

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

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

For the Year Ended December 31, 2018

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Loveland Rural Fire Protection District
Loveland, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Loveland Rural Fire Protection District (the "District") as of and for the year ended December 31, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Loveland Rural Fire Protection District as of December 31, 2018 and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Correction of Error

As described in Note 7 to the financial statements, certain errors in the December 31, 2017 statements related to the treatment of pension related costs and an unrecorded capital lease obligation were noted. These were corrected in the year ended December 31, 2018 resulting in a restatement of the beginning fund balance and beginning net position. Our opinion is not modified with respect to that matter.

Watson Coon Ryan, LLC

WATSON COON RYAN, LLC

September 23, 2019
Greenwood Village, Colorado

LOVELAND RURAL FIRE PROTECTION DISTRICT LOVELAND, COLORADO

Management's Discussion and Analysis December 31, 2018

Our discussion and analysis of the Loveland Rural Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please review it in conjunction with the District's basic financial statements, which follows this section:

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities and deferred inflows of resources by \$2,078,005; of this amount, \$354,282 represents the increase in net position for the year ended December 31, 2018.

Total net position is comprised of the following:

- (1) Invested in capital assets of \$667,785 included property and equipment reduced by outstanding debt related to the purchase or construction of capital assets.
- (2) The District had \$3,078,589 million in expenses related to governmental activities with \$3,432,871 million in general revenues to cover the cost to those programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statement comprises three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finance, in a manner similar to a private-sector business. These statements include the following: 1) *Statement of Net Position* – presents information on all of the District's assets, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating; and 2) *Statement of Activities* – presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements – a fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

Notes to the financial statements – the notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District's combined net position increased \$354,282 between fiscal years 2018 and 2017.

Summary of Net Position

	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$4,889,491	\$4,889,491
Capital Assets	1,779,596	1,941,861
Total Assets	<u>6,669,087</u>	<u>6,143,731</u>
Deferred Outflows	-	47,205
Lease Obligation	1,111,811	1,261,811
Other Liabilities	210,934	218,956
Total Liabilities	<u>1,322,745</u>	<u>1,480,767</u>
Deferred Inflows Related to Pension	388	-
Deferred Revenue	3,267,949	3,267,949
Total Deferred Inflows	<u>3,268,337</u>	<u>3,267,949</u>
Invested in capital assets	667,785	680,050
Restricted-Nonexpendable	8,266	7,415
Restricted-TABOR	95,490	102,404
Unrestricted	1,306,464	933,855
Total net position	<u>\$2,078,005</u>	<u>\$1,723,724</u>

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$933,855 to \$1,306,464 at the end of 2018. The increase can be attributed to an increase in the County's mill levy and allocation to the District. The District's total revenues were \$3.43 million representing an decrease of \$686,000 or 25% compared to the prior year. A significant portion, 98.9%, of the District's revenue comes from taxes. The remaining revenues, 1.1% come from other sources which may vary widely from year to year.

The total cost of all programs and services was \$3.078 million with an increase of \$100k or 3%. Of the \$3.078 million, 96% of the total costs are for services (firefighting).

Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
General Revenue			
Property tax	3,094,340	2,474,792	619,548
Specific ownership tax	264,174	231,994	32,180
Interest income	37,434	16,481	20,953
Miscellaneous	36,923	23,778	13,145
Total Revenues	<u>3,432,871</u>	<u>2,747,045</u>	<u>685,826</u>
Expenses			
Fire Administration	124,940	124,979	(39)
Fire Fighting	2,791,384	2,810,006	18,622
Depreciation	162,265	162,266	(1)
Total Expenditures	<u>3,078,589</u>	<u>3,097,251</u>	<u>18,662</u>
Change in net position	<u>354,282</u>	<u>(350,206)</u>	<u>704,488</u>

FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS

Governmental Funds

The District's general fund is reported in the fund statements with short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The ending fund balance was \$1,607,058. Of the year-end total, \$1,503,302 is unassigned indicating availability for continuing District service requirements. A reserved fund balance of \$95,490 is maintained to meet required Tabor emergency reserves that are at least 3% of total expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted General Fund budget for fiscal 2018 was \$3,182,988 in expenditures. This was approximately \$43,485 more than the previous budget.

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

CAPITAL ASSETS

At the end of 2018, the District had invested \$667,785 in capital assets, including a building and apparatus, net of depreciation. This amount represents a net decrease (including additions and deductions) of approximately \$162,265 or 3% over last year. This decrease relates to depreciation.

District Capital Assets Government Activities

	<u>2018</u>	<u>2017</u>
Leased Apparatus	\$1,411,811	\$1,411,811
Buildings	822,308	822,308
Total book value	<u>\$2,234,119</u>	<u>\$2,234,119</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Amounts being appropriated in the general fund for 2019 are \$3,410,420 for expenditures and revenue of \$4,879,126. If these estimates are realized, the District's budgetary general fund balance is expected to increase by \$1,468,706 by the close of the 2019 fiscal year.

REQUEST FOR INFORMATION

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

LOVELAND RURAL FIRE PROTECTION DISTRICT
Governmental Funds - Balance Sheet/Statement of Net Position
December 31, 2018

	General Fund	Adjustments (Note 6)	Statement of Net Position
Assets:			
Cash and investments	\$ 1,591,053	\$ --	\$ 1,591,053
Taxes receivable-current	22,223	--	22,223
Taxes receivable-deferred	3,267,949	--	3,267,949
Prepaid and other assets	8,266	--	8,266
Fixed assets, net of depreciation	--	1,779,596	1,779,596
Total assets	\$ 4,889,491	\$ 1,779,596	\$ 6,669,087
Liabilities:			
Accounts payable	14,484	--	14,484
Capital Lease Obligation	--	1,111,811	1,111,811
Net pension liability	--	196,450	196,450
Total liabilities	14,484	1,308,261	1,322,745
Deferred inflows of resources:			
Deferred outflows related to pensions	--	388	388
Deferred tax revenue	3,267,949	--	3,267,949
Total deferred inflows of resources	3,267,949	388	3,268,337
Fund balance			
Nonspendable	8,266	(8,266)	--
Restricted for TABOR	95,490	(95,490)	--
Unassigned	1,503,302	(1,503,302)	--
Total fund balance	1,607,058	(1,598,792)	--
Total liabilities, deferred inflows of resources, and fund balance	\$ 4,889,491		
Net investment in capital assets		667,785	667,785
Restricted-nonexpendable		8,266	8,266
Restricted for TABOR		95,490	95,490
Unrestricted		1,306,464	1,306,464
Total net position		\$ 2,078,005	\$ 2,078,005

The accompanying notes are an integral part of these statements.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Governmental Funds - Statement of Revenues, Expenditures, and Changes
in Fund Balance/Statement of Activities
For the Year Ended December 31, 2018

	General Fund	Adjustments (Note 6)	Statement of Activities
Expenditures/expenses:			
Fire administration	\$ 124,940	\$ --	\$ 124,940
Fire fighting	2,912,123	41,526	2,953,649
Total expenditures/expenses	3,037,063	41,526	3,078,589
Revenues:			
Property tax	3,094,340	--	3,094,340
Specific ownership tax	264,174	--	264,174
Pinewood contract revenue	13,147	--	13,147
Miscellaneous revenue	23,776	--	23,776
Interest income	37,434	--	37,434
Total revenues	3,432,871	--	3,432,871
Excess (deficiency) of revenues over expenditures	395,808	(41,526)	354,282
Change in fund balance/net position	395,808	(41,526)	354,282
Fund balance/net position:			
Beginning of year, as restated	1,211,250	512,473	1,723,723
End of year	\$ 1,607,058	\$ 470,947	\$ 2,078,005
	\$ --	\$ --	\$ --

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

LOVELAND RURAL FIRE PROTECTION DISTRICT
General Fund - Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property tax	\$ 2,986,445	\$ 3,094,340	\$ 107,895
Specific ownership tax	200,000	264,174	64,174
Interest income	10,000	37,434	27,434
Pinewood contract revenue	13,147	13,147	
Miscellaneous revenue	1,000	23,776	22,776
Total revenues	3,210,592	3,432,871	222,279
Expenditures:			
Fire administration:			
Board secretary	4,800	4,400	400
District directors	6,000	5,500	500
Bookkeeper	12,000	7,575	4,425
Insurance	8,500	6,300	2,200
Office supplies	500	415	85
Professional fees	47,000	38,768	8,232
Contingency	100,000	--	100,000
Election Expense	50,000	--	50,000
Collection fee	59,729	61,982	(2,253)
Total Fire administration	288,529	124,940	163,589
Fire fighting:			
City contract	2,701,209	2,701,209	-
Capital expenditures:			
Canyon station	152,250	169,054	(16,804)
Miscellaneous	6,000	6,889	(889)
Canyon department	5,000	-	5,000
Canyon fireman's pension fund	30,000	34,971	(4,971)
Total Fire fighting	2,894,459	2,912,123	(17,664)
Total Expenditures	3,182,988	3,037,063	145,925
Excess (deficiency) of revenues over expenditures	27,604	395,808	368,204
Fund balance - beginning	263,208	1,211,250	948,042
Fund balance - ending	\$ 290,812	\$ 1,607,058	\$ 1,316,246

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

LOVELAND RURAL FIRE PROTECTION DISTRICT
Fiduciary Fund - Statement of Net Position
December 31, 2018

	Pension Trust Fund
Assets:	
Cash and investments held by trustee	\$ 407,389
Total assets	<u><u>\$ 407,389</u></u>
Net Position:	
Held in trust for pension benefits	\$ 407,389
Total net position	<u><u>407,389</u></u>

The accompanying notes are an integral part of these statements.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Fiduciary Fund - Statement of Changes in Net Position
For the Year Ended December 31, 2018

	Pension Trust Fund
Additions:	
Employer Contributions	\$ 30,000
Net Investment Income	13,474
Total additions	43,474
Deductions:	
Benefits Payment	44,400
Administrative Expense	9,153
Total deductions	53,553
Changes in net position	(10,079)
Net position - Beginning of year	417,468
Net position - Ending of year	\$ 407,389

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

LOVELAND RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity

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

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

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

Basis of Presentation

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

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

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

Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

The District reports the following governmental fund:

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

Additionally, the government reports the following fund:

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

Financial statement accounts

Cash and investments

Cash is defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less. Cash and investments include demand deposits and money market accounts.

Fair value of financial instruments

The District's financial instruments include cash, investments, receivables, accounts payables, and deferred revenue. The District estimates that the fair value of all financial instruments at December 31, 2018 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instrument.

Use of estimates

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities at the date of

the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

Fund equity

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

Restricted Fund Balance

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

The restricted fund balance represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$95,490 of fund balance has been restricted in compliance with this requirement.

Unassigned Fund Balance

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

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

Net position

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

Nonspendable fund balance - consists of amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or are legally or contractually required to be maintained intact. The Nonspendable fund balance in the general fund represents prepaid expenditures.

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

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

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

LOVELAND RURAL FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

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

Property taxes

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

Capital assets

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

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

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

Deferred inflows of resources

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

Deferred outflows of resources

In addition to assets, the statement of financial 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. Deferred outflows related to pensions are deferred and recognized as an outflow for resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

2. Stewardship, compliance, and accountability

Budgets and budgetary accounting

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

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

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

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

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

TABOR Amendment - Revenue and Spending Limitation Amendment

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service) for the fiscal year ended December 31, 2018.

LOVELAND RURAL FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

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

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

3. Other information

Risk management

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

Contract with the City of Loveland

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

Related parties

The District Secretary/ Assistant Treasurer also provides legal and administrative services to the District. During 2017, payments included \$31,300 for legal services and \$12,825 for office space and administrative services by the District in addition to the \$3,840 received for being the District's Board Secretary.

4. Detailed notes

Cash

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution,

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

As of December 31, 2018, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Investments

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools. As of December 31, 2018, the District invested \$1,576,649 in the Colorado Local Government Liquid Asset Trust (COLOTRUST).

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2018

Capital assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>
Canyon station	822,309	--	--	822,309
Apparatus Capital Lease	1,411,811	--	--	1,411,811
Less accumulated depreciation	(292,259)	(162,265)	--	(454,524)
Total capital assets, net	\$ 1,941,861	\$ (162,265)	\$ --	\$ 1,779,596

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

5. Capital Lease

In November 2016 an agreement was entered into between Loveland Fire Rescue Authority and Loveland Rural Fire Protection District for apparatus purchase for the Loveland Rural Fire Protection District. This agreement was for the purchase of one Type-3 fire engine and three 2,000 gallon fire tenders. The apparatus funding will be paid back over ten years with the final payment to be in 2026. The District leases the equipment from the city. The interest rate will be the same as the City's annual return on it's investment portfolio. The payments are due on June 15 of each year.

Future payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 150,000	\$ 25,572
2020	150,000	25,969
2021	150,000	22,974
2022	150,000	18,729
2023	150,000	14,484
2024-2026	361,811	23,829
Total	\$1,111,811	\$ 131,557

6. Volunteer fire fighters retirement plan

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

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

LOVELAND RURAL FIRE PROTECTION DISTRICT

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The plan, as established and amended by the plan's Board of Trustees through the bylaws, provides for a monthly pension of \$350 for volunteers who have satisfied the normal age and service requirements and pro rata pensions for volunteers who have satisfied the normal age, but only a portion of the service requirement. It further provides a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the latest date a volunteer reaches 50 years of age or completes 20 years of service. Pro rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. As of January 1, 2017, the latest actuarial valuation date, there were 11 retirees receiving benefits, and 15 active members.

Funding Policy: The District is required to contribute at a rate to maintain the actuarial soundness of the plan as set by statute. The contribution requirements of the District are established under Title 31, Article 30 of the Colorado Revised Statutes, as amended. The District contributed \$30,000 during both 2018 and 2017 for the respective funding requirements, with the State of Colorado contributing \$4,971 for 2018 and 2017, respectively.

Actuarial Information: An actuarial firm determined the "annual required contribution" as of the January 1, 2019 study (the most recent prepared) using the "entry age" and "aggregate" actuarial cost methods. The significant actuarial assumptions used in the valuation as of January 1, 2019 were:

- a. Investment rate of return - 7.5%
 - b. Inflation - 3.0%
 - c. Amortization method - level dollar, open
 - d. Asset valuation method - 5-year smoothed fair market value
 - e. Remaining Amortization Period - 20 years
 - f. Retirement Age - 50% per year of eligibility until 100% at age 65
 - g. Mortality:
 - Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality.
 - Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment
 - Disabled: RP-2000 Disabled Mortality Table
- All tables projected with Scale AA.

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

The four year trend information is as follows:

Fiscal Year	Annual Assumed Contribution (AAC)	Percentage of ARC contributed
2015	29,971	100%
2016	29,971	100%
2017	25,000	100%
2018	39,942	100%

LOVELAND RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2018

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)(b)	Unfunded AAL/(Surplus) (b) - (a)	Funded Ratio a/b
1/1/2015	371,371	495,548	124,177	75%
1/1/2017	405,372	601,597	196,225	67%
1/1/2019	427,399	664,260	236,861	64%

Below are the balances of deferred outflows of resources and deferred inflows of resources related to pension as of the year ended December 31, 2018:

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

	Net Outflows (Inflows) of Resources
Differences between expected and actual experience Assumption Changes	\$ (1,111)
Net Difference between projected and actual earnings on pension plan investments	4,078
Total	1,359
	4,326

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

	Net Outflows (Inflows) of Resources
Differences between expected and actual experience Assumption Changes	\$ 1,473
Net Difference between projected and actual earnings on pension plan investments	5,019
Total	(6,880)
	\$ (388)

Assumption changes: The assumptions shown above pertain to the actuarial valuation as of January 1, 2015 and the associated Actuarially Determined Contribution for the year ending December 31, 2016. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 Volunteer valuations.

The primary changes, which can be observed in the January 1, 2019 valuation, as compared to the assumptions shown are as follows:

Inflation : 2.50%
Mortality: Pre-retirement: RP-2014 Mortality Tables for 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.

LOVELAND RURAL FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

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.

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

**SENSITIVITY OF NET PENSION LIABILITY/(ASSET)
TO THE SINGLE DISCOUNT RATE ASSUMPTION
FOR THE MEASUREMENT PERIOD ENDING DECEMBER 31, 2017**

1% Decrease 6.50%	Current Single Discount Rate Assumption	1% Increase 8.50%
\$263,717	\$196,450	\$140,085

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

LOVELAND RURAL FIRE PROTECTION DISTRICT
Notes to Financial Statements
December 31, 2018

Best estimates of arithmetic real rates of return which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash	2.00 %	2.26 %
Fixed Income	15.00 %	3.00 %
Absolute Return	9.00 %	6.46 %
Long Short	9.00 %	7.15 %
Global Public Equity	37.00 %	8.33 %
Private Capital	24.00 %	9.70 %
Total	100.00 %	

**Benefit Provisions Used to Determine
the Total Pension Liability for the
Measurement Period ending December 31, 2017**

1. Normal Retirement Benefit at Age 50 with 20 years of Service (monthly):	
a. Regular	\$400.00
b. Extended Service Amount Per Year of Service	\$0.00
2. Vested Retirement Benefit (monthly):	
a. With 10 to 20 Years of Service Amount Per Year of Service per Minimum Vesting Years	\$20.00
b. Minimum Vesting Years	10
3. Disability Retirement Benefit (monthly):	
a. Short Term Disability for line of duty injury Amount payable for not more than 1 year	\$0.00
b. Long Term Disability for line of duty injury Lifetime Benefit	\$0.00
4. Survivor Benefits (monthly):	
a. Following Death before Retirement Eligible; Due to death in line of duty as a volunteer firefighter	\$225.00
b. Following Death after Normal Retirement	\$200.00
c. Following Death after Normal Retirement with Extended Service Amount Per Year of Service	\$0.00
d. Following Death after Vested Retirement with 10 to 20 Years of Service Amount Per Year of Service per Minimum Vesting Years	\$10.00
e. Following Death after Disability Retirement	\$0.00
f. Optional Survivor Benefit Following Death before or after Retirement Eligible; Due to death on or off duty as a volunteer firefighter (Purchase of Life Insurance Required)	\$0.00
5. Funeral Benefits (Required Benefit):	
a. Funeral Benefit Lump Sum, one time only	\$800.00

**Statement of Outflows and Inflows arising from the
Current Measurement Period Ending December 31, 2017
for the Employer Fiscal Year Ending December 31, 2018**

A. Outflows (Inflows) of Resources due to Liabilities*

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	\$	0
2. Assumption Changes (gains) or losses	\$	0
3. Recognition period for Liabilities: Average of the expected remaining service lives of all participants (in years)**		3.7586
4. Outflow (Inflow) of Resources to be recognized in the current pension expense/(income) for the difference between expected and actual experience of the Total Pension Liability	\$	0
5. Outflow (Inflow) of Resources to be recognized in the current pension expense/(income) for assumption changes	\$	0
6. Outflow (Inflow) of Resources to be recognized in the current pension expense/(income) due to Liabilities (Item A.4 + Item A.5)	\$	0
expense/(income) for the difference between expected and actual experience of the Total Pension Liability (Item A.1 + Item A.2 - Item A.6)	\$	0
expense/(income) for assumption changes	\$	0
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension due to Liabilities (Item A.7 + Item A.8)	\$	0

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	\$	(26,591)
2. Recognition period for Assets (in years, closed 5-year period)		5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense/(income) due to Assets (Item B.1 / Item B.2)	\$	(5,318)
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets (Item B.1 - Item B.3)	\$	(21,273)

**Actual total pension liability at the end of the measurement period is based on a roll forward of liabilities. Therefore, the actual and expected total pension liability at the end of the year are the same and there is no difference between actual and expected experience to be recognized. In addition, there were no assumption changes.*

***The expected remaining service life of a participant represents how long they are expected to be an active employee under the plan. The average shown is an average of all participants, including inactive participants (retirees, beneficiaries, etc.), who have a remaining service life of 0.0.*

LOVELAND RURAL FIRE PROTECTION DISTRICT

Notes to Financial Statements

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Consolidated Rural and Loveland Pension Fund: In 1966, the District and the City of Loveland entered into an agreement which defines the responsibilities of the two parties with regard to a defined benefit pension plan available to provide retirement income for volunteer fire fighters in recognition of their service to the District and the City of Loveland. The Rural District's contribution to this pension fund is based upon the ratio of the assessed valuation of the two entities. This volunteer plan is affiliated with the Fire and Police Pension Association of Colorado (FPPA). The District funds its obligation under the 1966 Agreement by transferring the appropriate amount to the City of Loveland which then contributes the District's funds and the City's funds to FPPA for administration and investment of the fund. During 2018, the District contributed \$30,000 to the fund.

7. Restatement of Fund Balance and Net Position

The following discloses the restatement of Net Position as of the beginning of the Fiscal Year:

Fund Balance, beginning of year, as previously stated	\$1,043,674
Increase resulting from derecognition of pension liability on Fund statement	<u>167,576</u>
Fund Balance, beginning of year, as restated	\$ 1,211,250
Net Position, beginning of year, as previously stated	\$ 1,882,480
Increase resulting from the recognition of a capital lease obligation not previously recognized	8,819
Decrease resulting from recognition of Pension Liability On Government-wide statement	<u>(167,576)</u>
Net Position, beginning of year, as restated	\$1,723,723

8. Reconciliation of government-wide and fund financial statements

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

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

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds.
- 2) Long-term liabilities, such as capital lease obligations, are not due and payable in the current period and, therefore, are not in the funds.
- 3) Deferred inflows and the net pension liability are not reported on the government fund statement.

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

- 1) Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

LOVELAND RURAL FIRE PROTECTION DISTRICT

Notes to Financial Statements

December 31, 2018

- 2) Governmental funds report principal payments on long-term debt as expenditures however, in the statement of activities, these payments reduce long-term debt;
- 3) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes an increase in pension costs due to the change in the Net Pension Liability.

Big Thompson Canyon Volunteer Fire Department Fund
Schedule of Required Supplemental Information
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios
Last 10 Fiscal Years (To be built prospectively)

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

	Measurement Period Ended December 31,			
	2018	2017	2016	2015
A. Total Pension Liability				
Service Cost	9,666	8,299	8,299	8,300
Interest on the Total Pension Liability	43,955	36,906	36,241	37,021
Benefit changes	-	70,687	-	-
Difference between expected and actual experience of the Total Pension Liability	-	3,867	-	-
Changes in assumptions	-	-	-	(22,201)
Benefit payments	-	13,175	-	-
Net change in total pension liability	(41,300)	(38,000)	(33,425)	(33,600)
Total pension liability - beginning	\$ 12,321	\$ 94,934	\$ 11,115	\$ (10,480)
Total pension liability - ending	\$ 601,597	\$ 506,663	\$ 495,548	\$ 506,028
B. Plan fiduciary net position				
Contributions - employer	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Net investment income	54,716	19,231	6,737	23,167
Benefit payments	(41,300)	(38,000)	(33,425)	(33,600)
Pension plan Administrative Expense	(7,764)	(851)	(2,871)	(923)
State of Colorado supplemental discretionary payment	-	4971	4971	4971
Net change in plan fiduciary net position	\$ 30,652	\$ 10,351	\$ 412	\$ 18,615
Plan fiduciary net position - beginning (Market value of assets at beginning of year)	386,816	376,465	376,053	357,438
Plan fiduciary net position - ending (Market value of assets at end of year)	\$ 417,468	\$ 386,816	\$ 376,465	\$ 376,053
C. Net pension liability/(asset)	\$ 196,450	\$ 214,781	\$ 130,198	\$ 119,495
D. Plan fiduciary net position as a percentage of the total pension liability	68.00%	64.30%	74.30%	75.89%

Contributions subsequent to the measurement date of December 31, 2017, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction in the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Net Deferred Outflows/ (Inflows) of Resources
December 31,	
2019	\$ 6,632
2020	1,880
2021	(3,581)
2022	(5,319)
2023	-
Thereafter	-
Total	\$ (388)

Big Thompson Canyon Volunteer Fire Department Fund
Schedule of Required Supplemental Information
Schedule of Contributions Multiyear
Last 10 Fiscal years (to be built prospectively)

FY Ending December 31,	Acturially Determined Contributions	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$23,900	\$29,971	(\$6,071)	N/A	N/A
2015	\$23,900	\$29,971	(\$6,071)	N/A	N/A
2016	\$19,056	\$29,971	(\$10,915)	N/A	N/A
2017	\$19,056	\$25,000	(\$5,944)	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment