

Northeast Teller County Fire Protection District

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2018

Northeast Teller County Fire Protection District

TABLE OF CONTENTS

December 31, 2018

Independent auditor’s report	I
Management’s discussion and analysis	i
Basic financial statements	
Government-wide financial statements	
Statement of net position	1
Statement of activities	2
Fund financial statements	
Balance sheet – governmental funds	3
Statement of revenues, expenditures, and changes in fund balances – governmental funds	4
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	5
Statement of revenues, expenditures, and changes in fund balances – budget and actual – general fund	6
Notes to financial statements	7
Required supplemental information	
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios State Fire and Police Pension Plan (FPPA) – Volunteer Pension Fund	26
Schedule of Employer Contributions State Fire and Police Pension Plan (FPPA) – Volunteer Pension Fund	27
Schedule of the District’s Proportionate Share of the Net Pension Liability/ (Asset) State Fire and Police Pension Plan (FPPA) – Statewide Defined Plan	28
Schedule of District Contributions State Fire and Police Pension Plan (FPPA) – Statewide Defined Plan	28



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast Teller County Fire Protection District
Teller County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Northeast Teller County 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northeast Teller County Fire Protection District, as of December 31, 2018, and the respective changes in financial position thereof, and the 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 i through vi and the pension liability information on pages 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information on pages i through vi 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.

The required supplementary information on pages 26 through 28 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northeast Teller County Fire Protection District (the District) financial statements for the year ended December 31, 2018 provides a narrative overview of the District's financial activities. Please consider the information here in conjunction with the accompanying financial statements and notes to the financial statements.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,518,114 (net position) for the year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,134,870.
- Total net position at December 31, 2018 was comprised of the following:
 1. Net investment in capital assets of \$1,078,163 includes property and equipment, net of accumulated depreciation and reduced by outstanding balances of leases attributable to the acquisition of those assets.
 2. Net position of \$78,000 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.
 3. Unrestricted net position of \$2,361,951 representing the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental activities reported a total ending fund balance of \$2,194,271 this year. This compares to the prior year ending fund balance of \$2,019,253 showing an increase of \$175,018 during the current year.
- Effective January 1, 2015, the District and all other state and local governments throughout the nation that provide their employees with pension benefits, are required to apply GASB Statement No. 68 to their financial statements. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit pension plan and a volunteer pension plan that is an agent multiple-employer defined benefit plan both administered by the Colorado Fire and Police Pension Association (FPPA). It is important to note that the District does not receive any benefit from the amount shown as the District's net pension asset. The District has a direct liability limited to the annually required contributions established by the State Legislature. In addition, the District does not have any control over the investment policies associated with FPPA investments. These responsibilities lie solely with the FPPA board and administration. Decisions regarding the plan benefit design and the funding policies lie solely with the State Legislature. Please refer to Note 7 within the Notes to Financial Statements section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The District's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and with the difference between the two 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the District's capital assets in addition to the financial information provided in this report.

The *Statement of Activities* presents information showing how the District's net position changed during the current 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. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the District that are principally supported by property taxes. Governmental activities of the District include general government, fire suppression, fire prevention and training, communications and vehicles & equipment operations.

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 in governmental type activities providing fire protection services to District residents.

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 evaluating a government's near-term financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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*.

A budgetary comparison statement is included in the basic financial statements for the general fund. This statement demonstrates compliance with the District's adopted and final revised budget.

Notes to the Financial Statements. The accompanying notes to the financial statements provide additional information essential to a full understanding of the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The following table provides a summary of the District's net position at December 31:

	Net Position Governmental Activities		
	2018	2017	2016
Current assets	\$ 4,393,367	\$ 4,147,017	\$ 3,736,196
Capital assets, net	1,571,964	1,739,366	1,914,618
Net pension asset - FPPA	201,547	-	3,135
Total assets	6,166,878	5,886,383	5,653,949
Deferred outflows of resources	320,083	407,593	370,662
Current liabilities	94,586	76,583	82,614
Long-term liabilities	669,245	1,002,845	1,085,296
Total liabilities	763,831	1,079,428	1,167,910
Deferred inflows of resources	2,205,016	2,079,678	2,081,975
Net position:			
Net investment in capital assets	1,078,163	1,044,617	1,098,015
Restricted	78,000	65,000	68,135
Unrestricted	2,361,951	2,025,253	1,608,576
Net position	\$ 3,518,114	\$ 3,134,870	\$ 2,774,726

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District has 31% of its net position invested in capital assets (e.g., property, plant, and equipment); 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, this net position is not available for future spending. Although the District's investment in its 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.

An additional portion of the District's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,361,951 (67%) may be used to meet the District's ongoing obligations to citizens and creditors.

The following table provides a summary of the District's changes in net position for the year ended December 31:

Change in Net Position Governmental Activities For the Years Ended December 31,			
	2018	2017	2016
Revenues			
Program revenues			
Operating grants and contributions	\$ 161,855	\$ 269,592	\$ 253,484
Charges for services	-	450	520
General revenues			
Property taxes	2,155,016	2,151,064	2,104,305
Specific ownership taxes	270,640	264,965	204,977
Interest and other	61,821	39,147	37,710
Total revenues	2,649,332	2,725,218	2,600,996
Expenses			
General government	359,554	338,540	341,662
Public safety	1,888,970	2,005,802	1,854,591
Interest on long-term debt	17,564	20,732	23,602
Total expenses	2,266,088	2,365,074	2,219,855
Change in net position	383,244	360,144	381,141
Net position - beginning	3,134,870	2,774,726	2,393,585
Net position - ending	\$ 3,518,114	\$ 3,134,870	\$ 2,774,726

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Property tax and specific ownership tax revenues make up 92% of government-wide revenue and increased \$9,627 in 2018 over 2017. The increase was a result of an increase in assessed valuation for the year 2018.

The major expenses of the District's government-wide activities include general government (16%), public safety (83%) and interest on long-term debt (1%). Total expenses decreased \$98,986 in 2018 from 2017.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of December 31, 2018, the District's general fund reported an ending fund balance of \$2,194,271, an increase of \$175,018 in comparison with the prior year.

Budgetary Highlights

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The Board of Directors can only amend appropriation resolutions upon completion of notification and publication requirements. The original approved budget for 2018 was amended.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2018, was \$1,078,163.

	Capital assets, net of Depreciation		
	December 31,		
	2018	2017	2016
Building and improvements	\$ 864,304	\$ 919,080	\$ 970,720
Equipment	707,660	820,286	943,898
Total	\$ 1,571,964	\$ 1,739,366	\$ 1,914,618

Debt Administration. The following table summarizes the District's long-term obligations.

	Long-Term Debt		
	December 31,		
	2018	2017	2016
Capital leases	\$ 493,801	\$ 694,749	\$ 816,603
Compensated absences	92,346	102,759	97,262
Total	\$ 586,147	\$ 797,508	\$ 913,865

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Economic Environment and Next Year's Budgets and Rates

Growth is expected to continue throughout the District during 2019. The District experienced an increase in net assessed valuation from 2018 to 2019, resulting in an expected increase in overall tax revenue of approximately \$51,000 from 2018 to 2019. The District's operating budget, excluding capital outlay, is expected to decrease approximately 3% from 2018 to 2019. The District is focused on building its operating reserves for future capital replacements through continued conservative budgeting and spending.

Requests for Information

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Tyler Lambert
Northeast Teller County Fire Protection District
1010 Evergreen Heights Drive
Woodland Park, CO 80863

BASIC FINANCIAL STATEMENTS

Northeast Teller County Fire Protection District
STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 2,007,928
Cash and investments - restricted	78,000
Receivable - County Treasurer	24,156
Accounts receivable	175,071
Property taxes receivable	2,108,212
Capital assets being depreciated, net	1,571,964
Net pension asset- FPPA statewide defined benefit plan	201,547
Total assets	6,166,878
 Deferred Outflows of Resources	
Pension related amounts - FPPA volunteer pension fund	35,962
Pension related amounts - FPPA statewide defined benefit plan	284,121
Total deferred outflows of resources	320,083
 Liabilities	
Accounts payable	48,552
Accrued liabilities	42,332
Lease interest payable	3,702
Noncurrent liabilities	
Net pension liability - FPPA volunteer pension fund	83,098
Due within one year	51,804
Due in more than one year	534,343
Total liabilities	763,831
 Deferred inflows of resources	
Property tax revenue	2,108,212
Pension related amounts - FPPA volunteer pension fund	8,822
Pension related amounts - FPPA statewide defined benefit plan	87,982
Total deferred inflows of resources	2,205,016
 Net position	
Net investment in capital assets	1,078,163
Restricted	
Emergency reserve	78,000
Unrestricted	2,361,951
Total net position	\$ 3,518,114

The accompanying Notes to Financial Statements are an integral part of these statements.

Northeast Teller County Fire Protection District

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Functions/Programs:				
Primary government				
General government	(359,554)	\$ -	\$ -	\$ -
Public safety	(1,888,970)	-	161,855	-
Interest on long-term debt	(17,564)	-	-	-
Total primary government	<u>\$ (2,266,088)</u>	<u>\$ -</u>	<u>\$ 161,855</u>	<u>\$ -</u>
		General Revenues:		
		Property taxes		2,155,016
		Specific ownership tax		270,640
		Net investment income		8,157
		Other income		53,664
		Total general revenues		<u>2,487,477</u>
		Change in net position		383,244
		Net position - beginning		<u>3,134,870</u>
		Net position - ending		<u>\$ 3,518,114</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Northeast Teller County Fire Protection District

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2018

	General Fund
Assets	
Cash and investments	\$ 2,007,928
Cash and investments - restricted	78,000
Receivable - County Treasurer	24,156
Accounts receivable	175,071
Property taxes receivable	2,108,212
Total assets	\$ 4,393,367
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 48,552
Accrued liabilities	42,332
Total liabilities	90,884
Deferred inflows of resources	
Property tax revenue	2,108,212
Total deferred inflows of resources	2,108,212
Fund balance	
Restricted for emergencies	78,000
Unassigned	2,116,271
Total fund balances	2,194,271
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,393,367
 Total fund balance	 \$ 2,194,271
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Capital assets, net of accumulated depreciation	1,571,964
Net pension asset - FPPA statewide defined benefit plan	201,547
Deferred outflows and inflows of resources that represent acquisition or consumption of net position that applies to future periods and, therefore, are not reported in the funds:	
Deferred Outflows - FPPA volunteer pension fund	35,962
Deferred Outflows - FPPA statewide defined benefit plan	284,121
Deferred Inflows - FPPA volunteer pension fund	(8,822)
Deferred Inflows - FPPA statewide defined benefit plan	(87,982)
Long-term liabilities, including leases payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Leases payable	(493,801)
Lease interest payable	(3,702)
Net pension liability - FPPA volunteer pension fund	(83,098)
Compensated absences	(92,346)
Net position of governmental activities	\$ 3,518,114

The accompanying Notes to Financial Statements are an integral part of these statements.

Northeast Teller County Fire Protection District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	General Fund
Revenues	
Property taxes	\$ 2,155,016
Specific ownership tax	270,640
Interest income	8,157
Wildland reimbursements	149,207
Donations	12,648
Other income	53,664
Total revenues	2,649,332
Expenditures	
Treasurer's fees	47,288
Administration	312,266
Salaries and benefits	1,748,265
Fire operations	128,173
Fire prevention	1,247
Capital outlay	16,868
Lease principal	200,976
Lease interest	19,231
Total expenditures	2,474,314
Net change in fund balance	175,018
Fund balances - beginning	2,019,253
Fund balances - ending	\$ 2,194,271

The accompanying Notes to Financial Statements are an integral part of these statements.

Northeast Teller County Fire Protection District
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

Net change in fund balance - total governmental funds	\$ 175,018
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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 and reported as depreciation expense.</p>	
Capital asset additions	16,868
Depreciation expense	(184,270)
<p>The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Lease principal payments	200,976
<p>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 governmental funds.</p>	
Pension expense	162,572
Change in accrued lease interest payable	1,667
Change in compensated absences	10,413
Change in net position of governmental activities	\$ 383,244

The accompanying Notes to Financial Statements are an integral part of these statements.

Northeast Teller County Fire Protection District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 2,056,578	\$ 2,056,578	\$ 2,155,016	\$ 98,438
Sources other than property tax	258,795	258,795	494,316	235,521
Total revenues	<u>2,315,373</u>	<u>2,315,373</u>	<u>2,649,332</u>	<u>333,959</u>
EXPENDITURES				
Treasurer's fees	160,109	160,109	47,288	112,821
Administration	216,712	298,487	312,266	(13,779)
Salaries and benefits	1,645,190	1,645,190	1,748,265	(103,075)
Fire operations	107,309	107,309	128,173	(20,864)
Fire prevention	1,500	1,500	1,247	253
Capital outlay	22,000	22,000	16,868	5,132
Lease principal	124,901	201,000	200,976	24
Lease interest	18,721	18,721	19,231	(510)
Contingency	20,000	20,000	-	20,000
Total expenditures	<u>2,316,442</u>	<u>2,474,316</u>	<u>2,474,314</u>	<u>2</u>
Net change in fund balance	(1,069)	(158,943)	175,018	333,961
Fund balance - beginning	<u>1,963,068</u>	<u>1,963,068</u>	<u>2,019,253</u>	<u>56,185</u>
Fund balance - ending	<u>\$ 1,961,999</u>	<u>\$ 1,804,125</u>	<u>\$ 2,194,271</u>	<u>\$ 390,146</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Northeast Teller County Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

Note 1 – Reporting entity

The District, a quasi-municipal corporation and political sub-division of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Teller County, Colorado.

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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District is reported as net position.

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

Separate financial statements are provided for governmental funds.

Northeast Teller County Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

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 related cash flows.

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

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures, other than interest on long-term obligations, generally are recorded when a liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, including reimbursements, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Investments

Investments for the District are reported at fair value.

Northeast Teller County Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

Property taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater and a life of 5 years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	40 years
Equipment	5-10 years

Compensated absences

The District has a policy that allows employees to accumulate unused vacation benefits up to 320 hours. Accumulated hours in excess of 320 are being paid to employees over a two year period. Compensated absences are accrued when incurred in the government-wide financial statements. The District's general fund is used to liquidate compensated absences of the governmental activities.

Northeast Teller County Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

Long-term obligations

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Northeast Teller County Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

At December 31, 2018, the District had \$78,000 restricted by legislation (for emergencies).

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 \$2,116,271.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting.

The District amended its annual budget for the year ended December 31, 2018.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fire Protection Postemployment Benefits Plan

The Governmental Accounting Standards Board (GASB) released Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions that is effective for the District for fiscal year ending December 31, 2018. This statement details the reporting requirements for employers regarding other post-employment benefit (OPEB) plans.

FPPA administers the Statewide Death & Disability Plan discussed in Note 7, which qualifies as a cost sharing multiple-employer defined benefit OPEB plan under the standard. This plan covers substantially all active full-time (and some part-time) employees of fire and police departments in Colorado. As it pertains to the requirements in Statement No. 75 regarding the FPPA Statewide Death & Disability Plan and the District, FPPA concluded that because all contributions to the plan are considered member contributions (and not employer), the employers' proportionate share of any Net OPEB liability (asset) is \$-0-.

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2017 statement of net position as follows:

Cash and investments	\$ 2,007,928
Cash and investments- restricted	<u>78,000</u>
	<u>\$ 2,085,928</u>

Deposits with financial institutions

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 levels 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 the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2017 were exposed to credit risk.

As of December 31, 2017, the District's bank balances and carrying balances were insured or collateralized as follows:

Bank balances:	
Federally insured	\$ 250,000
Collateralized	<u>1,842,097</u>
	<u>\$ 2,092,097</u>
Carrying balances:	
Federally insured	\$ 250,000
Collateralized	<u>1,835,928</u>
	<u>\$ 2,085,928</u>

Northeast Teller County Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

Investments

The District has not adopted a formal investment policy but follows state statutes regarding investments.

The District primarily limits its investments to money market funds, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District had no investments at December 31, 2018.

Cash and investments - restricted

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 9). At December 31, 2018, \$78,000 of cash and investments were restricted in compliance with this requirement.

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Note 4 – Capital assets

An analysis of the changes in capital assets for the year ended December 31, 2018 are as follows:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Capital assets being depreciated				
Building and improvements	\$ 2,063,826	\$ –	\$ –	\$ 2,063,826
Equipment	2,594,376	16,868	–	2,611,244
Total capital assets being depreciated	<u>4,658,202</u>	<u>16,868</u>	<u>–</u>	<u>4,675,070</u>
Less accumulated depreciation for				
Building and improvements	1,144,746	54,776	–	1,199,522
Equipment	1,774,090	129,494	–	1,903,584
Total accumulated depreciation	<u>2,918,836</u>	<u>184,270</u>	<u>–</u>	<u>3,103,106</u>
Total capital assets being depreciated, net	<u>\$ 1,739,366</u>	<u>\$ (167,402)</u>	<u>\$ –</u>	<u>\$ 1,571,964</u>

Depreciation expense of \$184,270 for the year ended December 31, 2018 was charged to the Public Safety function.

Note 5 – Long-term obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Capital leases:					
Building	\$ 544,083	\$ –	\$ (50,282)	\$ 493,801	\$ 51,804
Equipment	150,694	–	(150,694)	–	–
Total leases	<u>694,777</u>	<u>–</u>	<u>(200,976)</u>	<u>493,801</u>	<u>51,804</u>
Compensated absences	102,759	66,659	(77,072)	92,346	–
	<u>\$ 797,536</u>	<u>\$ 66,659</u>	<u>\$ (278,048)</u>	<u>\$ 586,147</u>	<u>\$ 51,804</u>

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Building Lease

The District entered into a Lease Purchase Agreement with CAFCO-CO Leasing LLC. (CAFCO), on September 17, 2012, for the purpose of financing the remodeling and renovation (the Improvements) of the District's existing fire station (the Real Estate).

The District pays rent to CAFCO representing repayment of the original cost of the improvements in the approximate amount of \$900,000, and refinanced at \$687,664, plus interest at 3.00% per annum. Such rent payments are due on each March 15 and September 15 through September 15, 2027. Upon payment of all rent due under the Lease Purchase Agreement, all liens and encumbrances on the Leased Property will be removed. The District may prepay and purchase the Leased Property on any regularly-scheduled payment due date by paying the amount then due plus the corresponding Purchase Price.

The obligation of the District to make rent payments under the Lease Purchase Agreement are subject to annual appropriation by the District and shall not be construed to be a general obligation indebtedness or multiple fiscal year financial obligation of the District.

Equipment leases

The District entered into a lease/purchase agreement with Zions First National Bank (Zions) dated January 27, 2014, for the purpose of financing certain equipment. The original term of the lease ends on January 15, 2015 but will be extended for 5 successive calendar years with the final renewal term ending on July 15, 2019. Lease payments are due semi-annually on each January 15 and July 15 in the amount of \$38,668, including interest at the rate of 2.10% per annum. Upon the expiration of the scheduled term of the lease and provided that all lease payments have been made as agreed, the District shall be deemed to have purchased the equipment. During 2018, the District paid the remaining balance of the lease.

Future lease obligations

The building lease and the equipment leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2018 were as follows:

<u>Year ending December 31,</u>		
2019	\$	51,804
2020		53,371
2021		54,983
2022		56,645
2023		58,357
2024-2027		218,641
Total	\$	<u>493,801</u>

Debt authorization

At December 31, 2018 the District had no authorized but unissued indebtedness.

Note 6 – Net position

The District reports net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of leases, 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 had net investment in capital assets of \$1,078,163.

Restricted net position is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2018 the District has restricted net position of \$78,000.

The District had unrestricted net position of \$2,361,951 as of December 31, 2018.

Note 7 – EMPLOYEE RETIREMENT PLAN

State Fire and Police Pension Plan (FPPA)

The District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan (SWDB) provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by the FPPA. This is a noncontributory plan. All full-time, paid firefighters of the

Northeast Teller County Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Local revenue sources are responsible for funding of the Death and Disability benefits for firefighters hired on or after January 1, 1997.

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits

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

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

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

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Members of the SWDB plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. Members of the SWDB plan and their employers are contributing at the rate of 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022. Contributions to the SWDB plan from the District were \$68,997 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported an asset of \$201,547 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2017, the District's proportion was 0.140094 percent, which was a decrease of 0.036179 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension income of \$144,758. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 145,344	\$ 2,233
Changes of Assumptions or other Inputs	30,366	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	68,432
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate		
Share of Contributions	39,414	17,317
Contributions Subsequent to the Measurement Date	68,997	-
Total	<u>\$ 284,121</u>	<u>\$ 87,982</u>

\$68,997 in total reported as deferred outflows of resources related to pension resulting from District contributions subsequent to measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 25,937
2020	22,820
2021	(6,266)
2022	(17,052)
2023	23,468
Thereafter	78,235
Total	<u>\$ 127,142</u>

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0 – 14.0%
Cost of Living Adjustments (COLA)	0.0%

*Includes inflation at 2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.00 %	8.33 %
Equity Long/Short	9.00	7.15
Illiquid Alternatives	24.00	9.70
Fixed Income	15.00	3.00
Absolute Return	9.00	6.46
Managed Futures	4.00	6.85
Cash	2.00	2.26
Total	<u>100.00</u>	

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension Liability (Asset)	\$ 219,425	\$ (201,547)	\$ (551,110)

Pension Plan Fiduciary Net Position

Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

Changes between the measurement date of the net pension asset and December 31, 2018

The FPPA Board completed an actuarial experience study and approved changes to the actuarial assumptions effective January 1, 2019. The inflation assumption will remain at 2.5%. The investment return assumption will be reduced from 7.5% to 7.0% to reflect the reduced real return expected from recent capital market data. The reduction in the investment return assumption will increase the total pension liability.

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Volunteer Pension Fund

Plan Descriptions and Provisions

The District, on behalf of its volunteer firefighters, contributes to a single-employer defined benefit pension plan (the Plan). The plan provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Pension Fund Board of Trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions for such plans. The Plan is included as a Pension Trust fund of the District and the Pension Trust does not issue separate statements.

Volunteers Covered by Benefit Terms

As of the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	21
Inactive, Non-retired Members	4
Active Members	1
Total	<u>26</u>

Benefits provided

The Plan provides retirement, survivor, death and funeral benefits. Retirement benefit for a member is \$400 a month for 20 or more years of service. Those members with a minimum of 10 years of service receive \$20.00 per month for every year of service. Survivor's death benefits are \$225 following death before being eligible for retirement and \$200 following death after normal retirement. Funeral benefit to the family members is a one-time payment of \$800.

Funding policy.

The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The Actuarial study as of January 1, 2017, indicated that the current level of contributions to the fund are adequate to support, on an actuarially sound basis, the prospective benefits for the present plan.

Contributions

For the year ended December 31, 2018, the District contributed \$35,962 to the plan. The State of Colorado contributed an additional \$10,400.

Net Pension Liability

The total pension liability is based on an actuarial valuation performed as of January 1, 2017 and a measurement date of December 31, 2017. This measurement date is within two years of the plan sponsor's fiscal year-end of December 31, 2018 and may be used for December 31, 2018 reporting purposes.

Northeast Teller County Fire Protection District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

Actuarial Assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation method	5-year smoothed fair value
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Mortality	50% per year of eligibility until 100% at age 65

Mortality rates were based on the following:

- 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 were projected and based on Scale AA.

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

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 closet 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%.

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).

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/16	\$ 718,738	\$ 577,095	\$ 141,643
Changes for the Year			
Service Cost	283	-	283
Interest	51,636	-	51,636
Changes in benefit terms	-	-	-
Difference Between Expected and Actual Experience	-	-	-
Changes in assumptions	-	-	-
Contributions – Employer	-	35,962	(35,962)
State of Colorado Supplemental Discretionary Payment	-	-	-
Net Investment Income	-	80,402	(80,402)
Benefit Payments, Including Refunds of Employee Contributions	(61,920)	(61,920)	-
Administrative Expenses	-	(5,900)	5,900
Other Changes	-	-	-
Net Changes	(10,001)	48,544	(58,545)
Balance at 12/31/17	\$ 708,737	\$ 625,639	\$ 83,098

Sensitivity of the net pension liability (asset) to the changes in the discount rate. The following table presents the net pension liability (asset) of the District, calculated using the discount rate of 7.5% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Net Pension Liability (Asset)	\$ 153,743	\$ 83,098	\$ 23,519

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

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

For the year ended December 31, 2018, the district recognized pension income of \$17,814 for the Volunteer Pension Plan. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 8,822
Contributions Subsequent to the Measurement Date	35,962	-
Total	<u>\$ 35,962</u>	<u>\$ 8,822</u>

\$35,962 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease in the pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Deferred Amounts
2019	\$ 2,438
2020	1,439
2021	(5,044)
2022	(7,657)
Total	<u>\$ (8,822)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

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; 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.

Northeast Teller County Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2018

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. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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.

On May 5, 1998, the District voters authorized the District to collect, retain and spend the full amount of the revenues generated from the present property tax levy and all other sources, without regard to limitation under Article X, Section 20 of the Colorado Constitution, during 1997 and each subsequent year. The ballot issue prohibits increases in the District's present mill levy without approval of the electors of the District.

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 interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

REQUIRED SUPPLEMENTAL INFORMATION

**NORTHEAST TELLER COUNTY FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
STATE FIRE AND POLICE PENSION PLAN (FPPA) - VOLUNTEER PENSION FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ 283	\$ 1,474	\$ 1,474	\$ 1,472
Interest	51,636	53,315	53,676	53,845
Differences Between Expected and Actual Experience	-	(37,322)	-	(13)
Changes of Assumptions	-	21,569	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(61,920)</u>	<u>(59,810)</u>	<u>(60,111)</u>	<u>(55,080)</u>
Net Change in Total Pension Liability	(10,001)	(20,774)	(4,961)	224
Total Pension Liability - Beginning of Year	<u>718,738</u>	<u>739,512</u>	<u>744,473</u>	<u>744,249</u>
Total Pension Liability - End of Year	<u>\$ 708,737</u>	<u>\$ 718,738</u>	<u>\$ 739,512</u>	<u>\$ 744,473</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 35,962	\$ 35,962	\$ 35,762	\$ 30,562
Net Investment Income	80,402	28,801	10,232	36,474
Benefit Payments, Including Refunds of Employee Contributions	(61,920)	(59,810)	(60,111)	(55,080)
Administrative Expenses	(5,900)	(1,139)	(1,949)	(1,227)
State of Colorado supplemental discretionary payment	-	5,200	5,200	5,200
Net Change in Plan Fiduciary Net Position	<u>48,544</u>	<u>9,014</u>	<u>(10,866)</u>	<u>15,929</u>
Plan Fiduciary Net Position - Beginning of Year	<u>577,095</u>	<u>568,081</u>	<u>578,947</u>	<u>563,018</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 625,639</u>	<u>\$ 577,095</u>	<u>\$ 568,081</u>	<u>\$ 578,947</u>
Net Pension Liability - End of Year	<u>\$ 83,098</u>	<u>\$ 141,643</u>	<u>\$ 171,431</u>	<u>\$ 165,526</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.28%	80.29%	76.82%	77.77%
Covered-Employee Payroll	N/A	N/A	N/A	N/A
District's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.

**NORTHEAST TELLER COUNTY FIRE PROTECTION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE FIRE AND POLICE PENSION PLAN (FPPA) - VOLUNTEER PENSION FUND**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 35,962	\$ 35,962	\$ 35,962	\$ 35,762
Contributions in Relation to the Actuarially Determined Contribution	<u>35,962</u>	<u>35,962</u>	<u>35,962</u>	<u>35,762</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.

**NORTHEAST TELLER COUNTY FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
STATE FIRE AND POLICE PENSION PLAN (FPPA) - STATEWIDE DEFINED BENEFIT PLAN**

Measurement Date	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
District's Proportion of the Net Pension Liability/(Asset)	0.1400938%	0.1762736%	0.1778515%	0.1692680%	0.1511080%
District's Proportionate Share of the Net Pension Liability/(Asset)	\$ (201,547)	\$ 63,694	\$ (3,135)	\$ (191,031)	\$ (135,119)
District's Covered Employee Payroll	\$ 819,442	\$ 902,133	\$ 894,973	\$ 797,123	\$ 656,325
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	-24.60%	7.06%	-0.35%	-23.97%	-20.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	106.30%	98.21%	100.10%	106.80%	105.80%

The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Covered payroll is presented based on the fiscal year. Information earlier than 2014 was not available.

**NORTHEAST TELLER COUNTY FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
STATE FIRE AND POLICE PENSION PLAN (FPPA) - STATEWIDE DEFINED BENEFIT PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 68,997	\$ 65,556	\$ 72,171	\$ 70,941	\$ 65,698
Contributions in Relation to the Contractually Required Contribution	\$ 68,997	\$ 65,556	\$ 72,171	\$ 70,941	\$ 65,698
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 862,464	\$ 819,442	\$ 902,133	\$ 894,973	\$ 797,123
Contributions as a Percentage of Covered Employee Payroll	8%	8%	8%	8%	8%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.