

**FREDERICK-FIRESTONE
FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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Independent Auditors' Report

Board of Directors
Frederick-Firestone Fire Protection District
Frederick, Colorado

We have audited the accompanying financial statements of the governmental activities and major fund of the Frederick-Firestone Fire Protection District (District) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

Change in Accounting Principles

As described in Note 9 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement Number 68 *Accounting And Financial Reporting For Pensions-An Amendment Of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition For Contributions Made Subsequent To The Measurement Date*. As a result, net assets were increased \$564,027 for the year ending December 31, 2014. Our opinion is not modified with the implementation of these GASB standards.

Correction of Errors

Also, as described in Note 9 to the financial statements, the District determined that certain accounts receivable balances related to ambulance services had not been recorded and that the amounts report for Cash with County Treasurer were not correct. As a result, net assets and General Fund fund balance were increased \$81,038 for the year ending December 31, 2014. Our opinion is not modified with respect to these matters.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions and Related Ratios on pages iv through xvi and 19 and 20 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

April 29, 2016
Denver, Colorado

Parptri & Adams, LLC

**FREDERICK-FIRESTONE FIRE
PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**

This section of the annual financial report offers readers of the Frederick-Firestone Fire Protection District (the “District”) financial statements the District’s discussion and analysis of its financial performance during the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District’s financial statements, which immediately follow this section.

Background Information

The District was created in December 1975 by a number of concerned citizens about fire protection for their homes and businesses. The predominate fund approach for the District was comprised of a basic fund, the General Fund.

In 1980, the District asked the voters for approval to increase the District’s property take mill to 7.750 mills to build fire station 1 and purchase equipment. On May 5, 1998, the taxpayers approved a ballot issue to remove the revenue and spending limits imposed on the District in 1992 by Amendment 1 to the Colorado Constitution, commonly referred to as the Taxpayers Bill of Rights (TABOR), thereby reducing the general operations property tax to 7.560 mills. In November 2002, the District Board of Directors asked the taxpayers to support a \$4,045,000 bond to remodel existing stations, build a new fire station, update equipment, and purchase new fire apparatus. The voters approved the bond by an approval rate of over 65%. In May 2006, voters approved an increase in the general operations property tax to 11.360 mills in order to provide emergency medical transport services acquired in the dissolution of Tri-Area Ambulance District on January 1, 2006.

Taking advantage of historically low interest rates, the District refinanced its 2002 General Obligation Bonds in 2011. This refinance reduced the interest rate by 50%, translating to a direct savings to taxpayers of more than \$235,000. In addition, the District still has a long term plan to eliminate the separate property tax that is levied to pay off the Bonds one to two years ahead of schedule. The General Obligation Refunding Bonds, Series 2011 were issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds initially were registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) securities depository for the Bonds. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. Interest on the Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2011. The principal on the bonds will be payable upon surrender of the Bonds at the principal office of UMB Bank, n.a., Denver, Colorado, as Registrar and Paying Agent.

In the fall of 2014, the District certified a property tax of 11.360 mills for general operations and a property tax of 0.890 mills to make the payments on the Bonds. The revenue from these property taxes was collected in 2015. The District has adjusted the mill levy for its general obligations bonds each year since 2008 in order to balance revenue with the annual principal and interest payments on the bonds.

Financial Highlights

- The District’s financial status reflected an increase in net position during the 2015 fiscal year. The increase was \$242,991 or a 9.39 percent increase from 2014.
- General revenues account for \$4,589,234 or 89.23 percent of all revenues. The District had \$554,125 program specific revenues in the form of charges for services, capital grants and contributions.
- The District had \$4,900,368 in expenses related to governmental activities, of which \$554,125 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues property and specific ownership taxes of \$4,529,265 and interest and other revenues of \$28,841 were more than adequate to cover the 2015 expenses.
- Capital outlays in 2015 were primarily comprised of the repair and replacement of the concrete apron at Fire Station 1, renovation of the flooring at Fire Station 3, upgrade and repair to the apparatus bay ventilation system at Fire Station 2, and upgrade of the computer system in the Incident Command Simulation Lab, all as part of the District’s annual facilities renovation projects. Funding for these projects was completed out of the Facilities Cost Recovery Reserve Account. In addition, the District purchased a

replacement Cardiac Monitor for one ambulance and began the lifecycle replacement of its Self-Contained Breathing Apparatus (SCBA), which will be an ongoing project. These equipment purchases were funded out of the Equipment Cost Recovery Reserve Account. In addition, the District continued operation of Fire Station 4 located at 3525 Highway 119, Firestone, Colorado. This facility is leased from the Colorado Division of Parks and Wildlife until the new facility is built at 10706 CR 7, Frederick, Colorado. The lease payment is \$250.00 per month, and will continue through 2017.

- Several equipment life cycle replacement projects were completed in 2015 including four computers and three mobile data terminals (MDTs).
- The District increased its Reserve Fund Accounts by \$183,788 after all capital projects were completed in 2015.
- The District reduced its outstanding long-term debt by \$250,000.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental fund statements reflect how basic services such as fire protection were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year and schedules related to the District's defined benefit plans.

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

Table 1
Organization of the Frederick-Firestone Fire Protection District's
Annual Financial Report

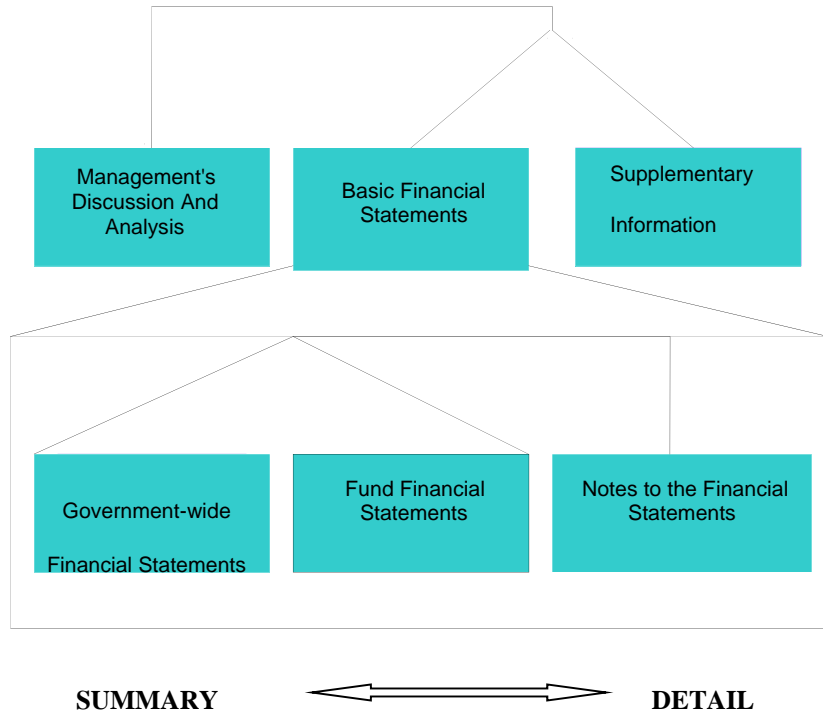


Table 2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund, found in the basic financial statements.

Table 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
Required Financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the District’s finances, in a manner similar to a private-sector business. The statement of net position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These statements provide both *short-term* and *long-term* information about the District’s *overall* financial status.

The *statements of net position* presents information on all of the District’s assets and liabilities, 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 is improving or deteriorating. To assess the District’s overall health, you need to consider additional non-financial factors such as the condition of buildings and equipment.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal 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 financial statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are most of the District's basic services such as fire protection.

The basic government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District's fund is a governmental fund.

Governmental fund: Most of the District's basic services are included in its governmental fund, which generally focuses on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them. The District maintains one individual governmental fund. 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 which is considered a major fund.

The basic governmental fund financial statements can be found on pages 19 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 and fund financial statements. The notes to the financial statements can be found on pages 3-18 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information.

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

The District's combined net position was larger on December 31, 2015, than they were the year before, increasing 9.38 percent to \$9,459,697. Table 3 provides a summary of the District's net position at December 31, 2015 and 2014.

Table 3

Condensed Statement of Net Position

	2015	2014
Assets		
Current assets	\$11,794,554	\$10,137,638
Capital assets, net	4,657,708	5,023,895
Total assets	16,452,262	15,161,533
Deferred outflows of resources		
Deferred charge on refunding	92,594	115,498
Pension related deferred outflows	239,480	
Total deferred outflows of resources	332,074	115,498
Current liabilities	167,961	160,150
Long-term liabilities	2,126,254	2,384,485
Total liabilities	2,294,215	2,544,635
Deferred inflows of resources		
Unearned revenue – property taxes	5,030,424	4,160,755
Total deferred inflows of resources	5,030,424	4,160,755
Net position		
Net investment in capital assets	2,637,183	2,742,108
Restricted	138,819	143,988
Unrestricted	6,683,695	5,685,545
Total net position	\$9,459,697	\$8,571,641

Ending net position for the year ended December 31, 2014 was restated as a result of implementing GASB 68 and corrections to the prior year financial statements.

Table 4 provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

Table 4
Changes in Net Position from Operating Results

	<u>2015</u>	<u>2014</u>
<u>Revenues</u>		
Program revenues		
Charges for services	\$554,125	\$503,550
Capital grants & contributions	0	22,235
General revenues		
Property and specific ownership taxes	4,529,265	4,562,600
Earnings on investments	5,567	4,181
Intergovernmental	31,128	
Other	23,274	20,382
Total revenue	<u>5,143,359</u>	<u>5,112,948</u>
<u>Expenses</u>		
Personnel services	3,394,207	3,786,695
Professional services	554,820	701,220
Supplies and materials	172,039	209,594
Education and travel	44,156	58,898
Equipment maintenance	176,569	191,434
Depreciation Expense	486,514	
Interest and fiscal charges	72,063	77,834
Total expenses	<u>4,900,368</u>	<u>5,025,675</u>
Increase in net position	<u>\$242,991</u>	<u>\$87,273</u>

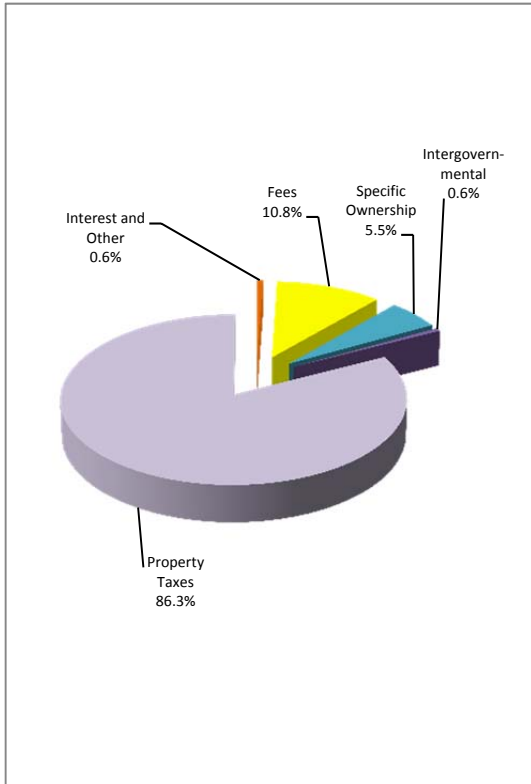
Property and specific ownership taxes account for a large portion of the District’s revenue, contributing about 88 cents for every dollar raised. In comparison, property and specific ownership taxes contributed 89 cents for every dollar in 2014, (see Table 5). During 2015 the District received approximately 10.8 cents for every dollar from program revenues, in comparison to approximately 10.3 cents for every dollar in 2014. During 2015 the District received less than 1 cent for every dollar from interest, the same as was received for every dollar in 2014. During 2015 the District received less than 1 cent for every dollar from miscellaneous sources, the same as was received for every dollar in 2014. And, less than 1 cent for every dollar came from intergovernmental revenue in 2015.

Given the District is a service organization providing fire suppression, fire protection and public education, rescue and extrication, hazardous materials, ambulance and emergency medical services (collectively, “Emergency Services”), the majority of the expenses are for salaries and benefits, insurance, building utilities and repairs, vehicle and equipment maintenance, training and supplies.

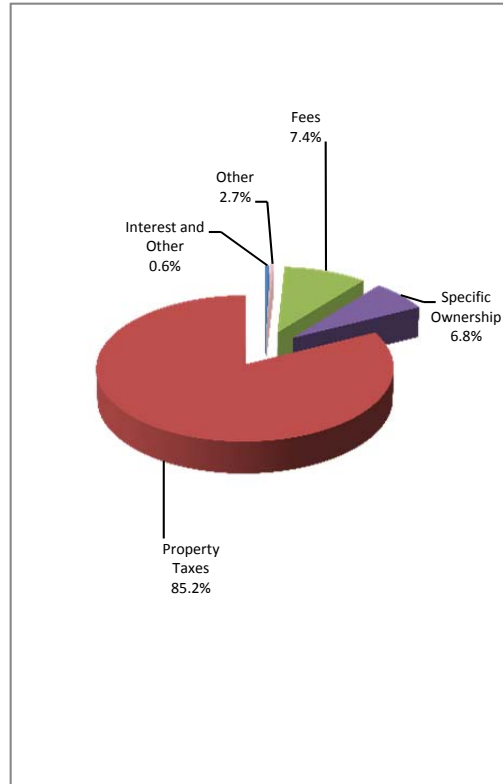
Detailed in Table 5 are charts displaying sources of revenue by program for the total District.

Table 5
Sources of Revenues

2015



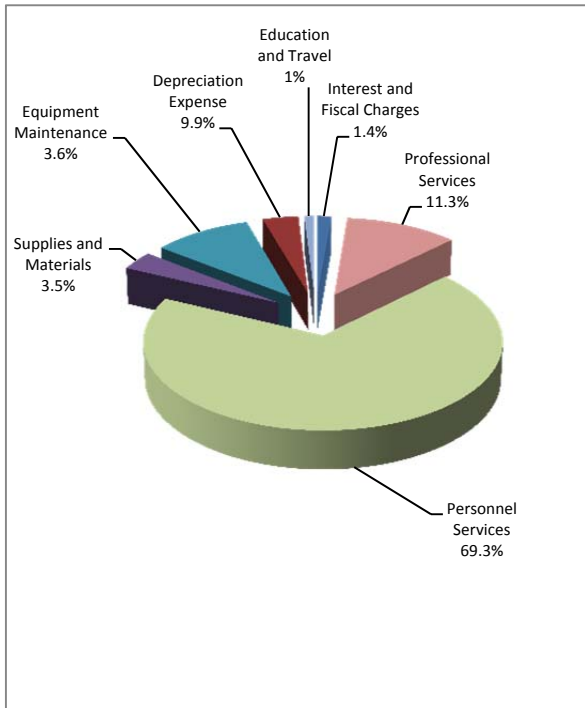
2014



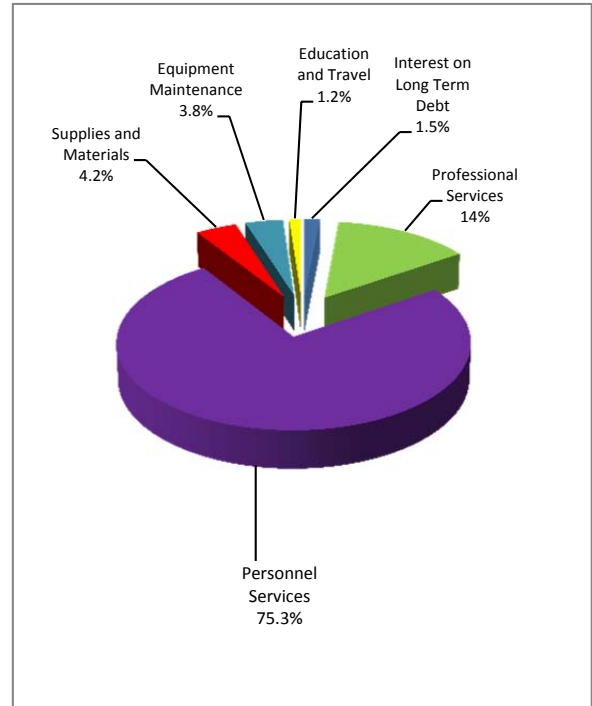
Detailed in Table 6 are charts displaying expenses by program for the total District.

Table 6
Expenses

2015



2014



Governmental Activities

The governmental funds monitor cash resources and expenditures. No capital outlay within these funds occurred during 2015; however, costs are expensed over time as depreciation expense.

As reflected on the reconciliation of governmental funds revenues and expenditures to the government-wide statement of activities on page 22, the net difference between capital outlay and depreciation expenses was \$366,187 for 2015.

The statement of activities shows the cost of program services and the related charges for services. Table 7 reflects each program's total cost and net cost of services for the year ended December 31, 2015. That is, it identifies the cost of these services supported by unrestricted property taxes.

Table 7
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Personnel Services	\$3,394,207	\$2,840,082
Professional Services	554,820	554,820
Supplies and Materials	172,039	172,039
Education and Travel	44,156	44,156
Equipment Maintenance	176,569	176,569
Interest on Long-Term Debt	72,063	72,063
Depreciation Expense	<u>486,514</u>	<u>486,514</u>
Total	<u><u>\$4,900,368</u></u>	<u><u>\$4,346,243</u></u>

Financial Analysis of District's Funds

General Fund

The general fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the District. This fund provides for functional areas of the organization - administration, firefighting, EMS transport, fire prevention, training, communications, vehicle maintenance, and facility maintenance. The general fund also provides for such other items as insurance, utilities, and other costs the District incurs. The primary funding source for the general fund is taxation of real property. Other sources of income for the general fund include ambulance and code enforcement fees, interest income, and other income. The primary projects or program efforts for establishing needed funding during 2015 were:

1. Salaries and benefits for all personnel of the District.
2. Professional services such as legal, utility, and insurance services.
3. Supplies and materials such as protective equipment, information technology equipment, and medical supplies.
4. Education classes, travel, and supplies for District personnel and public education.
5. Equipment maintenance for all apparatus, vehicles, and power tools.
6. Reserve fund transfers to fund the renovation of a new facility.
7. Capital contributions to the reserve and cost recovery accounts.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The District's budget for the general fund anticipated that, due to the construction of station 4, expenditures in 2015 would exceed revenues received in 2015 by \$2,311,236, with the difference to have been paid from the reserve fund. The actual results for the year show revenues exceeding expenditures by \$174,134.

It should be noted that the District's budget format is designed to establish and monitor divisional functions of the District's operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- Personnel services
- Professional services
- Supplies and materials
- Education and travel
- Equipment maintenance

The District must maintain a 3% emergency reserve account as required by TABOR. At December 31, 2015, the District's TABOR reserve amounted to \$138,819.

Capital Assets and Debt Administration

Capital Assets

By the end of 2015, the District had invested \$8,767,404 (before depreciation) in a broad range of capital assets, including land, buildings, site improvements, vehicles and other equipment (See Table 8). This amount represents a net increase of \$120,327 or 1.49 percent from 2014. Additional information on the District's capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$486,514.

Table 8
Capital Assets (Net of Depreciation)

	Governmental Activities		% of Change 2015-2014
	2015	2014	
Land	\$ 634,262	\$ 634,262	0.0 %
Construction In-Progress	40,759	40,759	0.0 %
Buildings and improvements	2,732,698	2,806,891	(2.6)%
Vehicles	131,910	97,851	17.7 %
Equipment	1,118,079	1,444,132	(22.6)%
Total	\$ 4,657,708	\$ 5,023,895	

Long-Term Debt

At year-end the District had \$1,975,000 in general obligation bonds, as shown below in Table 9. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

The District did not issue any new debt during 2015. Colorado Revised Statute 32-1-1101(6)(a) states that a Fire District shall have a limit of bonded indebtedness determined by a specific formula. The District's outstanding debt is below this limit.

Table 9
Outstanding Long-Term Debt

	Total Governmental Activities		% of Change 2015-2014
	2015	2014	
Government activities:			
Bonds payable	\$1,975,000	\$2,225,000	(11.2)%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The District has experienced significant growth in residential development in 2015-2016 as well as growth in real property assessed values that will increase revenues in those categories in 2017. It is estimated that Oil & Gas Assessed Values will decrease 40-50% in 2016, reducing revenues in that category significantly as Oil & Gas makes up 24% of the District's overall assessed value and property tax collection. This was anticipated in 2015 as part of the 2016 Budget planning process so District management allocated all growth in 2016 Oil & Gas property tax revenue resulting from the 2015 Assessment into a Reserve Fund contribution that will be used in 2017 to offset reductions in revenue, should the net position be negative. As Oil & Gas prices, one of the components of Assessed Value along with production, has remained recessed into 2016, it isn't anticipated that the Oil & Gas Assessment as a portion of the District's overall Budget will gain what will be lost in 2017 for several Budget cycles. Therefore, growth in revenue will be heavily reliant on the other assessment categories that make up the District's Budget, namely residential and commercial development. In the 2015 Assessment, those categories represented 56% of the overall growth in revenue.
- The District is contractually obligated to include into its jurisdiction and boundaries any property annexed by the Town of Frederick or the Town of Firestone. This adds additional revenue through property tax collection. In order for the District to meet its contractual service obligations to the Towns, since 2012 the Towns and the District have had to obtain assistance from the Boulder County District Court to exclude annexed properties from a neighboring fire protection district that refuses to voluntarily exclude the annexed properties, so they may be included into the District's jurisdictional boundaries. The Towns and the District have prevailed in each of the exclusion actions brought before the court; however, this process of exclusion has increased legal costs to the District that are being funded through the Fund Balance Reserve Account. Targeted balances of this account are set to 22% of the District's annual operating budget but this funding level was increased in prior years due to realized savings from expense reductions.
- Both of the District's anchor communities continue to experience large growth though property development and boundary expansion through annexation. In addition to the high growth due to new development occurring in both communities, the Town of Firestone annexed a 1,300-acre site that will house a planned community called Barefoot Lakes. This annexation was completed in 2016 and the District Court approved the inclusion of the property into the District's jurisdiction. At buildout, projected in 15 years, this project will add 3,100 additional residential units in both single and multi-family configuration, as well as mixed commercial development and existing oil & gas production. It is estimated that this development will add an additional \$3.5M to the District's annual Budget once completed. With the property being added to the District for the 2016 Assessment, the District will realize additional revenue from real property and oil & gas taxes collected in 2017 to further offset the loss in oil & gas assessment within the District's existing boundaries.
- The District anticipates contributing an additional \$470,039 to its Capital Replacement and Reserve Fund Accounts in 2016. The District anticipates beginning construction of the Fire Station 4 facility near the end of 2016. Construction will be completed in 2017. Funding for the project will be from the Facilities Cost Recovery Reserve Account and is estimated at \$1.5M, which will leave a balance of \$650,000 in that account for future capital facilities projects. In addition, the District will complete the purchase of a replacement Fire Engine and Ambulance in 2016 out of the Fleet Cost Recovery Reserve Account, leaving a balance of approximately \$500,000 in that account for 2017.

Contacting the District's Financial Management

This financial report is designed to provide the reader 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 Frederick-Firestone Fire Protection District at 8426 Kosmerl Place, Frederick 80504-5444, or P.O. Box 129, Frederick, Colorado 80530; telephone 303-833-2742 or fax 303-833-3736.

BASIC FINANCIAL STATEMENTS

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31,2015

	<u>General Fund</u>	<u>Adjust- ments</u>	<u>Statement of Net Position</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 6,127,428	\$ 0	\$ 6,127,428
Property tax receivable	5,030,424	0	5,030,424
Accounts receivable	100,578	22,125	122,703
Prepaid expenses	12,239	0	12,239
Net pension asset	0	501,760	501,760
Capital assets, not depreciated	0	675,021	675,021
Capital assets, net of depreciation	0	3,982,687	3,982,687
Total Assets	<u>\$11,270,669</u>	<u>5,181,593</u>	<u>16,452,262</u>
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	\$ 0	92,594	92,594
Pension related deferred outflows	0	239,480	239,480
Total deferred outflows of resources	<u>\$ 0</u>	<u>332,074</u>	<u>332,074</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u>			
<u>Liabilities</u>			
Accounts payable	\$ 30,460	0	\$ 30,460
Accrued expenses	132,851	0	132,851
Accrued interest	0	4,650	4,650
<u>Noncurrent liabilities</u>			
Due within one year	0	300,243	300,243
Due more than one year	0	1,826,011	1,826,011
Total Liabilities	<u>\$ 163,311</u>	<u>2,130,904</u>	<u>2,294,215</u>
<u>Deferred Inflows of Resources</u>			
Unavailable property taxes	\$ 5,030,424	0	5,030,424
Total Deferred Inflows of Resources	<u>\$ 5,030,424</u>	<u>0</u>	<u>5,030,424</u>
<u>Fund Balance</u>			
Non-spendable	\$ 12,239	(12,239)	
<u>Restricted for</u>			
Emergencies	138,819	(138,819)	
Debt service	265,000	(265,000)	
Assigned for future year's expenditures	2,190,325	(2,190,325)	
Unassigned	3,470,551	(3,470,551)	
Total Fund Balance	<u>6,076,934</u>	<u>(6,076,934)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$11,270,669</u>	<u>(11,270,669)</u>	
<u>Net Position</u>			
Net investment in capital assets		2,637,183	2,637,183
<u>Restricted for</u>			
Emergencies		138,819	138,819
Unrestricted		6,683,695	6,683,695
Total Net Position		<u>\$ 9,459,697</u>	<u>\$ 9,459,697</u>

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

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u> <u>Fund</u>	<u>Adjust-</u> <u>ments</u>	<u>Statement</u> <u>of</u> <u>Activities</u>
<u>Revenues</u>			
<u>Taxes</u>			
Property taxes	\$ 4,129,932	\$ 0	\$ 4,129,932
Property taxes-tax increment financing	113,423	0	113,423
Specific ownership taxes	285,910	0	285,910
Charges for service	554,125	0	554,125
Intergovernmental	9,003	22,125	31,128
Earnings on investments	5,567	0	5,567
Other	<u>23,274</u>	<u>0</u>	<u>23,274</u>
Total revenues	<u>5,121,234</u>	<u>22,125</u>	<u>5,143,359</u>
<u>Expenditures/Expenses</u>			
<u>Current</u>			
Salaries and benefits	3,568,389	(174,182)	3,394,207
Professional services	554,820	0	554,820
Commodities and supplies	172,039	0	172,039
Education and travel	44,156	0	44,156
Equipment maintenance	296,896	(120,327)	176,569
Depreciation expense	0	486,514	486,514
Debt service			
Principal	250,000	(250,000)	0
Interest and fiscal charges	<u>60,800</u>	<u>11,263</u>	<u>72,063</u>
Total expenditures	<u>4,947,100</u>	<u>(46,732)</u>	<u>4,900,368</u>
Excess of revenues over expenditures	174,134	(174,134)	
Changes in net position		242,991	242,991
Fund balances/Net position			
Beginning of the year	<u>5,902,800</u>	<u> </u>	<u>9,216,706</u>
End of the year	<u>\$ 6,076,934</u>	<u> </u>	<u>\$ 9,459,697</u>

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

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Frederick-Firestone Fire Protection District (District) is an independent local governmental unit incorporated under the laws of the State of Colorado, organized under a charter, and governed by an elected five-member Board of Directors (Board) to provide fire protection and emergency medical services within the boundaries of the District in Weld County, Colorado. The Department was formed in 1915 and the District was formed in 1976.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. As required by generally accepted governmental accounting principles, the financial statements of the reporting entity include those of the District (the primary government) which has no component units. The District does not exercise oversight responsibility over any other entity, nor is the District a component of any other governmental entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., statement of net position column and the statement of activities column) report information on all of the non-fiduciary activities of the District. As a general rule, interfund activity is eliminated from the government-wide financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities 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.

The governmental funds column on the governmental fund balance sheet/statement of net position and the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities 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.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

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

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

Fund accounting

The District uses governmental funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources of funds and uses the balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments – Cash equivalents are defined as investments with original maturities of three months or less. Investments are stated at fair value.

The District follows State statutes which allow the following investments:

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

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2015, management has recorded an allowance of \$287,718 for contractual allowances and uncollectible ambulance service fees. All receivables are expected to be collected within one year.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items and will be reported as expenditures in the following year.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	50 years
Machinery and equipment	15 years
Vehicles	7-20 years

Compensated Absences – Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment with the District, an employee will be compensated for accrued vacation time, up to the employee’s maximum, at their current rate of pay. Accrued sick time is not paid to the employee upon termination.

Accumulated unpaid vacation pay is accrued when earned in the government-wide financial statements. A liability is reported in the governmental fund financial statements when payment is due.

Long-Term Debt – In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities fund statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources include the deferred charge on 2002 Series Bond refunding and certain amounts related to the District’s defined benefit pension plans which are to be amortized and recognized as revenue/expense in future periods.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

In addition to liabilities, the statement of financial position will sometimes 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period.

Net Position/Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of District’s Board of Directors (Board). The Board is the highest level of decision making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2015, the District has no committed funds.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Property taxes

Property taxes are levied by December 15, on assessed valuation as of August 25 of each year and attach as an enforceable lien on January 1 of the following year. Taxes are due in full by April 30, or in two installments by February 28, and June 15. Taxes become delinquent after those dates and are subject to interest charges.

Property owners within the boundaries of the District have been assessed \$5,030,424 in taxes for 2015. Since these taxes are levied for operations during 2016, the taxes are classified as deferred inflows of resources. Taxes are collected and remitted monthly to the District by the Treasurer’s Office of Weld County.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On an accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Interest income, fees for providing ambulance services, and intergovernmental revenues are considered to be susceptible to accrual.

Budgets

In accordance with the Colorado Budget Law, the Board holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Board can modify the budget and appropriation resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. Budgets are legally adopted for the General Fund on a basis consistent with U.S. generally accepted accounting principles. Prior to December 31, the budget is legally enacted through passage of a resolution.

District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board.

Tax, spending, and debt limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, (TABOR) which has several limitations, including revenue increases, spending abilities, and other specific requirements of state and local government.

In 1998, the District's voters approved changes that reduced certain limits imposed by TABOR. As a result, the District is permitted to retain all revenues from all sources and from ad valorem property taxes based on 2.203 mills. The District's mill levy shall not be increased without voter approval, unless there is a change in the statutory methodology or percentage used in calculating assessed valuations of real or personal property. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has recorded \$138,819 restricted net position for emergencies at December 31, 2015, based on 3% of governmental expenditures.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments at December 31, 2015, follows:

Cash deposits	\$ 550,263
Cash with County Treasurer	72
Investments	<u>5,577,093</u>
Total cash and investments	\$ <u>6,127,428</u>

Deposits

Custodial Credit Risk – Deposits - In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2015, the carrying amount and bank balance of the District’s deposits were \$550,263 and \$575,044. Of the bank balances \$250,000 was covered by FDIC insurance and \$325,044 was covered by the PDPA.

The District has no policy regarding custodial risk for deposits.

Investments

The District invests funds in the Colorado Local Government Liquid Asset Trust (“COLOTRUST”). As an investment pool, it operates under the Colorado Revised Statutes (24-75-601.1). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (related A1 to better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00. The State Securities Commissioner administers and enforces all State statutes governing this pool. This fund is rated AAAM by Standard and Poor’s Corporation.

Interest Rate Risk - Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. The District has interest rate risk related to its investments in COLOTRUST. At December 31, 2015, COLOTRUST had a weighted average maturity of 53 days to reset and 94 days to final maturity.

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer.

Credit Risk – The District is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in governmental fixed assets during 2015.

	<u>Balances</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/15</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 634,262	\$ 0	\$ 0	\$ 634,262
Construction in progress	40,759	0	0	40,759
Total Capital Assets, Not Being Depreciated	<u>675,021</u>	<u>0</u>	<u>0</u>	<u>675,021</u>
Capital assets, being depreciated				
Buildings	3,728,240	4,465	0	3,732,705
Machinery and Equipment	3,739,442	43,939	0	3,783,381
Vehicles	504,374	71,923	0	576,297
Total Capital Assets, Being Depreciated	<u>7,972,056</u>	<u>120,327</u>	<u>0</u>	<u>8,092,383</u>
Less Accumulated Depreciation				
Buildings	(921,349)	(78,658)	0	(1,000,007)
Machinery and Equipment	(2,295,310)	(369,992)	0	(2,665,302)
Vehicles	(406,523)	(37,864)	0	(444,387)
Total Accumulated Depreciation	<u>(3,623,182)</u>	<u>(486,514)</u>	<u>0</u>	<u>(4,109,696)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,348,874</u>	<u>(366,187)</u>	<u>0</u>	<u>3,982,687</u>
Governmental Activities Capital+ Assets, Net	<u>\$ 5,023,895</u>	<u>\$ (366,187)</u>	<u>\$ 0</u>	<u>\$ 4,657,708</u>

Depreciation was charged to the general government program of the District.

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt transactions for the governmental activities of the District for the year ended December 31, 2015.

	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
2011 Refunding Bonds	\$ 2,225,000	\$ 0	\$ 250,000	\$ 1,975,000	\$ 265,000
2011 Bond Premium	56,787	0	11,262	45,525	0
Compensated Absences	<u>102,698</u>	<u>96,737</u>	<u>93,706</u>	<u>105,729</u>	<u>35,243</u>
Total	<u>\$ 2,384,485</u>	<u>\$ 96,737</u>	<u>\$ 354,968</u>	<u>\$ 2,126,254</u>	<u>\$ 300,243</u>

Accrued compensated absences are being paid from resources generated by the General Fund.

Interest paid during the year totaled \$60,800.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - LONG-TERM DEBT (CONTINUED)

2011 Refunding Bonds

The District issued 2011 Refunding Bonds, dated October 27, 2011, with principal and interest payments due semiannually on June 1 and December 1, through 2023. Interest accrues at rates ranging from 2.00% to 3.70%. Current Interest Bonds, maturing on or after December 1, 2014, are subject to early redemption at the option of the District, in whole or in part in integral multiples of \$5,000, with no redemption premium. Current Interest Bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption, beginning on December 1, 2019 without any redemption premium.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 265,000	\$ 55,800	\$ 320,800
2017	260,000	49,837	309,837
2018	275,000	43,663	318,663
2019	285,000	36,787	321,787
2020	290,000	28,950	318,950
2021-2025	<u>600,000</u>	<u>30,750</u>	<u>630,750</u>
Total	<u>\$ 1,975,000</u>	<u>\$ 245,787</u>	<u>\$ 2,220,787</u>

Advance Refunding

The net proceeds of \$2,960,000 from the issuance of the 2012 Refund Bonds were used, along with funds from the District, to advance refund the 2002 Series Bonds with a total principal amount of \$3,055,000. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance through a commercial carrier for these risks of loss. Settled claims have not exceeded insured amounts in the last three years.

NOTE 6 - PENSION PLANS

The District maintains the following separately administered pension plans:

Plan Name	Plan Type
Volunteer Firefighters' Pension Plan	Agent multiple-employer defined benefit
Statewide Defined Benefit Plan	Cost-sharing multiple-employer defined benefit plan

The defined benefit plans are administered by the Fire and Police Pension Association of Colorado ("FPPA"). It is reported in the FPPA comprehensive annual financial report (CAFR). The CAFR of the FPPA may be obtained by contacting FPPA at 5290 DTC parkway, Suite 100, Greenwood Village, Colorado 80111-2721.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONTINUED)

Volunteer Firefighters' Pension Plan

Plan Description- The District has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado Statute.

Benefits Provided- Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a full benefit monthly pension of \$200. The Volunteer Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter.

Spouses of deceased firefighters receive benefits equal to one-half those of a firefighter. Benefits are determined by the Volunteer Firefighter Pension Board.

Contributions- In addition to contributions from the District, the Volunteer Plan received contributions from the State in an amount not to exceed one-half mill of property tax revenue. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. Amounts to be contributed are determined by the District as part of its budget process. The actuarial study as of January 1, 2015, indicated that the current level of contributions to the fund, approximately \$19,006 per year, is adequate to support, on an actuarially sound basis, the prospective benefits for the present Volunteer Plan. For the year ended December 31, 2015 the District and State actual contributions of \$10,003 and \$9,003, respectively, were equal to the required contributions to the Volunteer Plan. The State contribution is included in the financial statements as an on-behalf payment.

State of Colorado Fire and Police Pension Association-Defined Benefit Plan

Plan Description- The District contributes to a the Statewide Defined Benefit Plan ("SWDB"), a cost sharing multiple-employer defined benefit pension plan administered by the FPPA for the District's paid permanent staff.

The SWDB provides retirement benefits for member and beneficiaries. Death and disability coverage is provided for plan members through the Statewide Death and Disability Plan, which is also administered by the FPPA. All paid permanent firefighters are members of the Statewide Death and Disability Plan.

Plan Benefits- The benefits requirements of plan members and the District are established by State statute. 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% of the average of the member's highest three years' base salary of each of the credited service up to ten years, plus 2.5% of each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3% or the Consumer Price Index.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONTINUED)

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

Plan Contributions- 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.

The contribution rate is 8% of covered salary for all plan members and 8% for the District. Beginning 2015, member contribution rates will increase 0.5% annually through 2022 to a total of 12% percent of base salary. The District's contribution will remain at 8% resulting in a combined rate of 20% in 2022.

The District's contributions were \$200,108 for the year ended December 31, 2015.

All Defined Benefit Plans

Employees Covered by Benefit Terms- Employee membership data related to the Volunteer Plan, as of January 1, 2015 was as follows:

Retirees and beneficiaries currently receiving benefits	14
Total	<u>14</u>

Pension Assets and Liabilities- At December 31, 2015, the Volunteer Plan reported a net pension liability of \$108,226. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

At December 31, 2015, the District reported an asset of \$609,986 for its proportionate share of the SWDB net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2014, the District's proportion was 0.5405%, which was an increase of 0.0094% from its proportion measured as of December 31, 2013.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resource. For the year ended December 31, 2015, the District recognized revenue of \$8,422 related to the Volunteer Plan and \$168,791 related to the SWDB. In addition, the District reported deferred outflows of resources and deferred inflows of resources from the following sources for each plan:

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONTINUED)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Volunteer Plan</u>		
Net difference between projected and actual earnings on Plan investments	\$ 1,366	\$ 0
District contributions subsequent to the measurement date	<u>10,003</u>	<u>0</u>
 Total	 <u>\$ 11,369</u>	 <u>\$ 0</u>
 <u>SWDB</u>		
Differences between expected and actual experience	\$ 0	\$ 12,566
Net difference between projected and actual earnings on Plan investments	48,094	0
Changes in proportion and differences between District contributions and proportionate share of contributions	117	7,642
District contributions subsequent to the measurement date	<u>200,108</u>	<u>0</u>
 Total	 <u>\$ 248,319</u>	 <u>\$ 20,208</u>

The District's contributions subsequent to the measurement date, \$10,003 for the volunteer plan and \$200,108 for SWDB plan will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Volunteer Plan</u>	<u>SWDB</u>
2016	\$ 341	\$ 9,919
2017	341	9,919
2018	341	9,919
2019	343	9,919
2020	0	(2,105)
Thereafter	0	(9,568)

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONTINUED)

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

	Volunteer Plan	SWDB
Measurement date	December 31, 2014	December 31, 2014
Actuarial valuation date	January 1, 2015	January 1, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period	17 years	30 years
Asset valuation method	5 year smoothed market	5 year smoothed market
Inflation	3.00%	3.0%
Salary increases	N/A	4.0%-14.0%
Investment rate of return	7.50%	7.50%

For the Volunteer Plan mortality Pre and Post-retirement: RP-2000 Combined Mortality Table with Blue Collar adjustment, and pre-retirement 40% multiplier for off-duty mortality. Disabled retirement: RP-2000 Disabled Mortality Table for males and females. All tables projected with Scale AA.

For SWDB mortality The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40% multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

For the SWDB plan, FPPA's Board of Directors, reviews its economic and demographic actuarial assumptions. This last happened in 2011. The assumptions changes were effective for actuarial valuations beginning January 1, 2012. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used. The date the new actuarial assumptions were effective for benefit purposes was October 1, 2012. Effective for the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets.

Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Unions Act.

For both plans, the long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	40.0%	8.9%
Equity Long/Short	10.0%	7.5%
Illiquid Alternatives	18.0%	10.5%
Fixed Income	15.0%	4.6%
Absolute Return	12.0%	6.5%
Managed Futures	4.0%	5.5%
Cash	1.0%	2.5%

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that, where applicable, employer, employee and state contributions will be made at the current contribution rate and will also be made at the current statutorily required or actuarially determined rates.

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Department's Net Pension Liability - Changes in the Department's net pension liability for the Volunteer Plan for the year ended December 31, 2015 were as follows:

	<u>Increase (Decrease)</u>		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liabilities [a] - [b]
<u>Volunteer Plan</u>			
Balance, December 31, 2014	\$ 262,419	\$ 147,137	\$ 115,282
Changes for the year:			
Interest	18,525	0	18,525
Difference between expected and actual experience	1,684	0	1,684
Net investment income	0	8,850	(8,850)
Contributions - employer	0	10,003	(10,003)
Benefit payments including refunds of employee contributions	(31,400)	(31,400)	0
Administrative expense	0	(591)	591
State of Colorado supplemental discretionary payment	0	9,003	(9,003)
Net changes	<u>(11,191)</u>	<u>(4,135)</u>	<u>(7,056)</u>
Balance, December 31, 2015	<u>\$ 251,228</u>	<u>\$ 143,002</u>	<u>\$ 108,226</u>

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. - The following presents the District's net pension liability or the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	Discount rate	Volunteer Plan	SWDB
1% decrease	6.5%	\$ 125,780	\$ 575,101
Current discount rate	7.5%	108,226	(609,986)
1% increase	8.5%	92,804	(1,698,504)

NOTE 7 - LEASES

The County leases real and personal property under operating leases that expire 2019. Total rental expense for the year ended December 31, 2015 was \$15,096. The future minimum annual rental commitments under these leases are as follows:

<u>Year Ending December 31:</u>	
2016	\$ 24,960
2017	24,960
2018	15,096
2019	<u>15,096</u>
Total minimum payments required	<u>\$ 80,112</u>

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Governmental Accounting Standards Board Pronouncements

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment to GASB Statement No. 27, effective for periods beginning after June 15, 2014. This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by the District to its employees. The financial statements report the liability of the net pension liability, which is measured as the total pension liability, less the amount of the pension fiduciary net position. Changes in pension liability are included in pension expense in the period of the change. The adoption of this statement by the primary government decreased the District's government-wide beginning net position by \$564,027.

In November 2013, GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for periods beginning after June 15, 2014 and was applied simultaneously with the provisions of Statement 68. The statement is to address an issue relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability regarding application of the transition provisions of Statement 68.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS

Pending Adopted Governmental Accounting Standards Board Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. Similar to reporting for the cost-sharing defined benefit plan, the District will be required to record an asset or liability for its District's proportionate share of the OPEB asset or liability. The Statement is effective for fiscal periods beginning after June 15, 2017. The effect of implementation of this statement has not yet been determined.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The adoption of this statement will have no effect of the financial reporting information of the District.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for periods beginning after December 15, 2015. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The effect of implementation of this statement has not yet been determined.

NOTE 9 - FINANCIAL STATEMENT RESTATEMENT

For the year ended December 31, 2015, the District has implemented the provisions of GASB No. 68 *Accounting And Financial Reporting For Pensions-An Amendment Of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition For Contributions Made Subsequent To The Measurement Date* to reflect the recording of net pension assets and liabilities, deferred inflows and deferred outflows, and pension expense as required under the new GASBs. In addition, management has determined that accounts receivable balances related to ambulance services had not been recorded and that the amounts report for Cash with County Treasurer were not correct. The net change is as follows:

	Net Assets Restatement
Net position - governmental activities - as originally reported December 31, 2014	\$ 8,571,641
Net adjustment for implementation of new GASB	564,027
Net adjustment for ambulance receivables	94,295
Net adjustment for Cash with County Treasurer	(13,257)
Net position - restated December 31, 2014	\$ 9,216,706

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - FINANCIAL STATEMENT RESTATEMENT (CONTINUED)

The District has restated the prior year fund balances in the General Fund for accounts receivable balances related to ambulance services had not been recorded and that the amounts report for Cash with County Treasurer. The net change is as follows:

Fund Balance – General Fund - as originally reported December 31, 2014	\$ 5,821,762
Net adjustment for ambulance receivables	94,295
Net adjustment for Cash with County Treasurer	<u>(13,257)</u>
Net position - restated December 31, 2014	<u>\$ 5,902,800</u>

REQUIRED SUPPLEMENTARY INFORMATION

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31,

2015

	<u>Original And Final Budget</u>	<u>Actuals</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
<u>Taxes:</u>			
Property taxes	\$ 4,161,424	\$ 4,129,932	\$ (31,492)
Property taxes-increment financing	124,821	113,423	(11,398)
Specific ownership taxes	356,735	285,910	(70,825)
Charges for services	421,547	554,125	132,578
Intergovernmental	86,375	9,003	(77,372)
Earnings on investments	3,552	5,567	2,015
Other	<u>47,277</u>	<u>23,274</u>	<u>(24,003)</u>
Total revenues	<u>5,201,731</u>	<u>5,121,234</u>	<u>(80,497)</u>
<u>Expenditures/Expenses</u>			
<u>Current</u>			
Salaries and benefits	3,711,247	3,568,389	142,858
Professional services	584,920	554,820	30,100
Commodities and supplies	212,248	172,039	40,209
Education and travel	78,272	44,156	34,116
Equipment maintenance	189,071	296,896	(107,825)
Grant expenditures	158,400	0	158,400
Capital outlay	2,267,509	0	2,267,509
Debt service			
Principal	250,000	250,000	0
Interest and fiscal charges	<u>61,300</u>	<u>60,800</u>	<u>500</u>
Total expenditures	<u>7,512,967</u>	<u>4,947,100</u>	<u>2,565,867</u>
Net change in fund balance	<u>\$ (2,311,236)</u>	174,134	<u>\$ (2,485,370)</u>
Fund balances – January 1		<u>5,902,800</u>	
Fund balances – December 31		<u>\$ 6,076,934</u>	

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
VOLUNTEER PENSION TRUST FUND
LAST 10 FISCAL YEARS*

Measurement period ending December 31,	<u>2014</u>
<u>Total Pension Liability</u>	
Interest	\$ 18,525
Differences between expected and actual experience	1,684
Benefit payments including refunds of employee contributions	<u>(31,400)</u>
Net changes	(11,191)
Total pension liability-beginning	<u>262,419</u>
Total pension liability-ending	<u>251,228</u>
<u>Plan Fiduciary Net Position</u>	
Net investment income	8,850
Contributions - employer	10,003
Benefit payments including refunds of employee contributions	(31,400)
Administrative expense	(591)
State contributions	<u>9,003</u>
Net changes	(4,135)
Plan fiduciary net position-beginning	<u>147,137</u>
Plan fiduciary net position-ending	<u>143,002</u>
Net pension liability/(asset)-ending	<u>\$ 108,226</u>
Plan fiduciary net position as a percentage of total pension liability	56.92%
Covered employee payroll	N/A
Net pension liability as percentage of covered employee payroll	N/A

*-Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS
VOLUNTEER PENSION TRUST FUND
 LAST 10 FISCAL YEARS*

Measurement period ending December 31,	<u>2014</u>
Actuarially determined contribution	\$ 11,852
Actual contribution	<u>19,006</u>
Contribution excess	<u>\$ (7,154)</u>
Covered payroll	N/A
Actual contribution as a percentage of covered employee payroll	N/A

*-Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION
LIABILITY
STATEWIDE DEFINED BENEFIT PLAN
LAST 10 FISCAL YEARS*

Measurement period ending December 31,	<u>2014</u>	<u>2013</u>
District's proportion (percentage) of the collective net pension liability	0.5405%	0.5310%
District's proportionate share of the collective net pension liability	\$ 609,986	\$ 474,858
Covered-employee payroll	2,430,600	2,306,563
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.98%	4.86%
Plan fiduciary net pension as a percentage of the total pension liability	106.80%	105.80%

*-Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

FREDERICK-FIRESTONE FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND RELATED RATIOS
 LAST 10 FISCAL YEARS*

Reporting period ending December 31,	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 200,108	\$ 194,448	\$ 184,525
Contributions in relation to the statutorily required contributions	<u>200,108</u>	<u>194,448</u>	<u>184,525</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	\$ 2,501,351	\$ 2,430,600	\$ 2,306,563
Contribution as a percentage of covered of employee payroll	8%	8%	8%

*-Fiscal year 2015 was the first year of implementation, therefore only available years are shown.