Foothills Fire Protection District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017

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Marc, James & Associates, PC
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Foothills Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the Foothills Fire Protection District (the "District"), as of and for the year ended December 31, 2017, 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 an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions on the Financial Statements

In our opinion, the financial statements previously referred to, present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Foothills Fire Protection District, as of December 31, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Omission of the Management's Discussion and Analysis

The Board of Directors has elected to omit the management's discussion and analysis, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the 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 the omitted information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios on page 27 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, which 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 this required supplementary information in accordance with US GAAS, which consist of inquires 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marc, James and Associates, PC

Highlands Ranch, Colorado
May 15, 2018

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Foothills Fire Protection District

STATEMENT OF NET POSITION

December 31, 2017

ASSETS	
Cash and cash equivalents	$ 1,618,346
Restricted cash	26,900
Due from Jefferson County	5,969
Property taxes receivable	876,853
Prepaid expenses	21,706
Capital assets, net of accumulated depreciation of $1,765,018	
Capital assets not being depreciated	
Land	138,180
Capital assets being depreciated	
Buildings	413,145
Vehicles	948,223
Equipment	429,680
Total capital assets	1,929,228
Total assets	4,479,002
DEFERRED OUTFLOWS OF RESOURCES	231,473
LIABILITIES	
Accounts payable	13,328
Accrued expenses	1,484
Net pension liability	408,181
Total liabilities	422,993
DEFERRED INFLOWS OF RESOURCES	894,953
NET POSITION	
Invested in capital assets	1,929,228
Restricted for emergencies	26,900
Unrestricted	1,436,401
Total net position	$ 3,392,529

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

Foothills Fire Protection District

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2017

Program expenses	
Public safety	
Administration	$ 359,875
Emergency medical services	3,518
Wildland and structural	17,999
Fleet maintenance	13,115
Fuel	9,000
Communications	15,415
Equipment maintenance	13,400
Stations, buildings and grounds	5,654
Training	9,559
Durable equipment	37,700
Pension expense	78,588
Depreciation	191,070
Total program expenses	754,893
Program revenues	
Response and permit fees	6,713
Grants and donations	5,463
Total program revenue	12,176
Net program expenses	742,717
General revenue	
Property taxes	794,150
Specific ownership taxes	71,333
Investment income	16,456
Total general revenue	881,939
CHANGE IN NET POSITION	139,222
NET POSITION - beginning of the year	3,253,307
NET POSITION - end of the year	$ 3,392,529

FUND FINANCIAL STATEMENTS

Foothills Fire Protection District

BALANCE SHEET - GENERAL FUND

December 31, 2017

ASSETS	
Cash and cash equivalents	$ 1,618,346
Restricted cash	26,900
Due from Jefferson County	5,969
Property taxes receivable	876,853
Prepaid expenses	21,706
Total assets	$ 2,549,774
LIABILITIES	
Accounts payable	$ 13,328
Accrued liabilities	1,484
Total liabilities	14,812
DEFERRED INFLOWS OF RESOURCES	876,853
FUND BALANCE	
Nonspendable	21,706
Restricted	26,900
Assigned	453,482
Unassigned	1,156,021
Total fund balance	1,658,109
Total liabilities, deferred inflows of resources and fund balance	$ 2,549,774

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balance	$ 1,658,109
Amounts reported for governmental activities in the Statement of Net Position are different due to:	
The net pension liability reflected in the Statement of Net Position is not due and payable in the current period and therefore is not reported in the general fund,	(408,181)
Deferred outflows and deferred inflows associated with the recording of the net pension liability in the Statement of Net Position are not resources in the general fund and therefore are not reported in the general fund,	213,373
Capital assets reflected in the Statement of Net Position are not financial resources in the general fund and therefore are not reported in the general fund, net of accumulated depreciation of $1,765,018	1,929,228
Total net position	$ 3,392,529

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

Foothills Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGE IN FUND BALANCE - GENERAL FUND

For the Year ended December 31, 2017

Revenue	
Property taxes	$ 794,150
Specific ownership taxes	71,333
Response and permit fees	6,713
Interest income	16,456
Grants and donations	5,463
Total revenue	894,115
Expenditures	
Public safety	
Administration	359,875
Emergency medical services	3,518
Wildland and structural	17,999
Fleet maintenance	13,115
Fuel	9,000
Communications	15,415
Equipment maintenance	13,400
Stations, buildings and grounds	5,654
Training	9,559
Durable equipment	37,701
Pension contribution	110,000
Capital outlay	
Vehicles	15,000
Total expenditures	610,236
CHANGE IN FUND BALANCE	283,879
FUND BALANCE - beginning of the year	1,374,230
FUND BALANCE - end of the year	$ 1,658,109

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

Foothills Fire Protection District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GENERAL FUND TO THE STATEMENT OF ACTIVITIES

For the Year ended December 31, 2017

Change in fund balance - general fund	$	283,879
Amounts reported for governmental activities in the Statement of Activities are different due to:		
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 as depreciation expense. This is the amount of capital assets recorded in the current year,		15,000
The difference between the pension expense as reflected in the Statement of Activities and the pension contribution as reflected in the general fund,		31,413
Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such depreciation expense is not reported as an expenditure in the general fund,		(191,070)
Change in net position - statement of activities	$	139,222

Foothills Fire Protection District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND

For the Year ended December 31, 2017

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	$ 786,451	$ 794,150	$ 7,699
Specific ownership taxes	45,000	71,333	26,333
Response and permit fees	15,750	6,713	(9,037)
Grants and donations	2,000	5,463	3,463
Interest income	1,000	16,456	15,456
Total revenue	850,201	894,115	43,914
Expenditures			
Operations			
Administration	377,119	359,875	(17,244)
Emergency medical services	11,000	3,518	(7,482)
Fleet maintenance	40,000	13,115	(26,885)
Wildland and structural	15,000	17,999	2,999
Fuel	15,000	9,000	(6,000)
Communications	25,000	15,415	(9,585)
Equipment maintenance	14,000	13,400	(600)
Durable equipment	30,000	37,701	7,701
Stations, buildings and grounds	38,000	5,654	(32,346)
Training	25,000	9,559	(15,441)
Pension contribution	100,000	110,000	10,000
Capital outlay			
Vehicles	-	15,000	15,000
Total expenditures	690,119	610,236	(79,883)
CHANGE IN FUND BALANCE	$ 160,082	283,879	$ 123,797
FUND BALANCE - beginning of the year		1,374,230	
FUND BALANCE - end of the year		$ 1,658,109	

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Foothills Fire Protection District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established in 1997, resulting from the consolidation of the Idledale, Lookout Mountain and Mt. Vernon Fire Protection Districts, under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado and the District provides firefighting, rescue and emergency medical services support ("EMS") to the residents and visitors of the District. 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 government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Accounting Framework

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of net activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported as general revenues.

Governmental Fund Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. Measurement Focus and Financial Accounting Framework - continued

Governmental Fund Financial Statements - continued

Property taxes, specific ownership taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

For 2016, the District has one Governmental Fund, the *General Fund*, which accounts for all of the financial resources of the District.

3. Cash and Cash Equivalents

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and deferred outflows and inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2016, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *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 as of 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.

6. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Jefferson County bills and collects the property taxes on behalf of the District and remits the collections, less the County Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has recorded the levied property taxes and the related deferred inflow of resources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

7. *Emergency Medical Services Support ("EMS") and Response Fees*

   The District grants credit to residents, visitors and third-party medical payers for EMS and response services provided by the District. Due to uncertainty related to the collection of the EMS and response fees, the District recognizes the revenue when the payment for such services is received.

8. *Capital Assets*

   The District's capital assets are recorded at cost if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District's capital assets consist of land, buildings, vehicles and other equipment. The District has a capitalization policy of $5,000. The District's Board of Directors has the option to capitalize items less than $5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of five years to fifty years.

   The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's general fund. An annual appropriated budget is adopted for the general fund. The annual appropriation lapses at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Treasurer submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. Within ten days of the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

Public hearings are held at the regular District Board of Director's meetings to obtain taxpayer input on the proposed operating budget.

On or before December 15, the operating budget is legally adopted through passage of a budget resolution. Upon adoption, the District's Treasurer is authorized to transfer the budgeted amounts within the function and objects of the Fund(s). The District's Board of Directors must approve revisions that change the total expenditures of the Fund(s).

NOTE B – BUDGET INFORMATION - *continued*

Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation, if funds for a specific purpose, other than ad valorem taxes, become available.

State of Colorado Statutes requires a balanced budget. For 2017, the District's budgeted revenues exceeded budgeted expenditures by $160,082. It is anticipated the excess of revenues over expenditures will be used by the District to fund the future purchase of capital assets without incurring any debt.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2017, all of the District's deposits were either insured by the FDIC or held in eligible depositories.

At December 31, 2017, the District had $1,368,880 invested in the Colorado Local Government Liquid Trust ("Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of the U.S. government agencies. The District's investments are in the COLOTRUST PLUS+ portfolio. COLOTRUST is rated AAAm by Standard & Poor's.

COLOTRUST determines the net asset value (" NAV") of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with GASB guidance. It is the goal of the Trust to maintain a NAV of $1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from $1.00 per share.

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2017 are as follows:

	Balance December 31, 2016	Additions	Disposals	Balance December 31, 2017
Capital assets				
Land	$ 138,180	$ -	$ -	$ 138,180
Buildings	520,152	-	-	520,152
Vehicles	2,223,376	15,000	-	2,238,376
Equipment	797,538	-	-	797,538
Total	3,679,246	15,000	-	3,694,246
Accumulated depreciation				
Buildings	(94,485)	(12,522)	-	(107,007)
Vehicles	(1,184,840)	(105,312)	-	(1,290,152)
Equipment	(294,623)	(73,236)	-	(367,859)
Total	(1,573,948)	(191,070)	-	(1,765,018)
Net capital assets	$ 2,105,298	$ (176,070)	$ -	$ 1,929,228

The District considers all depreciation expense to be associated with the District's firefighting and EMS operations.

NOTE E – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the District's fund financial statements. Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable – represents amounts that cannot be spent because they are either in nonspendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance, NOTE E – FUND BALANCE/NET POSITION - *continued*

Fund Balance - continued

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or an official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2017, the District's general fund balance consisted of the following:

Fund balances:		
Nonspendable	$	
Prepaid expenses		21,706
Restricted		
TABOR reserve		26,900
Assigned		
Vehicles acquisition		256,651
Station improvements		196,831
Total assigned		453,482
Unassigned		1,156,021
Total fund balance	$	1,658,109

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of 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.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations 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.

NOTE E – FUND BALANCE/NET POSITION - *continued*

Net Position - continued

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

NOTE F – PENSION PLANS

Volunteer Firefighters' Pension Plan

Description of the Plan and Benefits Provided

The District, on behalf of its volunteer firefighters, contributes to the District's Volunteer Firefighters' Pension Plan, a defined benefit plan (the "Plan") which is affiliated with the Colorado Fire and Police Pension Association ("FPPA").

In 2014, the District amended the District's Volunteer Firefighters' Pension Plan By-Laws. Under the amended District Volunteer Firefighters' Pension Plan By-Laws, a volunteer firefighter as of or before February 21, 2014 who has obtained the appropriate number of years of service and has not reached the age of 50 or becomes a volunteer firefighter after February 21, 2014 and has the appropriate number of years of service and has not reached the age of 62, upon application to and consent of the Board of Directors, may be granted vested status. As such the volunteer firefighter shall retain all rights to benefits as provided under the District Volunteer Firefighter's Pension Plan. However, the volunteer firefighter will be unable to receive benefits until such time the volunteer firefighter reaches age 50 if the volunteer firefighter was a volunteer firefighter on or before February 21, 2014 or age 62 if the volunteer firefighter became a volunteer firefighter after February 21, 2014.

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Trustees as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	$	400
Disability Retirement Benefit (monthly)		
Short-term disability for line of duty injury, not to exceed 1 year		200
Long-term disability for line of duty injury, lifetime benefit		200
Survivor Benefits (monthly)		
Death in the line of duty, before retirement eligible		200
Death after normal retirement		200
Death after disability retirement		100
Funeral Benefit, lump sum, one-time only		500

The above benefit provisions were also used to determine the total pension liability, discussed below.

Plan Participants Covered by the Plan as of January 1, 2017

Retirees and beneficiaries	47
Inactive, Non-retired	6
Active	40
Total Participants	93

NOTE F – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Net Pension Liability and Change in the Net Pension Liability

As defined within GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* ("GASB 68") the Net Pension Liability/(Asset) ("NPL/NPA") is the difference between the Total Pension Liability ("TPL") and the Plan's Net Position. This is analogous to the Plan's accrued liability less the market value of the Plan's assets. The TPL/NPA is based upon on an actuarial valuation performed as of January 1, 2017 and the measurement date of December 31, 2016. As permitted under GASB 68, the measurement date is within one of the District's fiscal year-end of December 31, 2017, and may be used to fulfill the December 31, 2017 reporting requirements.

The change in the Plan's NPL consists of the following:

Service costs	$	31,247
Interest on the TPL		138,690
District contribution		(100,000)
State of Colorado supplemental discretionary contribution		(33,120)
Net Plan investment income		(78,025)
Change in assumptions		62,698
Difference between expected and actual experience of the TPL		(28,394)
Plan administrative expenses		2,595
Change in the Net Pension Liability		(4,309)
Net Pension Liability – Beginning of the Year		412,490
Net Pension Liability – End of the Year	$	408,181

As of December 31, 2016, the measurement date, the NPL consisted of the following:

Total Pension Liability	$	1,962,678
Plan Net Position Available for Benefits		1,554,497
Net Position Liability	$	408,181
Percentage of Plan Net Position to Total Pension Liability		79.2%

The Plan's NPL is calculated using a Single Discount Rate of 7.50%. The Plan's NPL calculated using a Single Discount Rate that is 1% lower or 1% higher is as follows:

1% Discount 6.50%	7.50%	1% Increase 8.50%
$ 617,378	$ 408,181	$ 232,916

NOTE F – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan - continued

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year Ending December 31, 2016

The District makes contributions based upon the District's established benefits, as previously presented and funding requirements based upon the actuarial study. Plan participants do not make contributions. The State of Colorado also may make a supplemental discretionary contribution to the Plan in an amount established by statute.

The actuarially determined contributions are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, as such, the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017. The methods and assumptions used to determine the contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: PR-2000 Combined Mortality Table with Blue Collar Adjustment, Post-retirement:RP-2000 Combined Mortality Table with Blue Collar Adjustment, Disability: RP-2000 Disabled Mortality Table

For the year ended December 31, 2016, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Excess	Ratio
$ 65,458	$ 133,120	$ (67,662)	203.4%

Assumption Changes

In connection with the January 1, 2017 actuarial valuation the rate of inflation was reduced to 2.5% and the mortality information was based upon the respective RP-2014 Mortality Tables.

Deferred Outflows and Inflows of Resources

The deferred outflows and inflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the annual pension expense. The deferred outflows and inflows of resources arise from differences between expected and actual experiences and changes, as applicable, of assumptions and District contributions subsequent to the measurement date of the Net Pension Liability.

NOTE F – PENSION PLANS - *continued*

Volunteer Firefighters' Pension Plan – continued

Deferred Outflows and Inflows of Resources - continued

The portions of these amounts which are not included in the current pension expense are reflected as deferred outflows of resources and consist of:

Deferred Outflows and Inflows of Resources		
Deferred Outflow of Resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL	$	418
Deferred Outflow of Resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income		81,088
Deferred Outflow of Resources to be recognized in future pension expense resulting from the change in assumptions		39,967
Deferred Inflow of Resources to be recognized in future pension expense resulting from the difference between expected and actual experience associated with the TPL		(18,100)
Net Deferred Outflows and Inflows of Resources		103,373
Contributions to the Pension Plan subsequent to the measurement date of Net Pension Liability - December 31, 2016		110,000
Total Deferred Outflows and Inflows of Resources	$	213,373

The deferred outflows of resources by year to be recognized in the future pension expense as of December 31, 2017 are as follows:

Year ended December 31,		
2018	$	38,290
2019		34,863
2020		23,544
2021		6,674
Total	$	103,373

Statewide Fire and Police Defined Benefit Pension Plan

Description of the Plan and Benefits Provided

The District's full-time employees participate in the Fire and Police Pension Association of Colorado's Statewide Defined Benefit Plan (SWDB). The SWDB plan covers all full-time firefighter and police officer employees of the participating fire and police departments in Colorado hired after April 8, 1978. The SWDB plan is a multi-employer plan administered by the FFPA. Members of the SWDB plan may receive a monthly lifetime benefit upon meeting the eligibility requirements for normal, early, vested or deferred retirement.

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.

NOTE F – PENSION PLANS - *continued*

Statewide Fire and Police Defined Benefit Pension Plan - continued

Description of the Plan and Benefits Provided - continued

The annual normal retirement benefit is 2% 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% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB 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% or 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% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the SWDB plan and remain eligible for a retirement pension at age 55 equal to 2% of the member’s average highest three years’ base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Contributions

Members of the SWDB plan and employers are contributing at the rate of 9.5% and 8%, respectively, of base salary for a total contribution rate of 17.5% in 2017. In 2014, the members of the SWDB plan voted to increase the member contribution to the SWDB plan beginning in 2015. Member contribution rates will increase by 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

The District's contribution to the Statewide Defined Benefit Plan for the year ending December 31, 2017, was $13,975.

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

The SWDB plan is also subject to the provisions of GASB 68 which provide guidance for the potential recognition of the District’s proportionate share of the SWDB plan's net pension liability/(asset) and any related deferred outflows or deferred inflows. The District has evaluated the impact of GASB 68 and has determined the District’s proportionate share of the SWDB plans net pension liability /(asset) and any related deferred outflows or deferred inflows is immaterial. As such, as permitted under GAAP, the District’s proportionate share of the SWDB plans net pension liability/(asset) and any related deferred outflows or deferred inflows are not reflected.

NOTE F – PENSION PLANS - *continued*

Fire and Police Pension Association

The Fire and Police Pension Association administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The affiliated pension plans have elected to use FPPA for plan administration investment services only. FPPA issues a publically available comprehensive annual financial report. That report may be obtained through the FPPA website at www.fppaco.org.

Deferred Compensation Pension Plan

The District also established a deferred compensation pension plan in accordance with Internal Revenue Code Section 457, which is being administered by the FPPA. The District has no administration or fiduciary responsibilities for this plan. Neither the assets nor corresponding liabilities of this plan are reflected in these financial statements.

NOTE G – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Cash equal to the required emergency reserve is reflected as restricted.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits will require judicial interpretation.

In 1996, the electors within the consolidating districts approved that the consolidated District impose a general tax levy of 8 mills, which may be adjusted in the event there is a change in the statutory methodology or percentage used in calculating the assessed valuation of real or personal property and may be reduced below 8 mills, against all taxable property within the boundaries of the consolidated district annually for collection commencing in 1997 and continuing thereafter; and on an annual basis that the revenue from such levy be applied as follows: (a) first, to operations and maintenance expenses of the consolidated district up to $240,000 in any one year, which shall be adjusted upward to reflect changes in the United States Bureau of Labor Statistics Consumer Price Index for the Denver-Boulder area, (b) second to the annual debt service requirements of the former Idledale Fire Protection District's general obligation bonds that were assumed by the consolidated District; (c) last, to any lawful purpose of the consolidated District; and that the revenue from such mill levies be spent as a voter-approved revenue change and an exception to the limits which would otherwise apply, including without limitation, Article X, Section 20, of the Colorado Constitution and Section 29-1-301, C.R.S., without limiting or affecting the collection or spending of other revenue.

NOTE G – TAX, SPENDING AND DEBT LIMITATIONS - *continued*

Additionally, the District believes that election questions approved by the former Idledale Fire Protection District, and Lookout Mountain Fire Protection District voters in 1994 authorized the consolidated District to collect, retain, and spend all other non-property tax revenue legally available to the District for the purposing of providing additional fire protection and EMS, are applicable to the District.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God for which the District carries commercial insurance. The District's claims have not exceeded its coverage during the preceding three years.

NOTE I – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through May 15, 2018, which is the date the financial statements and accompanying footnotes were available for issuance.

- In January 2018, the District entered into an intergovernmental agreement with Clear Creek County, Colorado under which the Clear Creek Communication Center will provide dispatch service to the District. The initial term of the agreement is the period January 1, 2018 through December 31, 2024. Under the terms of the intergovernmental agreement the District will be assessed an allocated share of the operational cost of the Clear Creek Communication Center.

REQUIRED SUPPLEMENTARY INFORMATION

Foothills Fire Protection District

VOLUNTEER FIREFIGHTERS' PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year 3 (prospectively since 2014)

Measurement period ended December 31.	2014	2015	2016
Total Pension Plan Liability			
Service cost	$ 28,109	$ 31,247	$ 31,247
Interest on the total pension liability	133,272	137,209	138,690
Difference between expected and actual experience of the total pension liability	38,557	-	(28,394)
Assumption changes	-	-	62,698
Benefit payments	(148,743)	(149,232)	(148,170)
Net change in total pension liability	51,195	19,224	56,071
Total pension plan liability - beginning	1,836,188	1,887,383	1,906,607
Total pension plan liability - ending	$ 1,887,383	$ 1,906,607	$ 1,962,678
Pension Plan Fiduciary Net Position			
District contributions	$ 100,000	$ 100,000	$ 100,000
Pension plan net investment income	95,611	26,484	78,025
Benefit payments	(148,743)	(149,232)	(148,170)
Pension Plan administrative expenses	(2,577)	(3,450)	(2,595)
State of Colorado supplemental discretionary contribution	33,120	33,120	33,120
Net change in Pension Plan fiduciary net position	77,411	6,922	60,380
Pension plan fiduciary net position - beginning	1,409,784	1,487,195	1,494,117
Pension plan fiduciary net position - ending	$ 1,487,195	$ 1,494,117	$ 1,554,497
Net Pension Liability	$ (400,188)	$ (412,490)	$ (408,181)
Pension Plan Fiduciary Net Position as a % of Total Pension Plan Liability	78.80%	78.37%	79.20%
Net Pension Plan Liability as % of Covered Payroll	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A
Schedule of Contributions			
Actuarially determined contribution	$ 75,048	$ 75,048	$ 65,458
Actual contributions	133,120	133,120	133,120
Contribution deficiency (excess)	$ (58,072)	$ (58,072)	$ (67,662)