

**FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT**

**(formerly known as JOHNSTOWN FIRE PROTECTION DISTRICT)**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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**RECEIVED**

Office of the State Auditor

July 31, 2018

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**FINANCIAL SECTION**



Certified Public Accountants (a professional corporation)  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Front Range Fire Rescue Fire Protection District  
Johnstown, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund of Front Range Fire Rescue Fire Protection District as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, and the aggregate remaining fund of Front Range Fire Rescue Fire Protection District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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## Other Matters

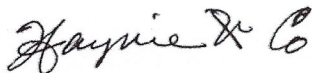
### *Required Supplementary Information*

Management 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 General Fund – Budgetary Comparison Schedule, Schedule of Contributions and Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, as listed in the table of contents, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Front Range Fire Rescue Fire Protection District's financial statements as a whole. The Capital Fund – Budgetary Comparison Schedule and Volunteer Pension Fund – Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Capital Fund – Budgetary Comparison Schedule and Volunteer Pension Fund – Budgetary Comparison Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Littleton, Colorado  
July 30, 2018

## **BASIC FINANCIAL STATEMENTS**

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2017

	GOVERNMENTAL ACTIVITIES
	<u>2017</u>
ASSETS	
Cash and Investments	\$ 2,483,419
Receivables	
Property Taxes	2,915,793
Accounts	272,204
Capital Assets, Not Being Depreciated	132,152
Capital Assets, Depreciated	
Net of Accumulated Depreciation	<u>2,940,730</u>
 TOTAL ASSETS	 <u>8,744,298</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Volunteer Pension	<u>9,665</u>
LIABILITIES	
Noncurrent Liabilities	
Due within One Year	72,114
Due in More Than One Year	73,989
Pension Liability	<u>1,119,292</u>
 TOTAL LIABILITIES	 <u>1,265,395</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Property Taxes	2,915,793
Related to Volunteer Pension	<u>117,947</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>3,033,740</u>
NET POSITION	
Net Investment in Capital Assets	2,926,779
Restricted for Emergencies	69,000
Restricted for Capital	1,851,883
Unrestricted	<u>(392,834)</u>
 TOTAL NET POSITION	 <u>\$ 4,454,828</u>

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017

	Program Revenues			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
	Charges for Services	Operating Grants and Contributions	Governmental Activities 2017	
<b>FUNCTIONS/PROGRAMS</b>				
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 2,276,600	\$ -	\$ -	\$ (2,276,600)
Interest on Long-Term Debt	5,626	-	-	(5,626)
Total Governmental Activities	\$ 2,282,226	\$ -	\$ -	(2,282,226)
<b>GENERAL REVENUES</b>				
Taxes			2,244,259	
Interest			35,126	
Other			5,828	
TOTAL GENERAL REVENUES			2,285,213	
CHANGE IN NET POSITION			2,987	
NET POSITION, Beginning, as restated			4,451,841	
NET POSITION, Ending			\$ 4,454,828	

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL 2017
<b>ASSETS</b>			
Cash and Investments	\$ 1,130,510	\$ 1,352,909	\$ 2,483,419
Property Taxes Receivable	2,389,158	526,635	2,915,793
Due from General Fund	-	510,974	510,974
Accounts Receivable	272,204	-	272,204
<b>TOTAL ASSETS</b>	<b><u>\$ 3,791,872</u></b>	<b><u>\$ 2,390,518</u></b>	<b><u>\$ 6,182,390</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Due To Other Funds	\$ 510,974	\$ -	\$ 510,974
<b>TOTAL LIABILITIES</b>	<b><u>510,974</u></b>	<b><u>-</u></b>	<b><u>510,974</u></b>
<b>DEFERRED INFLOWS</b>			
Deferred Revenues - Property Taxes	<u>2,389,158</u>	<u>526,635</u>	<u>2,915,793</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b><u>2,900,132</u></b>	<b><u>526,635</u></b>	<b><u>3,426,767</u></b>
<b>FUND EQUITY</b>			
Fund Balance			
Restricted for Emergencies	57,000	12,000	69,000
Restricted for Capital Projects	-	1,851,883	1,851,883
Unassigned	<u>834,740</u>	<u>-</u>	<u>834,740</u>
<b>TOTAL FUND EQUITY</b>	<b><u>891,740</u></b>	<b><u>1,863,883</u></b>	<b><u>2,755,623</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 3,791,872</u></b>	<b><u>\$ 2,390,518</u></b>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	3,072,882
Pension balances are not available resources and are not included in the fund financial statements	
Net pension liability	(1,119,292)
Deferred outflows related to pension	9,665
Deferred inflows related to pension	(117,947)
Long-term liabilities, such as capital leases, are not due and payable in the current period and are not reported in the funds.	<u>(146,103)</u>
Net position of governmental activities	<b><u>\$ 4,454,828</u></b>

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL 2017
REVENUES			
Taxes	\$ 1,834,079	\$ 410,180	\$ 2,244,259
Interest	20,119	15,007	35,126
Miscellaneous	5,827	-	5,827
	<u>1,860,025</u>	<u>425,187</u>	<u>2,285,212</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
FRFA Administration	1,751,803	308,204	2,060,007
Treasurer's Fees	24,678	5,520	30,198
Miscellaneous	12,098	-	12,098
Debt Service	-	75,913	75,913
	<u>1,788,579</u>	<u>389,637</u>	<u>2,178,216</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	<u>71,446</u>	<u>35,550</u>	<u>106,996</u>
NET CHANGE IN FUND BALANCES	71,446	35,550	106,996
FUND BALANCES, Beginning, restated	<u>820,294</u>	<u>1,828,333</u>	<u>2,648,627</u>
FUND BALANCES, Ending	<u>\$ 891,740</u>	<u>\$ 1,863,883</u>	<u>\$ 2,755,623</u>

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

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

Year Ended December 31, 2017

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 106,996
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.	(177,247)
Pension expenses and income do not use current financial resources and are excluded from the funds Pension expense.	
Changes in pension liability	88,786
Amortization of deferred pension outflow.	(6,443)
Amortization of deferred pension inflow.	(79,393)
Deferred charges related to pensions are not recognized in the governmental funds. However, for the government-wide financial statements, these amounts are capitalized and amortized.	-
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position This is the capital lease payment of \$70,287.	<u>70,287</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,987</u></u>

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

PENSION TRUST FUNDS

December 31, 2017

	<u>VOLUNTEER PENSION TRUST</u>
ASSETS	
Cash and Investments	\$ 2,056,048
Taxes Receivable	<u>131,659</u>
TOTAL ASSETS	<u>2,187,707</u>
LIABILITIES	
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Property Taxes	<u>131,659</u>
NET POSITION	
Reserved for Pension Benefits	<u><u>\$ 2,056,048</u></u>

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 Year Ended December 31, 2017

	<u>VOLUNTEER PENSION TRUST</u>
ADDITIONS	
Taxes	\$ 102,545
Investment Earnings and Losses	233,299
State Contributions	<u>21,899</u>
 TOTAL ADDITIONS	 <u>357,743</u>
DEDUCTIONS	
Pension Payments	181,950
Management Fees	23,983
Treasurer's Fees	<u>1,380</u>
 TOTAL DEDUCTIONS	 <u>207,313</u>
 CHANGE IN NET POSITION	 150,430
NET POSITION, Beginning, restated	<u>1,905,618</u>
NET POSITION, Ending	<u>\$ 2,056,048</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

# FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Front Range Fire Rescue Fire Protection District was formed to provide fire protection and emergency medical services to the Town of Johnstown and surrounding areas within its boundaries. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the Front Range Fire Rescue Fire Protection District (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### **Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

#### **Government-Wide and Fund 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

Major individual governmental funds are reported as separate columns in the fund 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*. Revenues are recorded when earned and expenses are recorded when the 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 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for financial resources and related expenditures for the construction and acquisition of major assets and the related debt service activities.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

Additionally, the District reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the volunteer fire defined benefit pension plan.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such 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 assets or materially extend assets' lives are not capitalized.

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

Buildings and Improvements	7- 40 years
Vehicles and Equipment	7- 20 years
Software	5-10 years

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Net Position**

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

#### **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District does not report any nonspendable fund balances at December 31, 2017.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District also restricts the amounts in the Capital Projects Fund for building projects.
- Assigned – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance Classification** (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2017.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes**

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

- In September, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- The Pension Trust Fund expenditures exceeded the Budget by \$25,913 which may be in violation of State statutes. Total District expenditures did not exceed the Budget.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 3: CASH AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2017 follows:

Deposits	\$ 2,318,867
Investments	<u>2,220,600</u>
Total	<u>\$ 4,539,467</u>

The above amounts are classified in the statement of net position as follows:

Governmental Activities	\$ 2,483,419
Agency Funds	<u>2,056,048</u>
Total	<u>\$ 4,539,467</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$2,318,867. The bank balances with the financial institutions were \$2,328,292. Of these balances, \$500,000 was covered by federal insurance and \$1,828,292 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Investments**

As of December 31, 2017, the District has the following investments:

Investments	<u>Market Value</u>	<u>Maturity Less Than 1 year</u>	<u>Maturity 1 to 5 years</u>	<u>Concentration of Credit Risk</u>	<u>S&amp;P Rating</u>
Colorado Trust	\$ 213,067	\$ 213,067	\$ -	9.59%	N/A
Corporate Bonds	418,450	-	418,450	18.84%	BBB-A-
Municipal Bonds	75,251	25,230	50,021	3.39%	AAA – AA+
US Treasury Bonds and Notes	154,822	25,422	129,400	6.97%	AA+
Equity Mutual Funds	141,739	141,739	-	6.38%	N/A
Common Stock	<u>1,217,271</u>	<u>1,217,271</u>	<u>-</u>	<u>54.83%</u>	<u>N/A</u>
Total	<u>\$ 2,220,600</u>	<u>\$ 1,622,729</u>	<u>\$ 597,871</u>	<u>100.00%</u>	

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 3: CASH AND INVESTMENTS**

**Investments** (Continued)

At December 31, 2017, the District had \$213,077 invested in the Colorado Government Liquid Asset Trust (COLOTRUST); 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios 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 U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust has been rated AAAM by Standard and Poor's.

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2017, is summarized below:

	Balances <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/17</u>
<b>Governmental Activities</b>				
Capital Assets, Not depreciated				
Land	\$ 132,152	\$ -	\$ -	\$ 132,152
Capital Assets, depreciated				
Buildings and Improvements	\$ 1,347,385	\$ -	\$ -	\$ 1,347,385
Vehicles	2,917,308	-	-	2,917,308
Equipment	478,717	-	-	478,717
Software	7,906	-	-	7,906
Total Capital Assets, depreciated	<u>4,751,316</u>	<u>-</u>	<u>-</u>	<u>4,751,316</u>
Less Accumulated Depreciation				
Buildings and Improvements	381,613	34,660	-	416,273
Vehicles	935,593	112,786	-	1,048,379
Equipment	308,228	29,800	-	338,028
Software	7,906	-	-	7,906
Total Accumulated Depreciation	<u>1,633,340</u>	<u>177,247</u>	<u>-</u>	<u>1,810,586</u>
Total Capital Asset, Depreciated, Net	<u>3,117,976</u>	<u>(177,247)</u>	<u>-</u>	<u>2,940,730</u>
Governmental Activities, Capital Assets, Net	<u>\$ 3,250,128</u>	<u>\$ (177,247)</u>	<u>\$ -</u>	<u>\$ 3,072,882</u>

Depreciation expense was charged to General Government activities of the District.

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2017.

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/17</u>	Due In <u>One Year</u>
Capital Lease	\$ 216,390	\$ -	\$ 70,287	\$ 146,103	\$ 72,114

**Capital Lease**

The District has entered into a capital lease agreement to purchase equipment which will be paid from revenues of the General Fund. The lease carries an interest rate in the amount of 2.6%. Annual lease payments in the amount of \$75,913 and are due through June 2019.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 5: LONG-TERM DEBT** (Continued)

Following is a schedule of the future minimum lease payments required under the outstanding capital lease obligations at December 31, 2017.

Year Ended December 31,

2018	\$ 75,913
2019	<u>75,913</u>
Total Minimum Lease Payments	151,826
Less: Interest	<u>( 5,723)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 146,103</u>

**NOTE 6: 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. The District maintains insurance through a commercial carrier for these risks of loss. Settled claims have not exceeded coverage for the last three years.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Front Range Fire Rescue Authority**

In November 2014, the District entered into an intergovernmental agreement with the Milliken Fire Protection District to create the Front Range Fire Rescue Authority (the "Authority") which is organized as a separate legal entity pursuant to Section 29-1-301 (4). This Authority operates as an independent entity separate and distinct from the Districts. Effective January 1, 2015 the Districts assigned the personnel, assets, and property to the Authority which are used to provide fire services to residents of both Districts combined. During the year ended December 31, 2017, the District transferred cash to the Authority in the amount of \$1,751,803 for Operations and \$384,117 for Capital, which included \$75,913 for Debt Service, under the terms of the agreement.

**Claims and Judgments**

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. The District believes that disallowed expenses, if any, would not have a material effect on the overall financial position of the District.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**NOTE 7: COMMITMENTS AND CONTINGENCIES**-(Continued)

**TABOR Amendment**

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 government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. On November 2, 2010, voters within the District approved the collection, retention and expenditure of the full revenues generated by the District in 2010 and subsequent years without limitation.

The District has established an emergency reserve, representing 3% of fiscal year spending as required by the Amendment. At December 31, 2017, the emergency reserve of \$57,000 was recorded in the General Fund and \$12,000 was recorded in the Capital Projects Fund.

**NOTE 8: PENSION PLANS**

**Volunteer Firefighters' Pension Plan**

Plan Description - The District has established a defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statute. The Plan is administered by the District. Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension. The Plan also provides for burial benefit upon the death of an active or retired firefighter in the amount of \$200. Spouses of deceased firefighters who have served a minimum of ten years may receive benefits of 50% of the earned pension. This plan is reported as a pension trust fiduciary fund in the financial statements.

Funding Policy - The Plan receives contributions from the District in an amount not to exceed one half mill of property tax revenue. Contributions are established and may be amended by the District Board. As established by the legislature, the State of Colorado also contributes to the plan. An actuary is used to determine the adequacy of contributions.

The actuarial study as of January 1, 2017, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

As of the date of the report, there were 32 total members of the Plan. One of the 32 members were active.

Annual Pension Cost - For the year ended December 31, 2017, the District and State contributed \$96,028 and \$21,899, respectively, which was 100% of the required contributions. The required contribution was determined as part of the January 1, 2017, actuarial valuation using the entry

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: PENSION PLANS** (Continued)

**Volunteer Firefighters' Pension Plan** (Continued)

age actuarial cost method. Actuarial assumptions included the following:

- Interest Rate – 4.50% per annum, compounded annually, net of operating expenses
- Retirement - Age 50 and 10 years of volunteer service
- Disability - None
- Mortality After Retirement– RP-2000 projected to 2017
- Pre-Retirement Mortality – RP-2000 projected to 2017
- Marital Status - 90% married, with males 3 years older

Based on the current value of the Fund, the Plan's current level of contributions are adequate to support the prospective benefit levels on an actuarially sound basis.

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

At December 31, 2017 the District reported a pension liability in the amount of \$1,119,292. The net pension liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2017.

For the year ended December 31, 2017 the District recognized pension expense of \$93,078. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$9,665	\$117,947
Net difference between projected and actual earnings on pension plan investments	N/A	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	N/A
<b>Total</b>	<b>\$9,665</b>	<b>\$117,947</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31,</b>	
2018	\$ ( 26,265)
2019	\$ ( 26,265)
2020	\$ ( 26,265)
Thereafter	\$ ( 29,487)

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8: PENSION PLANS** (Continued)

**Volunteer Firefighters' Pension Plan** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 4.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50 percent) or 1-percentage-point higher (5.50 percent) than the current rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Proportionate share of the net pension liability (asset)	\$ 1,528,893	\$ 1,119,292	\$ 777,796

**NOTE 9: PRIOR-PERIOD RESTATEMENTS**

During a prior year, a portion of the Fiduciary Fund assets was incorrectly recorded as liability to the General Fund. Therefore, both the beginning General Fund Balance and the beginning Fiduciary Fund Balance as of January 1, 2017, were restated to correctly reflect the assets of the Fiduciary Fund. The restatements are summarized as follows:

	<u>General</u>	<u>Fiduciary</u>
Beginning Fund Balance, as originally stated	\$1,349,827	\$1,376,085
Adjustment for amount Due from/to Other Fund	( 529,533)	529,533
Beginning Fund Balance, as restated	<u>\$ 820,294</u>	<u>\$1,905,618</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Property Taxes	\$ 1,725,293	\$ 1,699,570	\$ (25,723)
Specific Ownership Taxes	140,000	134,509	(5,491)
Intergovernmental	21,899	-	(21,899)
Interest	-	20,119	20,119
Miscellaneous	-	5,827	5,827
TOTAL REVENUES	<u>1,887,192</u>	<u>1,860,025</u>	<u>(27,167)</u>
EXPENDITURES			
Current			
FRFA Administration	1,751,803	1,751,803	-
Pension Contribution	117,930	-	117,930
Treasurer's Fees	-	24,678	(24,678)
Miscellaneous	9,000	12,098	(3,098)
Emergency Reserves/Contingency	59,308	-	59,308
TOTAL EXPENDITURES	<u>1,938,041</u>	<u>1,788,579</u>	<u>149,462</u>
CHANGE IN FUND BALANCE	(50,849)	71,446	122,295
FUND BALANCE, Beginning, restated	<u>1,349,827</u>	<u>820,294</u>	<u>(529,533)</u>
FUND BALANCE, Ending	<u>\$ 1,298,978</u>	<u>\$ 891,740</u>	<u>\$ (407,238)</u>

See the accompanying independent auditors' report.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

SCHEDULE OF CONTRIBUTIONS  
 VOLUNTEER FIREFIGHTERS' PENSION PLAN  
 December 31, 2017

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 127,095	\$ 127,095	\$ -	N/A	N/A
2016	123,367	123,367	-	N/A	N/A
2017	117,927	117,927	-	N/A	N/A

\*Includes both employer and State of Colorado Supplementary Discretionary Payment  
 This report will include ten years of data when available.

See the accompanying independent auditors' report.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS  
VOLUNTEER FIREFIGHTERS' PENSION PLAN

<u>Measurement Period Ending December 31,</u>	<u>2017</u>	<u>Revised 2016</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 8,653	\$ 11,042
Interest Cost	135,869	138,927
Experience Loss/(Gain)/(Deferred Inflow)	102,489	(38,555)
Difference Between Expected and Actual Experiences	-	-
Assumption Changes	-	-
Benefit Payments	<u>(181,950)</u>	<u>(176,800)</u>
Net Change in Total Pension Liability	65,061	(65,386)
Total Pension Liability - Beginning	<u>3,110,279</u>	<u>3,175,665</u>
Total Pension Liability - Ending	<u>\$ 3,175,340</u>	<u>\$ 3,110,279</u>
<b>Plan Fiduciary Net Position</b>		
Employer Contribution	\$ 96,028	\$ 123,367
State Contributions	21,899	76,682
Actual Return on Assets	232,646	-
Benefit Payments	(181,950)	(176,800)
Pension Plan Administrative Expenses	<u>(23,983)</u>	<u>(21,978)</u>
Net Change in Plan Fiduciary Net Position	144,640	1,271
Plan Fiduciary Net Position - Beginning	<u>1,911,408</u>	<u>1,910,137</u>
Plan Fiduciary Net Position - Ending	<u>2,056,048</u>	<u>1,911,408</u>
Net Pension Liability/(Asset)	\$ 1,119,292	\$ 1,198,871
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	38.80%	38.80%
Covered Employee Payroll	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A

This schedule will report ten years of data when it is available.

See accompanying independent auditors' report.

**INDIVIDUAL FUND SCHEDULES**

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Taxes	\$ 384,124	\$ 410,180	\$ 26,056
Interest	-	15,007	15,007
TOTAL REVENUES	<u>384,124</u>	<u>425,187</u>	<u>41,063</u>
EXPENDITURES			
Current			
FRFA Administration	384,124	308,204	75,920
Treasurer's Fees	-	5,520	(5,520)
Debt Service	-	75,913	(75,913)
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	<u>394,124</u>	<u>389,637</u>	<u>4,487</u>
CHANGE IN FUND BALANCE	(10,000)	35,550	45,550
FUND BALANCE, Beginning	<u>1,828,333</u>	<u>1,828,333</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,818,333</u>	<u>\$ 1,863,883</u>	<u>\$ 45,550</u>

See the accompanying independent auditors' report.

FRONT RANGE FIRE RESCUE FIRE PROTECTION DISTRICT

VOLUNTEER PENSION TRUST FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Taxes	\$ 96,031	\$ 102,545	\$ 6,514
Investment Earnings and Losses	-	233,299	233,299
State Contribution	21,899	21,899	-
	<u>117,930</u>	<u>357,743</u>	<u>239,813</u>
EXPENDITURES			
Benefit Payments	161,400	181,950	(20,550)
Actuarial Study	2,000	-	2,000
Management Fees	-	23,983	(23,983)
Pension Payment Adjustments	18,000	-	18,000
Treasurer's Fees	-	1,380	(1,380)
	<u>181,400</u>	<u>207,313</u>	<u>(25,913)</u>
CHANGE IN NET POSITION	(63,470)	150,430	213,900
NET POSITION, Beginning	<u>1,376,085</u>	<u>1,905,618</u>	<u>529,533</u>
NET POSITION, Ending	<u>\$ 1,312,615</u>	<u>\$ 2,056,048</u>	<u>\$ 743,433</u>

See the accompanying independent auditors' report