

LEFTHAND FIRE PROTECTION DISTRICT

REPORT ON FINANCIAL STATEMENTS

December 31, 2018

**LEFTHAND FIRE PROTECTION DISTRICT
REPORT ON FINANCIAL STATEMENTS**

December 31, 2018

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March 31, 2019

To the Members of the Board of Directors of the Lefthand Fire Protection District:

State law requires that all general-purpose local governments file within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the Lefthand Fire Protection District (“District”) for the fiscal year ended December 31, 2018.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established an internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert, that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District’s financial statements have been audited by Howard W. Masini CPA, P.C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended December 31, 2018 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District’s financial statements for the fiscal year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

Profile of the Government

The District, established in 1984, is located in Boulder County, Colorado. The District provides fire protection and emergency services. The District is empowered to levy a property tax on both real and personal properties located within its boundaries, pursuant to the requirements of applicable law. The District also receives, or may receive, funding from specific ownership taxes, service fees, interest earnings, gifts, grants, and other income. The District also may seek revenue through various financing mechanisms, as permitted by applicable law, including the Taxpayers’ Bill of Rights (TABOR).

The annual budget serves as the foundation for the District's financial planning and control. The government's budget officer presents a proposed budget to the Board for review prior to October 15th. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than December 15th. The annual budget is prepared by fund. Budget-to-actual comparisons are provided in this report for each individual governmental fund included as part of the 2018 annual budget.

Cash management policies and practices. Cash temporarily idle during the year was invested in a Colotrust Plus and Colotrust Prime Accounts.

Respectfully submitted,

/s/ Austin Blood
President

List of Principal Officials
As of December 31, 2018

President – Austin Blood

Vice President – Jack Kutcher

Treasurer – Brian Walko

Secretary – Sue Schauffler

Director – John Miller



Howard W. Masini
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Independent Auditors' Report

To the Board of Directors of
Lefthand Fire Protection District
Boulder County, Colorado

We have audited the accompanying financial statement of the governmental activities of the Lefthand Fire Protection District (the "District"), as of December 31, 2018, and for the year then ended, and the related notes to the financial statements and respective budgetary comparison for the general fund, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 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 the 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.


Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Lefthand Fire Protection District, as of December 31, 2018, and the respective changes in net position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages vi-xi and the Schedule of Changes in District's Net Pension Liability/(Assets) and Related Ratios Current Period and Schedule of District Contributions Last 8 Fiscal Years are presented to supplement the basic financial statements. Such information, although not part of the basic financial statement, 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 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 inquires of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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.


Howard W. Masini CPA, P.C.
Lakewood, CO
June 20, 2019

LEFTHAND FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
December 31, 2018

This section presents management's analysis of Lefthand Fire Protection District (the District) financial condition and activities as of and for the year ended December 31, 2018. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section. The District, as the primary governmental entity, includes, within the financial statements, the financial position and activities of the District's Volunteer Firefighter Pension Plan as a component unit. The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The information in this MDA is presented under the following headings:

- I. Overview of the Basic Financial Statements
- II. Financial Analysis
- III. Capital Assets and Lease Administration
- IV. Budgetary Highlights
- V. Economic Factors and Next Year's Budget and Rates
- VI. Request for Information

I. Overview of the Basic Financial Statements

The District's basic financial statements are comprised of four components: (A.) Government-wide Financial Statements (B.) Fund Financial Statements (C.) Notes to Basic Financial Statements and (D.) Required supplementary information and other supplementary information in addition to the basic financial statements.

A. Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of overall District government, except for fiduciary activities. Governmental activities generally are financed through taxes.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The basic financial statements of the District are presented as a special purpose government engaged only in governmental type activities – providing fire protection and emergency services to District residents and to individuals passing through the District's jurisdiction.

LEFTHAND FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
December 31, 2018

1) General Fund

The District's General Fund statements include:

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

The *Statement of Revenues, expenditures and changes in fund balance* presents information which reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

These financial statements distinguish functions of the District that will be principally supported by property taxes and grant income. The functions of the District include effective and economical operation of a Title 32 fire protection district which provides fire protection and emergency services within the jurisdictional boundaries of the District. The District consists primarily of volunteer firefighters.

C. Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 6 to 24 of this report.

D. Required Supplementary Information and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary comparisons presented for legal compliance.

LEFTHAND FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
December 31, 2018

II. Financial Analysis

A. Financial Highlights

- The change in net position is \$327,070 for the year ended December 31, 2018 which represents an increase of \$221,918 over the prior year. The increase in change in net position is due to an increase in total revenues of \$259,133. The increase in revenue is primarily due to an increase in contract fire protection of approximately \$217,000.
- Expenses increased by \$37,214 for the year ended December 31, 2018 when compared to the year ended December 31, 2017. This is due mainly to an increase in dispatch expense of approximately \$50,000, mitigation expense of approximately \$11,000 and a decrease in salaries and benefits expense of approximately \$20,000.

B. Financial Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District assets exceeded liabilities by \$3,304,126.

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Net Position
General Fund**

	2018	2017
Assets		
Current assets	\$ 2,061,029	\$ 1,905,094
Capital assets, net	1,389,535	1,222,565
Other assets – deposit	5,000	
Deferred outflows	506,731	515,737
Total assets	3,962,295	3,643,396
Liabilities and Deferred Inflows of Resources		
Current liabilities	12,355	21,545
Deferred inflows of resources	645,814	644,795
Total liabilities and deferred inflows	658,169	666,340
Net Position		
Invested in capital assets, net of related debt	1,389,535	1,222,565
Unrestricted	1,876,591	1,718,491
Restricted – emergencies	38,000	36,000
Total net position	\$ 3,304,126	\$ 2,977,056

LEFTHAND FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
December 31, 2018

C. Results of Operation

The following table shows the changes in the District's Net Position during the year.

**Summary of Changes in Net Position
General Fund**

	2018	2017
Revenue		
Property taxes	\$ 644,917	\$ 613,946
Specific ownership taxes	34,246	32,439
Gain on sale of asset	2,000	45,000
Contract fire protection	601,187	384,066
Mitigation Projects	21,912	52,016
Grants	81,893	4,304
Matching Pension contribution	-	2,700
Interest	12,264	4,038
Donations	4,668	7,106
City of Boulder service agreement	6,221	6,246
Miscellaneous	3,086	1,399
	<u>1,412,394</u>	<u>1,153,260</u>
Expenses		
Salaries & Benefit expense	272,444	298,608
Other personnel expense	2,949	5,778
Administration	125,459	138,391
Operations	116,972	117,770
Mitigation Program expense	67,817	56,837
Grant expense	-	8,639
Dispatch expense	308,358	259,529
Pension expense	12,006	5,573
Capital Outlay	2,200	
Depreciation expense	177,119	156,983
	<u>1,085,324</u>	<u>1,048,108</u>
Change in Net Position	327,070	105,152
Net Position – Beginning of Year	<u>2,977,056</u>	<u>2,871,904</u>
Net Position – End of Year	<u>\$ 3,304,126</u>	<u>\$ 2,977,056</u>

LEFTHAND FIRE PROTECTION DISTRICT
 Management's Discussion and Analysis
 December 31, 2018

III. Capital Assets

A. Capital Assets

The District's investment in capital assets at December 31, 2018 amounts to \$1,389,535 (net of accumulated depreciation). This investment in capital assets includes land, buildings, apparatus, equipment and furnishings. An analysis of changes in capital assets is as follows:

Capital Assets				Percentage
	2018	2017	Variance	Change
Construction in progress	\$ 14,500	\$	\$ 14,500	\$ 100%
Buildings	295,751	295,751	--	--%
Fire trucks and equipment	4,105,073	3,775,484	329,589	8.73%
Land/building improvements	59,427	59,427	--	--%
Total capital assets	<u>4,474,751</u>	<u>4,130,662</u>	<u>344,089</u>	8.33%
Less: accumulated depreciation	<u>3,085,216</u>	<u>2,908,097</u>	<u>(177,119)</u>	6.10%
 Capital assets, net of accumulated depreciation	 <u>\$ 1,389,535</u>	 <u>\$ 1,222,565</u>	 <u>\$ 166,970</u>	 13.66%

The District's major capital addition was the purchase of a 2018 International 7400 and upgrades for \$288,924 and an ambulance for \$40,665. The District also paid \$14,500 as a deposit on a steel building.

Additional information on the District's capital assets can be found in **Note 5** of this report.

IV. Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

The total actual revenues of the District in 2018 exceeded budgeted revenues by \$6 and the total budget expenditures of the District in 2018 exceeded actual expenditures by \$108,707.

V. Economic Factors and Next Year's Budget

In the 2019 budget cycle improvements to Station 2 are planned from the capital expense fund.

The District will continue with its successful Wildland dispatch and Boulder County fire mitigation programs. These programs provide significant financial opportunity and amazing training experiences for the District.

VI. Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Russell Leadingham.

BASIC FINANCIAL STATEMENTS

LEFTHAND FIRE PROTECTION DISTRICT
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2018

	General Fund	Adjustments Page (2)	Total
<u>ASSETS</u>			
<i>Current assets:</i>			
Cash deposits and investments	\$ 1,386,800	\$	\$ 1,386,800
Cash on hand with County	3,180		3,180
Grant receivable - mitigation	18,611		18,611
Other assets	6,599		6,599
Prepaid expenses	25		25
Property tax receivable	645,814		645,814
<i>Total current assets</i>	2,061,029		2,061,029
<i>Capital assets:</i>			
Construction in progress		14,500	14,500
Buildings		295,751	295,751
Fire trucks and equipment		4,105,073	4,105,073
Land/building improvements		59,427	59,427
Less: accumulated depreciation		(3,085,216)	(3,085,216)
<i>Total capital assets</i>		1,389,535	1,389,535
<i>Other assets:</i>			
Deposit - land purchase		5,000	5,000
<i>Deferred Outflows of Resources:</i>			
Deferred outflows - pension		506,731	506,731
<i>Total deferred outflows</i>		506,731	506,731
<i>Total assets and deferred outflows of resources</i>	\$ 2,061,029	1,901,266	3,962,295
<u>LIABILITIES</u>			
<i>Current liabilities:</i>			
Accounts payable and accrued liabilities	\$ 12,355		12,355
<i>Total current liabilities</i>	12,355	-	12,355
<i>Deferred inflow of resources:</i>			
Deferred property tax revenue	645,814		645,814
<i>Total deferred inflows</i>	645,814	-	645,814
<i>Total liabilities and deferred inflow of resources</i>	658,169	-	658,169
<u>FUND BALANCES/ NET POSITION</u>			
<i>Fund balances:</i>			
<i>Unassigned for:</i>			
General government	1,364,860	(1,364,860)	-
<i>Restricted for:</i>			
Emergencies	38,000	(38,000)	-
<i>Total fund balances</i>	1,402,860	(1,402,860)	-
<i>Total liabilities, deferred inflows and fund balances</i>	\$ 2,061,029		
<i>Net position:</i>			
Net investment in capital assets		1,389,535	1,389,535
<i>Restricted for:</i>			
Emergencies		38,000	38,000
Unrestricted		1,876,591	1,876,591
<i>Total net position</i>		\$ 3,304,126	\$ 3,304,126

The Notes to Financial Statements and Independent Auditors' Report
are an integral part of these statements.

LEFTHAND FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2018

Fund balance per Statements of Net Position	\$ 1,402,860
Governmental funds report capital outlays and deposits as expenditures; however, in the Statement of Net Position the costs of those assets are capitalized and depreciated over their useful lives	1,389,535
Deposit - land purchase	5,000
Net position or liability resulting from pension plans and related deferred outflows and inflows are not due and payable in the current period and therefore are not reported in the balance sheet	506,731
	<hr/>
Total Net Position	<u>\$ 3,304,126</u>

The Notes to Financial Statements and Independent Auditors' Report
are an integral part of these statements.

LEFTHAND FIRE PROTECTION DISTRICT
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Adjustments Page (4)</u>	<u>Total</u>
<u>Revenues:</u>			
Property taxes	\$ 644,917	\$ -	\$ 644,917
Grant income	81,893		81,893
Contract fire protection	601,187		601,187
Gain on sale of asset	2,000		2,000
Mitigation projects - property owner receipts	21,912		21,912
City of Boulder service agreement	6,221		6,221
Specific ownership taxes	34,246		34,246
Miscellaneous	3,086		3,086
Donations	4,668		4,668
Interest	12,264	-	12,264
<i>Total revenues</i>	<u>1,412,394</u>	<u>-</u>	<u>1,412,394</u>
<u>Expenditures/ Expenses:</u>			
Salaries and benefit expense	272,444	-	272,444
Other personnel expense	2,949	-	2,949
Administration	125,459		125,459
Operations	116,972		116,972
Mitigation program expense	67,817	-	67,817
Grant expense			-
Dispatch expense	308,358		308,358
Pension expense	3,000	9,006	12,006
Capital outlay	351,289	(349,089)	2,200
Depreciation	-	177,119	177,119
<i>Total expenditures/ expenses</i>	<u>1,248,288</u>	<u>(162,964)</u>	<u>1,085,324</u>
Change in net position	164,106	162,964	327,070
Fund balance/ net position			
Beginning of the year	1,238,754	1,738,302	2,977,056
End of year	<u>\$ 1,402,860</u>	<u>\$ 1,901,266</u>	<u>\$ 3,304,126</u>

The Notes to Financial Statements and Independent Auditors' Report
are an integral part of these statements.

LEFTHAND FIRE PROTECTION DISTRICT
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balance - Governmental Funds
to the Statement of Position
For the Year Ended December 31, 2018

Excess deficiency of revenues and transfers in over expenditures and transfers out - governmental funds	\$	164,106
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense</p>		
Capital outlay		349,089
Depreciation		(177,119)
<p>Governmental funds report deferred inflows as a component of pension expense.</p>		
		(9,006)

Change in net position	\$	327,070

The Notes to Financial Statements and Independent Auditors' Report
are an integral part of these statements

LEFTHAND FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual - (General Fund)
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>		<u>(Negative)</u>
<u>Revenues:</u>				
Property taxes	\$ 664,795	\$ 664,795	\$ 644,917	\$ (19,878)
Grant income	-	-	81,893	81,893
Contract fire protection	-	667,305	601,187	(66,118)
Gain on sale of vehicle	-	-	2,000	2,000
Mitigation Projects - property owner receipts	70,000	70,000	21,912	(48,088)
City of Boulder service agreement	-	-	6,221	6,221
Specific ownership tax	-	-	34,246	34,246
Miscellaneous	7,000	7,000	3,086	(3,914)
Donations	-	-	4,668	4,668
Interest income	3,300	3,300	12,264	8,964
<i>Total revenues</i>	<u>745,095</u>	<u>1,412,400</u>	<u>1,412,394</u>	<u>(6)</u>
<u>Expenditures/ Expenses:</u>				
Salaries and benefits	337,600	337,600	272,444	65,156
Other personal expenses	14,500	14,500	2,949	11,551
Administration	111,670	111,670	125,459	(13,789)
Operations	244,500	244,500	116,972	127,528
Mitigation program expenses	70,100	70,100	67,817	2,283
Grant expenses	4,000	4,000	-	4,000
Pension expense	-	-	3,000	(3,000)
Dispatch expense	10,000	308,358	308,358	-
Capital outlay	274,000	274,000	351,289	(77,289)
<i>Total expenditures/ expenses</i>	<u>1,066,370</u>	<u>1,364,728</u>	<u>1,248,288</u>	<u>116,440</u>
Change in net position	(321,275)	47,672	164,106	116,434
Fund balance/ net position:				
Beginning of the year	962,339	962,339	1,238,754	276,415
End of year	<u>\$ 641,064</u>	<u>\$ 1,010,011</u>	<u>\$ 1,402,860</u>	<u>\$ 392,849</u>

The Notes to Financial Statements and Independent Auditors' Report
are an integral part of these financial statements.

LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - Definition of Reporting Entity

The Lefthand Fire Protection District is a governmental entity and political subdivision established to provide firefighting and emergency services to the citizens and their property within its jurisdiction, and to individuals passing through its jurisdiction.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District, which is the primary government, is not considered a component unit of any other governmental unit under criteria established by Governmental Accounting Standards Board No. 14, "*The Financial Reporting Entity*" and does not engage in any Business-type activities.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standard followed by governmental entities in the U.S.A.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statements of net position and the statements of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as volunteer pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by property taxes (if applicable) and intergovernmental contributions, are reported separately from business-type activities, generally financed in whole or in part with fees charged to external customers.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies – (continued)

B. Government-wide and Fund Financial Statements – (continued)

Government-wide Financial Statements – (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) Charges for services, and (2) Grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental fund. The Fund Financial Statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. The District only has one governmental fund.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies - (continued)

D. Major Funds

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows or resources, revenues or expenditures/expenses equal to 10 percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds. The District reported the following major governmental fund in the accompanying financial statements:

General Fund – reports as the primary fund of the District. This fund is used to account for all financial resources not reported in other funds.

E. Assets, Liabilities, and Net Position or Equity

Receivables

Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2018. Property taxes levied on December 31, 2018 are identified as property taxes receivable and deferred inflows of resources.

Capital Assets

Capital assets which include building improvements, fixtures and equipment are reported in the applicable governmental activities columns in the government wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the fixed assets, as applicable.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies - (continued)

E. Assets, Liabilities, and Net Position or Equity – (continued)

Improvements, furniture, fixtures, equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET TYPE</u>	<u>YEAR</u>
Building	40
Improvements	10
Furniture	5-10
Equipment and vehicles	5-15
Fixtures	5-10

Deferred Outflows/Inflows of Resource

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, *unavailable revenue – property taxes*. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position and Fund Balance

Net Position

Net Position is the excess of all the District’s assets and deferred outflows, if any, over all its liabilities and deferred inflows, if any, regardless of the fund. Net position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

- **Net Investment in Capital Assets** describes the portion of Net Position which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies - (continued)

E. Assets, Liabilities, and Net Position or Equity – (continued)

- **Restricted** describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include funds to be used for declared emergencies under the Colorado Taxpayers Bill of Rights (TABOR).
- **Unrestricted** describes the portion of Net Position which is not restricted to use.

Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

- **Nonspendable** represents balances set aside to indicate items that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact and assets not expected to be converted to cash, such as prepaids, are included. However, if proceeds realized from the sale or collection of non-spendable assets are restricted, committed or assigned, then Non-spendable amounts are required to be presented as a component of the applicable category.
- **Restricted** fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies - (continued)

E. Assets, Liabilities, and Net Position or Equity – (continued)

- **Committed** fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Nonspendable amounts subject to the Board of Directors' commitments are included along with spendable resources.
- **Assigned** fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors and may be changed at the discretion of the Board of Directors. This category includes Nonspendable, when it is the Board of Director's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any which have not been restricted or committed.
- **Unassigned** fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

As of December 31, 2018, the District's fund balance had \$38,000 restricted by the Colorado Taxpayers' Bill of Rights (TABOR) to be used for declared emergencies only. The remaining fund balance is considered by the District to be unassigned. At December 31, 2018, the District had an unassigned fund balance in the general fund of \$1,364,860.

Management adopted the provisions of the following Governmental Standards Board (GASB) Statements, which took effect for governments in fiscal years ending June 30, 2015, or later.

- GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing equity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.
- GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An amendment of GASB No. 68*. The intension of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies - (continued)

F. Assets, Liabilities, and Net Position or Equity – (continued)

- Effective for year ends beginning after June 15, 2015 GASB No. 72 “*Fair Value Measurement and Application*” establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The District implemented the provisions of this pronouncement beginning January 1, 2016.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions. These estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General and Pension Funds. Formal budgetary integration is also employed to comply with the State of Colorado Local Government Budget Law. The amounts not included in non-GAAP budgetary basis schedules are reflected on the schedules in the budget section of this report.

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

1. Budgets are required by state law for all funds. Prior to October 15, the District’s designated Budget Officer submits a proposed operating budget for each fund to the Board of Directors for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted by the Board of Directors to obtain taxpayer comments. The budget is formally adopted by Board resolution after considering comments received.
3. The budget and required mill levy is adopted by Board resolution no later than December 15. The mill levy is then certified to the county commissioners.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 4 - Cash Deposits and Investments

Cash deposits and investments held by the District as of December 31, 2018 were as follows:

	Book Balance	Bank Balance
<i>Cash Deposits</i>		
Insured deposits		
Demand deposits	\$ 383,595	\$ 769,349
Total cash deposits	383,595	769,349
	Fair Value	Bank Balance
<i>Investments</i>		
Local government investment pools	1,003,205	1,003,205
Total investments	1,003,205	1,003,205
Total cash deposits and investments	\$ 1,386,800	\$ 1,772,554

Custodial Credit Risk

Custodial Credit Risk – Cash deposits

As of December 31, 2018, the carrying amount of the District’s cash deposits was \$383,595. The District’s cash demand deposits are held at financial institutions in which cash deposits are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation.

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 regulators. Amounts on deposit in excess of federal insurance coverage must be collateralized. As of December 31, 2018, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows eligible depositories to create a single collateral pool for all public funds. The market value of eligible collateral (determined under PDPA) must exceed the aggregate uninsured deposits held by a financial institution on behalf of all local government deposits.

The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 4 - Cash Deposits and Investments – (continued)

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows Colorado State statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District has invested in a local government investment pool, the Colorado Local Government Liquid Asset Trust (Colostrust), which is rated AAAM by Standard & Poor's.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (Colostrust)	Weighted average under 60 days	<u>\$1,003,205</u>

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 4 - Cash Deposits and Investments – (continued)

Colotrust

As of December 31, 2018, the District had invested \$1,003,205 in the Colorado Local Government Liquid Asset Trust (the 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. Agency Securities and highest rated commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained through their web-site at www.colotrust.com or by calling (303) 864-7474.

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. 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) and 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.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 5 - Capital Assets

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

An analysis of the changes in governmental activities for the year ended December 31, 2018 follows:

	Balance January 1, 2018	Transfers/ Additions	Transfers/ Retirement	Balance December 31, 2018
Capital assets:				
Construction in progress	\$	\$ 14,500	\$	\$ 14,500
Buildings	295,751			295,751
Fire Trucks & Equipment	3,775,484	329,589		4,105,073
Improvements	59,427			59,427
Total capital assets being depreciated	4,130,662	344,089		4,474,751
Less accumulated depreciation for:				
Buildings	(229,721)	(9,858)		(239,579)
Fire Trucks & Equipment	(2,654,515)	(164,799)		(2,819,314)
Improvements	(23,861)	(2,462)		(26,323)
Total accumulated depreciation	(2,908,097)	(177,119)		(3,085,216)
Total Capital Assets, Net	\$ 1,222,565	\$ 166,970	\$	\$ 1,389,535

Note 6 - Net Position

The composition of net position is set forth below.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. As of December 31, 2018, the District has invested in capital assets, net of related debt, as follows:

Net Investment in Capital Assets \$ 1,389,535

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 6 - Net Position – (continued)

Restricted net position include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or law and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2018, the District has restricted net position as follows:

Restricted Net Position:	
Declared Emergencies	\$ <u>38,000</u>

Unrestricted net position of \$1,868,858 represents net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position.

Note 7 – Defined Benefit Plans

Plan Description:

The District is a member of the Fire and Police Pension Association (FPPA) Statewide Defined Benefit Plan, the FPPA Money Purchase Plan, and is affiliated with FPPA for its volunteer pension plan. The FPPA issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at www.fppaco.org or by calling (303) 770-3772.

Statewide Defined Benefit Plan Funding Policy:

The District contributes to the Statewide Defined Benefit Plan, a cost sharing multiple-employer defined benefit pension plan administered by FPPA. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for Plan members through the Statewide Death and Disability Plan, which is also administered by FPPA.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by calling FPPA at (303) 770-3772 in the Denver Metro area and (800) 332-FPPA (3772) from outside the metro area.

The contribution requirements of Plan members and the District are established by statute. The contribution rate is 8.0% of covered salary for the District and was 10% of covered salary for all Plan members in 2018. As a result of a member election conducted in 2014, the Plan member contribution rate will increase by ½ of one percent each year through 2022. The District contributions to the Statewide Defined Benefit Plan for the year ended December 31, 2018 was \$16,173 equal to the required contribution. The employees also contributed \$19,206 for the year ended December 31, 2018 to the Plan.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 7 - Defined Benefit Plans – (continued)

Volunteer Firefighter Pension Plan

Plan Description – The District has established an agent multiple-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statutes. The Plan is administered by the Fire & Police Pension Association (FPPA). Any eligible firefighter who has both attained the age of fifty and completed twenty years of creditable service shall be eligible for a monthly pension. An eligible volunteer firefighter who has both attained the age of fifty and completed between 10 and 19 years of creditable service may be eligible for a prorated amount of the monthly pension benefit. A firefighter, who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board of Trustees. The annual financial report of FPPA may be obtained by contacting FPPA.

Funding Policy – The Volunteer Firefighter Pension Fund receives contributions from the District in an amount determined by the District Board of Directors based upon the actuarial soundness of the Fund and the needs and best interests of the District. As established by the legislature, the State of Colorado contributes a “matching” amount based on a contribution formula set forth by statute. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2017—the latest actuarial study available—set forth the level of contributions to the fund that would be required to support on an actuarially sound basis the prospective benefits for the present Plan.

Annual Required Contribution – For the year ended December 31, 2018, the combined District and State contributions were \$3,000.

The required contribution was determined as part of the January 1, 2017 actuarial valuation using the entry age actuarial cost method. Actuarial assumptions included the following:

1. Interest Rate – 7.5% per annum, compounded annually
2. Retirement – Age 50 and 20 years of service
3. Disability – Graduated rates for all disabilities
4. Mortality – 1994 Group Annuity Mortality Table
5. Separation – Graduated rates for all withdrawals
6. Marital Status – 90% married
7. Age Difference – Males assumed to be 3 years older than females
8. Asset Valuation – Actuarial Value

The financial statements of the Volunteer Firefighter Pension Plan are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

The District makes contributions as described in this Note. Plan members do not make contributions. The State of Colorado also contributes to the Plan an amount set by statute.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 7 - Defined Benefit Plans – (continued)

A summary of the contributions to the Volunteer Firefighter Pension Fund and annual required contributions based upon actuarial studies for the prior years are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District contributions	\$ 3,000		\$ 3,000	\$ 35,500	\$ 35,500
State of Colorado contributions		2,700	11,474	11,474	11,474
Total combined contributions	<u>\$ 3,000</u>	<u>2,700</u>	<u>\$ 14,474</u>	<u>\$ 46,974</u>	<u>\$ 46,974</u>
Annual required contributions	<u>\$ -0-</u>	<u>-0-</u>	<u>\$ 46,974</u>	<u>\$ 46,974</u>	<u>\$ 46,974</u>
Contributions as a percentage of total annual required contributions	<u>*100%</u>	<u>*100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Net pension obligation	<u>\$ --</u>	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

* No annual required contribution was necessary for 2017 and 2018.

A summary of funding progress based upon actuarial studies for the most recent years, if available, are as follows:

<u>Actuarial Valuation Date</u>	<u>Net Assets Available for Benefits (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding Excess/ (Deficit) (a)-(b)</u>	<u>Funded Ratio (a)/(b)</u>
01/01/17	\$ 1,259,882	\$ 869,740	\$ 390,142	145%
01/01/15	1,213,183	802,406	410,777	151%
01/01/13	1,052,852	767,663	285,189	137%
01/01/11	934,026	726,370	207,656	129%
01/01/09	818,561	589,610	228,951	139%
01/01/07	822,350	554,215	268,135	148%

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees/volunteers, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 9 - 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, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. At an election conducted in November 2001, the District voters exempted it from TABOR’s spending and revenue limits.

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.

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 interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation.

Note 10 – Volunteer Firefighter Pension Defined Benefits Plan Disclosures

Plan Description

Governmental Accounting Standards Board Statement No. 68 (GASB 68) establishes standards for pension accounting and financial reporting. Under GASB 68 the employer must account for and disclose the net pension liability/(asset), pension expense/(income) along with the related deferred outflows of resources, deferred inflows of resources, and other information associated with providing retirement benefits to their employees/volunteers and former employees/volunteers on their financial statements. The net pension liability/(asset) is the difference between the total pension liability and the plan’s fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets. The pension expense/(assets) recognized each year is equal to the change in the net pension liability/(asset) from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience. The total pension liability/(asset) shown in this report is based on an actuarial valuation performed as of January 1, 2017 and a roll forward to the measurement date of December 31, 2017. This

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 10 – Volunteer Firefighter Pension Defined Benefits Plan Disclosures – (continued)

measurement date is within one year of the District’s year end of December 31, 2017 and may be used for December 31, 2017 reporting purposes.

Expense and deferred outflow calculations are shown starting with the year ended December 31, 2017 but can be used for the District’s December 31, 2018 financial reporting. Each reported period will have a one year lag so that year end December 31, 2017 can be used for December 31, 2018 reporting.

a. Plan administration

The Plan is administered by a Board of Trustees composed of the District Board of Directors, and two eligible active, retired, or volunteer firefighters elected in accordance with Colorado State statutes.

b. Plan membership

As of January 1, 2017, Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving	18
Inactive Plan members entitled to but not yet receiving	1
Active Plan members	28
Total	47

Single Discount Rate

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31% (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 10 – Volunteer Firefighter Pension Defined Benefits Plan Disclosures – (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the District’s pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Single Discount Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability(Asset)	\$(383,065)	\$(474,429)	\$(551,589)

Pension Expense, Deferred Outflows and Inflows of Pension Resources

The impact of experience gains or losses and assumption changes on the Total Pension Liability are recognized in the proportionate share of the pension expense over the average expected remaining service life of all active and inactive members of the Plan. As of the measurement date (December 31, 2017), this recognition period was 5 years.

The following tables show the current balance and sources of deferred outflows and inflows related to the District’s Volunteer Firefighter Pension defined benefit retirement plan, and the scheduled recognition of these deferred amounts:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Pension Asset	\$ 518,737	\$
Pension Expense	(12,006)	
Net Deferred Inflows and Outflows	\$ 506,731	\$

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 10 – Volunteer Firefighter Pension Defined Benefits Plan Disclosures – (continued)

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expense/(Income)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
Differences between expected and actual experience	\$ --	\$ 1,364	\$ (1,364)
Assumption changes	11,806	--	11,806
Net difference between projected and actual earnings on pension plan investments	45,646	70,833	(25,187)
Total	<u>\$ 57,452</u>	<u>\$ 72,197</u>	<u>\$ (14,745)</u>

<u>Year Ending December 31</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2019	\$ 9,995
2020	5,469
2021	(12,500)
2022	(17,709)
2023	-
Thereafter	-
Total	<u>\$ (14,745)</u>

For the year ended December 31, 2017, the District recognized a pension expense of \$12,006. The table below presents the sources of the pension expense.

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 10 – Volunteer Firefighter Pension Defined Benefits Plan Disclosures – (continued)

Pension Expense for the year ended December 31, 2018

Operating Expenses		
Service cost	\$	21,092
Administrative expense		11,233
		<u>32,325</u>
Financing Expenses		
Interest cost		63,849
Current period benefit change		-
Expected return on assets		(91,920)
		<u>(28,071)</u>
Changes		
State of Colorado Discretionary Payment		-0-
Recognition of Outflow(Inflow) of Resources due to Liabilities		4,314
Recognition of Outflow(Inflow) of Resources due to Assets		3,438
		<u>7,752</u>
Pension Expense	\$	<u>12,006</u>

Recognition of Outflows (Inflows) of Resources due to Assets/Liabilities

	<u>Outflows Of Resources</u>		<u>Inflows Of Resources</u>		<u>Net Outflows/ (Inflows) of Resources</u>
Differences between expected and actual experience	\$ --	\$	3,103	\$	(3,103)
Assumption changes	7,417		--		7,417
Net difference between projected and actual earnings on pension plan investments	21,146		17,708		3,438
Outflow of resources to be recognized in the current pension expense/(income) due to assets	--		--		--
Total	<u>\$ 28,563</u>	\$	<u>20,811</u>	\$	<u>7,752</u>

**LEFTHAND FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 10 – Volunteer Firefighter Pension Defined Benefits Plan Disclosures – (continued)

**Outflows and Inflows of Resources by Source to be Recognized in Current Pension
Expense(Income)**

		<u>Outflows Of Resources</u>		<u>Inflows Of Resources</u>		<u>Net Outflows/ (Inflows) of Resources</u>
Due to liabilities	\$	7,417	\$	3,103	\$	4,314
Due to assets		21,146		17,708		3,438
Total	\$	28,563	\$	20,811	\$	7,752

Net Pension Liability

The components of the net pension liability at December 31, 2017 were as follows:

Total pension liability	\$ 896,081
Plan fiduciary net position	<u>1,370,510</u>
District's net pension liability(asset)	(474,429)
Plan fiduciary net position as a percentage of the total pension asset	152.94%

Note 11–Deposit for Land Purchase

The District entered into an agreement with Boulder County in June, 2018 for the right of first refusal on one acre of land within District boundaries. The District paid \$5000 in earnest money during the year ended December 31, 2018. The entire cost of the land is \$160,000. Title has not transferred to the District as of December 31, 2018 and as such no asset or liability has been recorded.

Note 12–Subsequent Events

The District evaluated subsequent events through June 20, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure issued.

Budget appropriations presented in this report include all legally adopted appropriations as amended. Subsequent to December 31, 2018, appropriation increases were approved by the Board, primarily due to capital expenditures for vehicles. The amended appropriations are as follows:

		<u>Original Budget</u>		<u>Final Budget</u>
General Fund - Revenues	\$	<u>745,095</u>	\$	<u>1,412,400</u>
General Fund - Expenditures	\$	<u>1,066,370</u>	\$	<u>1,364,728</u>

REQUIRED SUPPLEMENTARY INFORMATION

Lefthand Fire Protection District

**Schedule of Changes in District's Net Volunteer Firefighter Pension Liability/(Assets)
And Related Ratios Current Period
Measurement Period Ended December 31, 2017**

Total pension liability	
Service Cost	\$ 21,092
Interest	63,849
Changes in benefit terms	-
Differences between expected and actual experiences	-
Changes in assumptions	(32,302)
Benefit payments	(58,600)
Net change in total pension liability	\$ (5,961)
Total pension liability - beginning	869,740
Total pension liability - end (a)	<u>\$ 863,779</u>
Plan fiduciary net position	
Contributions - employer	\$ -
Net investment income	180,461
Benefit payments, including refunds of employee contributions	(58,600)
Administrative expense	(11,233)
State of Colorado supplemental discretionary payment	-
Net change in plan fiduciary net position	\$ 110,628
Plan fiduciary net position - beginning	1,259,882
plan fiduciary net position - ending (b)	<u>\$ 1,370,510</u>
District's net pension liability - ending (a)-(b)	<u>\$ (506,731)</u>
Plan fiduciary net position as a percentage of the total pension liability	158.66%

Notes to Schedule

a. Benefit changes

None

b. Changes of assumptions

None

Lefthand Fire Protection District

**Schedule of District Contributions
Last 8 Fiscal Years**

Year	Actuarially Determined Contribution	Actual Contribution*	Contributions Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d)=(b)-(c)	(e)	(f)
2018	\$ -	\$ 3,000	\$ (3,000)	N/A	N/A
2017	-	2,700	(2,700)	N/A	N/A
2016	46,974	14,474	32,500	N/A	N/A
2015	46,974	46,974	-	N/A	N/A
2014	46,974	46,974	-	N/A	N/A
2013	46,974	46,974	-	N/A	N/A
2012	46,974	46,974	-	N/A	N/A
2011	46,974	46,974	-	N/A	N/A

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2017, determines the contribution amounts for 2016 and 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost | Entry Age Normal
 Amortization | N Level Dollar, Open*
 Remaining Amort | 20 years*
 Asset Valuation | 5-Year smoothed market
 Inflation | 2.50%
 Salary Increase | N/A
 Investment Rate | 7.50%
 Retirement Age | 50% per year of eligibility until 100% at age 65
 Mortality | Pre-retirement: RP-20014 Combined Mortality Table with Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on duty related Fire and Police experience.
 Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.
 Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with scale BB with a minimum 3% rate for males and 2% rate for females.

*Plans that are heavily weighted with retiree liabilities use an amortized period based on the expected remaining lifetime of the participants.

*Includes both employer and State of Colorado Supplemental Discretionary Payment.