Less: accumulated depreciation	(228,550)
Net pension asset	309
Total Noncurrent Assets	<u>1,090,294</u>
TOTAL ASSETS	<u>1,793,424</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>29,966</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>29,966</u>
LIABILITIES	
Current Liabilities	
Accounts payable	79,435
Payroll liabilities	4,930
Total Current Liabilities	<u>84,365</u>
TOTAL LIABILITIES	<u>84,365</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	251,990
Pensions	<u>13,116</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>265,106</u>
NET POSITION	
Net investment in capital assets	1,089,985
Restricted for labor reserve	22,000
Unrestricted	<u>361,933</u>
TOTAL NET POSITION	<u>\$ 1,473,918</u>

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

**SOUTH FORK FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2016**

	GENERAL FUND
ASSETS	
Cash and cash equivalents	\$ 345,066
Property taxes receivable	251,990
Ambulance receivable (net of allowance for uncollectible accounts of \$54,321)	94,635
Due from other governments	4,644
Prepaid	6,795
	6,795
TOTAL ASSETS	\$ 703,130
LIABILITIES	
Accounts payable	\$ 79,435
Payroll liabilities	4,930
	4,930
TOTAL LIABILITIES	84,365
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	251,990
	251,990
FUND BALANCES	
Nonspendable	
Prepaid Items	6,795
Restricted	
Tabor reserve	22,000
Unassigned	337,980
	337,980
TOTAL FUND BALANCES	366,775
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 703,130

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

**SOUTH FORK FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
December 31, 2016**

Total Governmental Fund Balance	\$	366,775
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		1,089,985
<p>Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.</p>		29,966
<p>Net pension assets (liabilities) are not due and payable in the current period and are not reported in the funds</p>		309
<p>Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.</p>		(13,116)
Net position of governmental activities	\$	<u>1,473,919</u>

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

**SOUTH FORK FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2016**

	GENERAL FUND
REVENUES	
Taxes	\$ 277,337
Charges for Services	272,934
Intergovernmental Revenue - Ambulance Services	84,000
Intergovernmental Revenue - Grants	126,540
Donations	32,555
Interest	310
Miscellaneous	5,500
TOTAL REVENUES	799,176
 EXPENDITURES	
Administration	93,461
Emergency services	338,625
Capital outlay	288,046
Debt service	25,064
TOTAL EXPENDITURES	745,196
 Excess (deficiency) of revenues over expenditures	53,980
 Fund Balance, Beginning of year	312,795
 Fund Balance, End of year	\$ 366,775

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

**SOUTH FORK FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

Net change in fund balances - total governmental funds \$ 53,980

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

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

Fixed asset additions	288,046	
Depreciation expense	<u>(68,437)</u>	
		219,609

Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the activity in debt in the current period.

Lease Purchase Agreement Principal Payment		24,353
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Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension expenditures.

3,122

Change in net position of governmental activities		<u><u>\$ 301,064</u></u>
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SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

South Fork Fire Protection District is a political subdivision of the State of Colorado duly organized and existing pursuant to the Constitution and laws of the State. Its purpose is to perform emergency services in Rio Grande County from a fire house located in South Fork, Colorado.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the District has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the District, except for fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

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

The District reports the following major governmental fund:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer. The 2016 property tax levy due January 1, 2017 has been recorded in the financial statements as a receivable and corresponding deferred inflows of resources.

Capital Assets

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

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Vehicles & Equipment	5-20

Deferred Outflows/Inflows of Resources

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

Compensated Absences

A liability for compensated absences has not been recorded in the accounts. Due to the voluntary nature of this organization, absences are not compensated.

Long-Term Obligations

Long-term debt and other long term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

Pensions

The District participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (“FPPA”). The net pension asset, deferred outflows of resources, deferred inflows of resources related to pension, pension expense, information about the fiduciary net position and additions to/deletions from the fiduciary net position of the SWDB have been determined using the economic resources measurement focus and the accrual basis of accounting. 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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted components of net position.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance*- amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid expenditures.
- *Restricted Fund Balance*- amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*- amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Directors, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance*- amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Directors or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*- amounts that are available for any purpose; these amounts are reported only in the General Fund.

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

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

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

Change in Accounting Principle

GASB Statement No. 68

During fiscal year 2016, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, (GASB No. 68). It revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District provides certain employees with pension benefits through the State's multiple employer cost-sharing Fire and Police Pension Association (FPPA) defined benefit retirement program.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

GASB No. 68 requires cost-sharing employers participating in the FPPA program, such as the District, to record their proportionate share, as defined in GASB No. 68, of FPPA's net pension asset, which positively impacted the District's beginning net position by \$14,035. The net pension asset recorded as of December 31, 2016 was \$309. Information regarding FPPA's current funding status can be found in its Comprehensive Annual Financial Report.

GASB Statement No. 71

The District has implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, by recognizing contributions from the plan's measurement date to the District's fiscal year end.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

South Fork Fire Protection District follows the procedures set forth in the Colorado Local Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution no later than December 31.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). All budget amounts presented reflect the original budget and the final amended budget, if applicable. The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did not adopt supplemental appropriations during fiscal year 2016.

The General Fund expenditures exceeded the adopted budget by \$340,732. This may be a violation of Colorado State Statute.

NOTE 3 CASH AND DEPOSITS

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 the aggregate uninsured deposits. All deposits in 2016 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. At December 31, 2016, \$85,175 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2016, the District had an estimated property tax receivable as follows:

<i>Governmental Activities:</i>	
General Fund	<u>\$ 251,990</u>

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants and amounts held in trust with the County Treasurer. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Taxes collected by the County Treasurer are received the following month.

As of December 31, 2016, the District had \$2,087 due from local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 6 CAPITAL ASSETS

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

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<i>Governmental Activities:</i>				
Capital assets being depreciated				
Buildings	\$ 596,000	\$ -	\$ -	\$ 596,000
Equipment	119,489	98,219	-	217,708
Vehicles	315,000	189,827	-	504,827
Total capital assets being depreciated	1,030,489	288,046	-	1,318,535
Less accumulated depreciation for:				
Buildings	29,800	14,900	-	44,700
Equipment	18,897	22,674	-	41,571
Vehicles	111,417	30,863	-	142,280
Total accumulated depreciation	160,114	68,437	-	228,551
Total Capital Assets being depreciated, net	870,375	219,609	-	1,089,984
<i>Governmental Activities Capital Assets, Net</i>	\$ 870,375	\$ 219,609	\$ -	\$ 1,089,984

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental Activities:	
Emergency Services	\$ 68,437
Total depreciation expense - governmental activities	\$ 68,437

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Beginning Balance 12/31/2015	Additions	Deletions	Ending Balance 12/31/2016	Due Within One Year
<i>Governmental Activities</i>					
Lease Purchase Agreement	\$ 24,353	\$ -	\$ 24,353	\$ -	\$ -
Total Governmental Activities	\$ 24,353	\$ -	\$ 24,353	\$ -	\$ -

Lease Purchase Agreement

2009 Lease Purchase Agreement

The Lease Purchase Agreement, dated September 18, 2009 was issued for \$292,940 with an interest rate of 2.7% for the purchase of a new fire truck. Payments are due to the lessor in semi-annual installments through March 25, 2016. Net book value of the truck as of December 31, 2016 was \$186,667.

NOTE 8 FIREMEN'S PENSION PLAN

General Information about the Fire and Police Statewide Defined Benefit Plan

Plan description. The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.FPPAco.org>.

Benefits provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

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

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

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

Members of the SWDB plan and their employers are contributing at a rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent in 2015. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions to the Plan from the District were \$6,893 for the year ended December 31, 2016.

Pension Assets or Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported an asset of \$309 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2016. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined as of December 31, 2015, based upon the January 1, 2015 actuarial valuation. At December 31, 2015, the District's proportion was 0.017 percent, which was an increase of 0.0002 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District reduced pension expense by \$3,122. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,500	\$ 360
Net difference between projected and actual earnings on pension plan investments	15,718	
Changes in assumptions	4,855	
Changes in proportion		12,756
Contributions subsequent to the measurement date	6,893	
Total	\$ 29,966	\$ 13,116

\$6,893 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2017.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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 Ended December 31,	
2017	\$ 3,295
2018	3,294
2019	3,294
2020	2,904
2021	(736)
Thereafter	(2,096)
	\$ 9,955

Actuarial assumptions. The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumption and other inputs:

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

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2016	January 1, 2015
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 years	30 years
Long-term Investment Rate of Return *	7.5%	7.5%
Projected Salary Increases*	4.0%-14.0%	4.0%-14.0%
Cost of Living Adjustments (COLA)	0.0%	0.0%
*Includes Inflation at	2.5%	2.5%

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

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Management Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Total	100.00%	

*While the expected inflation exceeds the expected rate of return for cash, a 0.0 percent real rate of return is utilized.

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the 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.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

SOUTH FORK FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
<u>\$ 43,300</u>	<u>\$ (314)</u>	<u>\$ (36,481)</u>

NOTE 9 TABOR EMERGENCY RESERVE

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.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 7, 2006, voters approved a ballot question which stated that the District, without creating any new tax or increasing any current taxes, shall be permitted in 2009, and each subsequent year thereafter, to retain, spend, or reserve District revenues from any lawful source, as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 or the Colorado Constitution, or Under Section 29-1-201, et seq., of the Colorado Revised Statutes, utilizing such revenues for District operations, capital improvements, equipment, and any other lawful purpose.

The amendment also requires Emergency Reserves that must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as a restricted fund balance in the General Fund Balance Sheet and a restricted net position in the government-wide Statement of Net Position. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The District participates in a number of grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

SOUTH FORK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund, and if applicable, each of the District's major special revenue funds. In addition, pension plan contributions and the District's proportionate share of the net pension liability (asset) are required to supplement the basic financial statements.

SOUTH FORK FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 271,990	\$ 271,990	\$ 277,337	\$ 5,347
Charges for Services	59,200	59,200	272,934	213,734
Intergovernmental Revenue - Ambulance Services	84,000	84,000	84,000	-
Intergovernmental Revenue - Grants	3,000	3,000	126,540	123,540
Interest	500	500	310	(190)
Donations	-	-	32,555	32,555
Miscellaneous	-	-	5,500	5,500
TOTAL REVENUES	418,690	418,690	799,176	380,486
EXPENDITURES				
Administration	71,000	71,000	93,461	(22,461)
Emergency Services	308,400	308,400	338,625	(30,225)
Debt Service	25,064	25,064	25,064	-
Capital Outlay	-	-	288,046	(288,046)
TOTAL EXPENDITURES	404,464	404,464	745,196	(340,732)
Excess (deficiency) of revenues over expenditures	14,226	14,226	53,980	39,754
Fund Balance, Beginning of year	220,869	220,869	312,795	91,926
Fund Balance, End of year	\$ 235,095	\$ 235,095	\$ 366,775	\$ 131,680

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

**SOUTH FORK FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION ASSET
FPPA SWDB PENSION PLAN
For the Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0175339993%	0.0173260989%
District's proportionate share of the net pension liability (asset)	\$ (309)	\$ (19,554)
District's covered-employee payroll	\$ 91,682	\$ 93,108
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.34%	-21.00%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	106.8%

*The amounts presented were determined as of the calendar year-end.

**This schedule is presented to illustrate the requirement to show information for 10 years. The District joined FPPA in 2015, therefore, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 7 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs.

**SOUTH FORK FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FPPA SWDB PENSION PLAN
For the Year Ended December 31, 2016**

	2016	2015
Contractual required contribution	\$ 6,893	\$ 7,367
Contributions in relation to the contractually required contribution	(6,893)	(7,367)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	91,682	93,108
Contributions as a percentage of covered-employee payroll	8%	8%

**This schedule is presented to illustrate the requirement to show information for 10 years. The District joined FPPA in 2015, therefore, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Note to Required Supplementary Information:

See Note 7 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs.