

***ELK CREEK
FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2016***

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Independent Auditors' Report

Board of Directors
Elk Creek Fire Protection District
Conifer, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Elk Creek Fire Protection District (the District) as of and for the year ended December 31, 2016, 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.

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 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2016, and the respective changes in financial position thereof 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, budgetary comparison information, schedule of changes in net pension asset and related ratios, schedule of the District's proportionate share of the net pension asset and schedules of the District's contributions to the pension plans on pages i through vii and 32 through 36 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RubinBrown LLP

August 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Elk Creek Fire Protection District, we offer readers of the Elk Creek Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the Elk Creek Fire Protection District for the year ended December 31, 2016.

The District encompasses 98 square miles and is located primarily in the Conifer area of Jefferson County, Colorado, with a small section in Park County, Colorado. The Elk Creek Fire Department was organized in 1948. In 1981 the Department was reorganized as a Special District under the provisions of the Colorado Special District Act.

Governed by a five member elected board, the mission of the District is to provide fire suppression, emergency medical services, technical rescue, hazardous materials and fire prevention education to the community. District career and volunteer personnel respond to an average of 1,000 calls per year, about 60% of which deal with medical emergencies, including those arising out of motor vehicle accidents. The District provides these services through a combination department under the direction of a full-time Fire Chief with over fifty volunteer firefighter/medics and six career firefighter/medics, supported by a small career technical and administrative staff.

The District charges fees for emergency medical services, ambulance transport, fire prevention permit and inspection fees to offset costs incurred by these services. The District's fire suppression and other emergency response services are funded primarily through real property taxes collected in Jefferson and Park counties, supplemented by acquired grant funding and service charges to other entities.

In addition to property tax and service fee revenues, during 2016 the District participated in the CRRF Agreement administered by the Colorado State Forest Service. Under this State-Federal Interagency Agreement, the District was reimbursed for the use of personnel and equipment provided for firefighting services beyond the District's geographical boundaries.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) financial statements; 2) notes to the financial statements; 3) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements: These 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 the District's assets, deferred inflows of resources, liabilities and deferred outflows of resources (both short-term and long-term), with the difference 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.

The Statement of Activities shows how the District'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 statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unpaid salaries and benefits).

Both of the government-wide financial statements distinguish functions of the Elk Creek Fire Protection District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for public safety.

The government-wide financial statements can be found on pages 3-4 of this report.

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 Elk Creek Fire Protection District, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund, the general fund, which is a governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, however the focus is on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund 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 general fund balance and the general fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the General fund and governmental activities.

The Elk Creek Fire Protection District adopts an annual appropriated budget for the general fund a budgetary comparison statement has been provided to demonstrate compliance with this budget. The fund financial statements can be found on pages 5-8 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-29 of this report.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

For the period ending December 31, 2016 the value of assets and deferred outflows exceeded liabilities and deferred inflows by \$4,482,833 showing an increase in net position of \$368,503 compared to December 31, 2015.

For the period ending December 31, 2016, total revenues were \$2,737,154 and expenditures, including non-cash items such as depreciation, were \$2,368,651. Revenues increased by \$306,071. Tax revenues and CRRF revenues account for the increase, property taxes increased by \$138,529 with wildfire services charges increasing by \$72,401. Expenditures increased by \$434,795 compared to the previous year. The largest increases in expenditures were related to salaries for wildland fire services and EMS wages.

Capital lease debt decreased by \$417,975 with the annual payment of principal.

GENERAL FUND HIGHLIGHTS

For the period ending December 31, 2016, total General Fund revenues, including proceeds from sales of used equipment, were \$2,870,027 and expenditures were \$2,665,966.

General fund balance showed an increase of \$204,031 compared to the \$311,067 decrease in 2015. For the year ended December 31, 2016, total 2016 general fund revenues increased by \$357,615 as described above and general fund expenditures decreased by \$1,279,158. In 2015 the District expended \$1,913,233 on new equipment and to renovate the main fire station.

General Fund expenditures were over budgeted expenditures by \$71,995. The largest dollar variance was for expenditures related to the District's EMS services and overtime accumulated.

STATEMENTS OF NET POSITION

Following is a summary of the District's net position for 2016 and 2015:

	2016	2015
Current and other assets	\$ 3,056,309	\$ 2,998,601
Net pension asset	466,126	678,223
Capital assets	3,533,098	3,803,333
Total assets	<u>7,055,533</u>	<u>7,480,157</u>
Deferred outflow of resources	<u>324,866</u>	<u>109,033</u>
Long-term debt outstanding	790,100	1,147,355
Other liabilities	481,090	692,675
Total liabilities	<u>1,271,190</u>	<u>1,840,030</u>
Deferred inflows of resources	<u>1,626,771</u>	<u>1,635,230</u>
Net Position:		
Net investment in capital assets	2,455,157	2,307,412
Restricted	80,947	70,154
Unrestricted	1,946,329	1,736,364
Total net position	<u>\$ 4,482,433</u>	<u>\$ 4,113,930</u>

Unrestricted and available net position increased by \$209,965 or 12% for the year. We consider this reserve to be adequate as it makes up 82% of 2016 expenses.

STATEMENTS OF ACTIVITIES

The following table reflects the change in net position for fiscal year 2016 and 2015.

	2016	2015
<u>Revenues</u>		
Program Revenues:		
Charges for services	\$ 524,537	\$ 452,136
Operating grants and contributions	390,847	236,560
Capital grants and contributions	69,933	85,212
Total Program Revenues	<u>985,317</u>	<u>773,908</u>
General Revenues:		
Property taxes	1,597,626	1,459,097
Sales and use taxes	144,496	123,072
Other general revenues	9,715	75,006
Total General Revenues	<u>1,751,837</u>	<u>1,657,175</u>
Total Revenues	<u>2,737,154</u>	<u>2,431,083</u>
Program Expenses:		
Public safety		
Administration	371,949	356,362
Fire operations	851,403	676,965
Emergency medical services	1,042,508	774,468
Grants	66,309	79,912
Interest	36,482	46,149
Total Expenses	<u>2,368,651</u>	<u>1,933,856</u>
Increase in Net Position	368,503	497,227
Beginning Net Position	4,113,930	3,616,703
Ending Net Position	<u>\$ 4,482,433</u>	<u>\$ 4,113,930</u>

General revenues support 74% of funding for the Fire District in 2016 up from 68% from 2015. Program revenues carry the remaining 26% of the burden.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end, the District had \$3,533,098 invested in a broad range of capital assets including buildings, vehicles and other equipment. The table below summarizes the capital assets owned by the District which make up approximately 48% of the total assets of the District.

Capital Assets	Governmental Activities	
	2016	2015
Land	\$ 117,654	\$ 117,654
Construction in Progress	-	\$ 488,597
Fire Stations & Equipment	2,563,638	1,964,377
Vehicles	3,955,818	4,520,754
Accumulated Depreciation	(3,104,012)	(3,288,049)
Net Capital Assets	<u>\$ 3,533,098</u>	<u>\$ 3,803,333</u>

During the year, the District concluded a remodel of the fire station. Depreciation expense of \$288,845 was recorded and this makes up nearly 13% of expense recorded in the statement of activities.

	2016	2015
Capital Lease Obligation	\$1,077,946	\$1,495,921

Annual lease payments were made in 2016 of \$417,975. This payment, along with the associated interest expense, account for 15% of the expenditures in the General Fund.

Based on the size and operations of the Fire District the activity discussed in this section makes up most of the reconciliation items found on page 8 and therefore is the key factor in the difference between General Fund operating gain and that of the income recorded on the Statement of Activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District showed significant recovery during the year in the economy and expects a brighter outlook in the upcoming years. Tax revenues showed continuous improvement and they continue to participant in several CRRF events annually. Although the economy is strong future revenue growth will slow in 2018 based on State legislation that limits the percent of property taxes generated by personal and corporate properties. This will result in a decrease of .76% in personal property valuation.

CONTACTING THE DISTRICTS ADMINISTRATIVE OFFICE

This Financial Report is designed to provide District citizens, our customers and creditors, and the State of Colorado with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have questions regarding this report or need additional publicly available financial information, please contact the District's Administrative Office at (303) 816-9385, or mail your requests to:

Elk Creek Fire Protection District
P.O. Box 607
Conifer, Colorado 80433.

BASIC FINANCIAL STATEMENTS

ELK CREEK FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

<u>ASSETS</u>	<u>2016</u>
Current Assets	
Cash, Deposits, and Investments (Note 2)	\$ 809,342
Property Taxes Receivable	1,611,397
Wildfire Grants Receivable	370,907
Fire Prevention & Other Receivables	11,157
User Charges Receivable (Net of Allowance for Doubtful Accounts of \$149,149) (Note 8)	160,348
Prepaid Expenses	93,158
Total Current Assets	<u>3,056,309</u>
Noncurrent Assets	
Net Pension Asset (Note 6)	466,126
Capital Assets (Note 3)	
Non-depreciable	117,654
Depreciable	6,519,456
Less Accumulated Depreciation	<u>(3,104,012)</u>
Total Noncurrent Assets	<u>3,999,224</u>
Deferred Outflow of Resources	
Deferred Outflow Pension (Note 6)	324,866
Total Deferred Outflows of Resources	<u>324,866</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,380,399</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 122,210
Accrued Expenses and Benefits Payable	28,416
Accrued Compensated Absences (Note 4)	31,287
Accrued Interest	11,336
Current Portion of Capital Leases Payable (Note 5)	287,841
Total Current Liabilities	<u>481,090</u>
Long-Term Liabilities	
Capital Leases Payable (Less Current Portion) (Note 5)	790,105
Total Long-Term Liabilities	<u>790,105</u>
Deferred Inflows of Resources	
Unearned Revenue-property Taxes	1,607,710
Deferred Inflow Pension (Note 6)	19,061
Total Deferred Inflows of Resources	<u>1,626,771</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,897,966</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 2,455,152
Restricted for Emergencies (Note 10)	80,947
Unrestricted	<u>1,946,334</u>
Total Net Position	<u>\$ 4,482,433</u>

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

ELK CREEK FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>2016</u>
PROGRAM EXPENSES	
Public Safety - Fire Protection	
Administration	\$ 371,949
Fire Operations	851,403
Emergency Medical Services	1,042,508
Grant expenditures	66,309
Interest	<u>36,482</u>
Total Program Expenses	<u>2,368,651</u>
PROGRAM REVENUES	
Charges for Services	524,537
CRRF Reimbursement	390,847
Capital Grants	<u>69,933</u>
Total Program Revenues	<u>985,317</u>
Net Program Expense	<u>1,383,334</u>
GENERAL REVENUES	
Property Taxes	1,597,626
Specific Ownership Taxes	144,496
Investment Earnings	7,464
Loss on Sale of Assets	(30,648)
Other Income	<u>32,899</u>
Total General Revenues	<u>1,751,837</u>
CHANGE IN NET POSITION	368,503
NET POSITION, January 1,	<u>4,113,930</u>
NET POSITION, December 31,	<u><u>\$ 4,482,433</u></u>

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

ELK CREEK FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
 December 31, 2016

	2016
<u>ASSETS</u>	
CURRENT ASSETS	
Cash, Deposits, and Investments (Note 2)	\$ 809,342
Property Taxes Receivable	1,611,397
Wildfire Grants Receivable	370,907
Other Receivables	11,157
Prepaid Expenses	93,158
User Charges Receivable (Net of Allowance for Doubtful Accounts of \$149,149) (Note 8)	160,348
Total Current Assets	\$ 3,056,309
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
CURRENT LIABILITIES	
Accounts Payable	\$ 122,210
Accrued Expenses and Benefits Payable	28,416
Total Current Liabilities	150,626
 DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenue	1,607,710
 FUND BALANCE	
Restricted - TABOR (Note 9)	80,947
Nonspendable - Prepaid Expenses	93,158
Assigned to Subsequent Year's Expenditures-Appropriation of Fund Balance	1,123,868
Total Fund Balance	1,297,973
Total Liabilities and Fund Balance	\$ 3,056,309

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

ELK CREEK FIRE PROTECTION DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION

December 31, 2016

	<u>2016</u>
Total Governmental Fund Balance	<u>\$ 1,297,973</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Cost of Capital Assets	6,637,110
Less Accumulated Depreciation	<u>(3,104,012)</u>
	<u>3,533,098</u>
Pension plan accounts such as derferred inflows/outflows and net pension asset are not receivable or payable in the current period and, therefore are not reported in the funds	
Net Pension Asset	466,126
Deferred Outflow of Resources	324,866
Deferred Inflow of Resources	<u>(19,061)</u>
	<u>771,931</u>
Liabilities, including amounts for retirement of assets, are not due in the current period and therefore are not reported in the governmental funds:	
Capital Lease Payable	(1,077,946)
Interest Payable	(11,336)
Compensated Absences	<u>(31,287)</u>
	<u>(1,120,569)</u>
Net Position of Governmental Activities	<u>\$ 4,482,433</u>

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

ELK CREEK FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended December 31, 2016

	<u>2016</u>
PROGRAM REVENUES	
Property Taxes	\$ 1,597,626
Specific Ownership Taxes	144,496
Investment Earnings	7,464
Grants	69,933
Charges for Services	524,537
CRRF Reimbursement	390,847
Other Income	<u>32,899</u>
Total Program Revenues	<u>2,767,802</u>
EXPENDITURES	
Administration	356,144
Emergency Medical Services	1,003,233
Wildland Fire Suppression	242,675
Fire Prevention	49,502
Training	151,500
Maintenance	94,898
Facilities	66,288
Pension Contribution	26,670
Grant Expenditures	66,309
Capital Outlays	151,483
Debt Service	<u>457,294</u>
Total Expenditures	<u>2,665,996</u>
OTHER FINANCING SOURCES	
Proceeds from Sale of Capital Assets	<u>102,225</u>
Total Other Financing Sources	<u>102,225</u>
NET CHANGE IN FUND BALANCE	204,031
FUND BALANCE, January 1	<u>1,093,942</u>
FUND BALANCE, December 31	<u>\$ 1,297,973</u>

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

ELK CREEK FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>2016</u>
Net Changes In Fund Balance - Total Governmental Fund	<u>\$ 204,031</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost is allocated over the estimated useful lives of the assets as depreciation expense. The following is the amount by which depreciation expense exceeded capital outlays in the current period:	
Depreciation Expense	(288,845)
Capital Outlays	<u>151,483</u>
	<u>(137,362)</u>
The net effect of various miscellaneous transactions involving the sale of capital assets	(132,873)
Pension expense does not use current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	9,215
Repayment of long-term capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	417,975
Add: Prior Year Compensated Absences	35,966
Less: Current Year Compensated Absences	(31,287)
Change in Accrued Interest	<u>2,838</u>
	<u>425,492</u>
Change In Net Position Of Governmental Activities	<u>\$ 368,503</u>

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

NOTES TO FINANCIAL STATEMENTS

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Elk Creek Fire Protection District (District) was organized in 1981 as a special district under the provisions of the Colorado Special District Act. The function of the District is to provide fire protection and rescue services to residents in the area through its combination fire department located in Conifer, Colorado. In addition to the volunteer fire fighters, the District employs paid firefighters, including the Chief and Fire Marshal. The accounting policies of the District conform to U.S. generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies.

Definition of Reporting Entity

The District applies the criteria set forth in Governmental Accounting Standards Board (GASB) Statements No. 61 to determine which governmental organizations should be included in the reporting entity. The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the District in that the District approves the budget, levies their taxes or issues their debt.

The District does not exercise oversight responsibility over any other entity, nor is the District a component unit of any other governmental entity.

Government-Wide and Fund Financial Statements

The government-wide statements (statement of net position and statement of activities) report information on all activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. Other items not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Accounting

The District uses 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. The District only uses governmental funds.

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 deferred inflows of resources and liabilities and deferred outflows is reported as fund balance.

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

The District reports the following major governmental fund:

General Fund - The general fund is used to account for all financial resources of the District. 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.

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes, grants, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include: timing requirements, which specify the year when the resource is 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.

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor's Office, generally as of January 1 of the following year. The County Treasurer's Office collects the determined taxes during the ensuing calendar year.

The taxes are payable in full by April 30, or in equal installments, at the taxpayers election, in February and June. Sales of tax liens on delinquent property are held in November or December. The County Treasurer's Office remits the taxes collected monthly to the District.

Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as taxes receivable and deferred revenue. Taxes are collected and remitted to the District by the Treasurer's offices of Jefferson and Park Counties.

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Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Fund Equity

The District follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, in accordance with GASB 54, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Directors, the Districts' highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Directors.

Assigned – includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. For the years ended December 31, 2016, the Board of Directors designated the Fire Chief to determine amounts that may be assigned using the authority derived from the execution of daily operational responsibilities.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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. Although not included in a formal policy, the District considers decreases to fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

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Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the statement of net position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Budgets

In accordance with the Colorado 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 District's Board of Directors 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 for the governmental fund types are adopted on a basis consistent with U.S. generally accepted accounting principles. This is in accordance with Colorado Budget Law.

Cash and Cash Equivalents

The District considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, with the exception of the local government investment pool which is stated at the net asset value of the shares owned.

User Charges Receivable

The receivables for emergency medical services (EMS) operations are shown net of an allowance for doubtful accounts.

Capital Assets

Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost or donated value) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value on the date donated. Capital assets are depreciated over their estimated useful lives, which range from 5 to 40 years, using the straight-line method. The District maintains a

ELK CREEK FIRE PROTECTION DISTRICT
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capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed as incurred.

Leasing agreements, for which the economic substance is a financing arrangement, are recorded as capital leases. As the lessee, the District records the asset and corresponding obligation in the statement of net position.

Deferred inflows/outflows of resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (GASB 68) and GASB Statement No. 71 Pension Transition for contributions made subsequent to the measurement date (GASB 71).

In addition to liabilities, the statement of net position and governmental fund balance sheet 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. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The District has also recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68 and GASB Statement No. 71 Pension Transition for contributions made subsequent to the measurement date (GASB 71).

Pensions

For the purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Statewide Defined Benefit Plan, and Elk Creek Volunteer Pension plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

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The District's salaried employees earn and accumulate vacation pay benefits. Vacation hours not used before the fiscal year-end may be carried forward into the next year, with certain limitations.

Fund Balance

Portions of the fund balance have been restricted for amounts that are legally segregated, or are not subject to future appropriation.

Tax, Spending, and Debt Limitations

The Taxpayer Bill of Rights (TABOR) establishes revenue and spending limits and imposes other specific requirements on state and local governments. Effective January 1, 1998, the District's voters approved a ballot issue that removed the revenue and spending limits imposed by TABOR. As a result, the District is permitted to retain all revenues from all resources. 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.

Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflow of resources, revenues and expenses at the date of the financial statements. Actual results could differ from those estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

NOTE 2: CASH, DEPOSITS, AND INVESTMENTS

Custodial Credit Risk - Cash Deposits

Custodial credit risk for deposits and investments is the risk that, in the event of failure of the custodian, the District may not be able to recover the value of deposits that are in the possession of a third party. The Federal Deposit Insurance Corporation (FDIC) covers 100% of non-interest bearing accounts and up to \$250,000 on interest bearing accounts maintained at federally insured banks, and therefore, as of December 31, 2016, \$102,657 in bank balances exceeded the insured amount of FDIC.

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government

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depositors as a group with a market value at least equal to 102% of the uninsured deposits.

The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositors and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2016, the District's cash and cash equivalents had a book balance and corresponding bank balances, as follows:

Insured Bank Balances:		
Year Ended		
<u>December 31,</u>	<u>Book Balance</u>	<u>Bank Balance</u>
2016	<u>\$395,565</u>	<u>\$446,408</u>

The District had cash deposits and cash investments as follows:

Year Ended			
<u>December 31,</u>	<u>Cash Deposits</u>	<u>Investments</u>	<u>Total</u>
2016	<u>\$395,565</u>	<u>\$413,777</u>	<u>\$809,342</u>

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. At December 31, 2016, the District did not have any investments that meet the definition to be in the hierarchy.

Colorado statutes specify investment instruments in which local governments may invest, which includes:

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

ELK CREEK FIRE PROTECTION DISTRICT
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Investment Risk Factors

There are many factors that can affect the value of investments, some of which are custodial credit risk, credit risk, interest rate risk, and foreign currency risk. The District has established a cash and investment policy to minimize the District's exposure to these risks. The District follows Colorado state statutes for investing.

The District had the following investments at December 31,

	<u>2016</u>
COLOTRUST PLUS +	<u>\$ 413,777</u>

As of December 31, 2016, the District had funds invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund, and each share is equal in value to \$1.00.

COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS +. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PRIME is rated AAAM by Standard and Poor's. COLOTRUST PLUS+ is rated AAAM by Standard and Poor's and Fitch and Moody's. A designated custodial bank serves as custodian for COLOTRUST's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the COLOTRUST. Financial statements for COLOTRUST may be obtained at www.colotrust.com. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods.

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NOTE 3: CAPITAL ASSETS

The following sets forth the changes in general fund capital assets during 2016:

	Balance at 1/01/2016	Additions	Disposals	Balance at 12/31/2016
Capital Assets Not Depreciated:				
Land	\$ 117,654	\$ -	\$ -	\$ 117,654
Construction in Progress	488,597	110,664	(599,261)	-
Subtotal	606,251	110,664	(599,261)	117,654
Capital Assets Being Depreciated:				
Fire Stations and Equipment	1,964,377	599,261	-	2,563,638
Vehicles	4,520,754	40,819	(605,755)	3,955,818
	6,485,131	640,080	(605,755)	6,519,456
Less Accumulated Depreciation:				
Fire Stations and Equipment	(1,109,521)	(67,650)	-	(1,177,171)
Vehicles	(2,178,528)	(221,195)	472,882	(1,926,841)
Total Accumulated Depreciation	(3,288,049)	(288,845)	472,882	(3,104,012)
Net Capital Assets Being Depreciated	3,197,082	351,235	(132,873)	3,415,444
Total Net Capital Assets:	\$ 3,803,333	\$ 461,899	\$ (732,134)	\$3,533,098

Depreciation expense was charged to functions of the primary government as follows:

December 31, 2016	
Administration	\$ 15,805
Fire Operations	233,765
Emergency Medical Services	39,275
	<u>\$ 288,845</u>

NOTE 4: COMPENSATED ABSENCES

The following presents changes in compensated absences during 2016:

Balance 1/1/2016	Accrued	(Used)	Balance 12/31/2016	Current
\$ 35,966	\$ 35,133	\$ 39,811	\$ 31,287	\$ 31,287

NOTE 5: CAPITAL LEASES

The District has entered into lease agreements for financing the acquisition of fire rescue equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

ELK CREEK FIRE PROTECTION DISTRICT
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The District entered into a capital lease agreement with Municipal Asset Management, Inc for a new vehicle. The original amount of the lease is \$302,580 over a period of 84 months, with accrued interest at the rate of 3.62%, with annual lease payments of \$49,707 beginning in September 2011.

The District entered into a capital lease agreement with Sun Trust Equipment Finance and Leasing Corporation in January of 2014. The original amount of the lease was for \$487,076 over a period of 84 months, accruing interest at a rate of 2.2%, with annual payments of \$77,425 beginning in January of 2015.

The District entered into a capital lease agreement with Sun Trust Equipment Finance and Leasing Corporation in November of 2014. The original amount of the lease was for \$1,285,920 over a period of 60 months, accruing interest at a rate of 2.35%, with annual payments of \$257,184 beginning in November of 2015.

The following is a summary of leasing transactions of the District for the years ended December 31, 2016:

Balance 1/1/16	Borrowings	Payments	Balance 12/31/16	Current
\$1,495,921	-	\$ 417,975	\$1,077,946	\$ 287,841

The assets acquired through capital leases as of December 31 are as follows:

<u>Fire Operations</u>	
Asset:	<u>2016</u>
Vehicles and Equipment	\$2,106,150
Less: Accumulated Depreciation	<u>(\$385,203)</u>
Total	<u>\$1,720,947</u>

Amortization expense is included in depreciation expense.

ELK CREEK FIRE PROTECTION DISTRICT
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The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, are as follows:

2017	\$ 306,883
2018	334,609
2019	334,609
2020	77,425
2021	<u>77,425</u>
Total minimum lease payments	1,130,951
Less: amount representing interest	<u>(53,005)</u>
Present value of minimum lease payments	1,077,946
Current Portion	<u>287,841</u>
Long Term Lease	<u><u>\$ 790,105</u></u>

NOTE 6: RETIREMENT PLANS

The District provides retirement and disability benefits for covered personnel and a summary of the plans and benefits follows:

Other Than Volunteer Firefighters

Statewide Defined Benefit Plan

The statewide, cost-sharing, multi-employer defined benefit plan (Plan) is administered by the Fire and Police Pension Association (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website www.fppaco.org

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.

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A member is eligible for an early retirement at age 50 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 this 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 by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8.5 and 8 percent; respectively, of base salary for a total contribution rate of 16.5 percent in 2015. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision on who pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent. For 2016, the District contributed \$44,156 to the Plan on behalf of the employees.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of based salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

ELK CREEK FIRE PROTECTION DISTRICT
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Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the District reported an asset of \$1,486 for its proportionate share of the Plan's net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll-forward the total pension asset to December 31, 2016. The District's proportion of the net pension asset was based on a projection of the SWDB plan's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating fire and police participants actuarially determined. At December 31, 2015, the District's proportion was .084% an decrease from .014% in 2014.

As a result of its requirement to contribute to SWDB plan, the District recognized expense of \$43,770 for the year ended December 31, 2016. The District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to the SWDB plan.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$75,262	
Differences between expected and actual experience	\$12,020	\$1,852
Change in proportionate share from prior year	\$14,274	\$14,859
Change in assumptions	\$23,344	
District contributions subsequent to the measurement date	\$44,156	
Total	\$169,056	\$16,711

\$44,156 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the District's requirement to contribute to SWDB plan will be recognized as expense as follows:

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Year ended December 31	
2017	\$ 22,688
2018	22,688
2019	22,688
2020	20,938
2021	3,435
Thereafter	<u>15,752</u>
Total	\$108,189

Actuarial Assumptions

The actuarial valuation for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2016	January 1, 2015
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 Years	30 Years
Long-term Investment Rate of Return	7.5%	7.5%
Projected Salary Increases	4.0% -14.0%	4.0% -14.0%
Cost of Living Adjustments (COLA)	0.0%	0.0%
Included Inflation at	2.5%	3.0%

For determining the total pension liability, the RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB, 55% 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 .00020 per year for all members. RP-2014 Mortality Table with Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, 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 .00020 per year for all members. The RP-2000 Combined Mortality Table with

ELK CREEK FIRE PROTECTION DISTRICT
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Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years, the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. As of July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries Gabriel, Roeder, Smith & Co. based upon their analysis of past experience and expectations for the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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 rate 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%*
Total	100%	

* While the expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

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 Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on

ELK CREEK FIRE PROTECTION DISTRICT
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those assumptions, the plan's fiduciary net position was projected to be available to make all the projected future benefit payments of the current plan. 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 asset.

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 the plan's fiduciary net position is projected to be sufficient to pay benefits) and 2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

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

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

1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.5%
(\$208,191)	\$1,486	\$175,406

Volunteer Firefighters

Plan Description

The District has adopted a defined benefit retirement plan (Pension Fund), for the benefit of its volunteer firefighters as authorized by State of Colorado statute, which is administered by FPPA. Under FPPA administration, the District's Pension Plan is an "affiliated local plan" that is part of an agent multiple-employer Public Employee Retirement System (PERS). Under FPPA administration, the assets of participating "Affiliated Local Plans" are pooled for investment purposes.

ELK CREEK FIRE PROTECTION DISTRICT
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Benefits Provided

The Pension Fund provides retirement benefits for members and beneficiaries according to provisions enacted and governed by the Board of Trustees. By Colorado state statute, the Board of Trustees is comprised of the District's Board of Directors and two active participants in the District's volunteer program. The Pension Board of Trustees has the authority to establish or amend benefit provisions.

Availability of Financial Statements for Affiliated Local Plans

The Pension Fund does not issue stand-alone financial statements. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the participating Affiliated Local Plans. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, or by visiting the web site at www.fppaco.org.

Contributions

Contributions are made by the District (actuarially determined and approved by the Board of Trustees) and annually by the State of Colorado in an amount determined by State statute. Volunteer firefighters do not contribute to the Pension Fund. A participant who has completed at least 10 years of active service with the District, has reached the age of 50, and has met all other requirements imposed by Colorado state law and the District, is eligible to receive prorated monthly retirement benefits under the Pension Fund, not to exceed \$400 per month, based on a full 20 years of active service. The Plan also allows benefits for Death and Disability of its participants.

The plan had 108 covered employees (members) as of January 1, 2015.

Item	Valuation as of 01/01/2015
Membership	
Number of:	
Active Members	47
Retired Members	51
Disabled Members	0
Beneficiaries	6
Terminated Vested Members	3
Terminated Members Active in Another	
Fund	1
Total	108

As a result of its requirement to contribute to the Volunteer Pension plan, the District recognized expense of \$12,341 for the year ended December 31, 2016.

ELK CREEK FIRE PROTECTION DISTRICT
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The District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to Volunteer Pension plan.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and actual earnings on pension plan investments	\$129,140	
Difference between expected and actual experience		\$2,350
District contributions subsequent to measurement date	\$26,670	
Total	\$155,810	\$2,350

\$26,670 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the District's requirement to contribute to the plan will be recognized as expense as follows:

Year ended December 31	
2017	\$ 32,264
2018	32,264
2019	32,264
2020	29,998
Total	\$126,790

Actuarial Assumptions

The January 1, 2015 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2015. The valuation used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level \$ of Payroll, Open
Amortization Period	20 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return	7.5%
Projected Salary Increases	N/A
Cost of Living Adjustments (COLA)	0.0%
Included Inflation at	3.0%

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016

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. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA issued in the projection of post-retirement benefits.

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 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).

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37%	6.5%
Equity Long/Short	10%	4.7%
Illiquid Alternatives	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	2%	0.0%
Total	100%	

*While expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized. The figures in the above table were supplied by Fire and Police Pension Association.

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

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.5%
\$242,968	\$464,640	\$650,522

Total Pension Asset

The total pension asset is determined by an actuarial valuation as of January 1, 2015, and rolled forward to December 31, 2016. The changes in the total pension asset for the year ended December 31, 2016 are summarized as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Beginning Balance - net pension liability (asset)	\$ 2,157,203	\$ 2,724,457	\$ (567,254)
Changes for the year:			
Service Cost	34,219		34,219
Interest	156,306		156,306
Difference between expected and actual experience loss (gain)	0		0
Contributions - employer		26,670	(26,670)
Contributions - employee		0	0
Net investment income		49,032	(49,032)
Benefit payments, including refunds	(183,160)	(183,160)	0
Administrative expense		(11,791)	11,791
Other changes - State supplemental discretionary payment		24,000	(24,000)
Net Change	7,365	(95,249)	102,614
Recomputed Ending Balance - net pension liability (asset)	\$ 2,164,568	\$ 2,629,208	\$ (464,640)

IRS Section 457 Plan

The District has adopted a deferred compensation plan (457 Plan) as defined under Internal Revenue Code Section 457. The 457 Plan allows District employees to make an elective deferral of a portion of their earned compensation to the 457 Plan. The District matches 50% of the employee contribution, up to a maximum of 2% of total wages as established by Colorado State statute. The 457 Plan is a multi-employer plan administered by FPPA. The 457 Plan trustee may amend the 457 Plan. For the year ended December 31, 2016, the District made contributions to the 457 Plan of \$14,924. Participating employees contributed \$52,674 to the 457 Plan during 2016.

Statewide Death and Disability Plan

Disability and death benefits are provided by the District under the Statewide Death and Disability Plan (SD&D Plan), which is administered by FPPA. SD&D benefits and obligations to contribute are established, and may be amended, by Colorado State statute. The SD&D plan is a multi-employer, cost-sharing plan that is primarily funded by the State of Colorado for firefighters hired prior to January 1, 1997. Firefighters hired after this date currently pay 2.6% of their payroll to the SD&D Plan, which is matched by the District. The

ELK CREEK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

percentage contribution amount varies depending on actuarial experience. The SD&D plan solely provides death and disability payments to eligible participants. In 2016, the District contributed \$14,434 to the SD&D Plan.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to others; and natural disasters. The District funds its outside insurance purchases, deductibles, and uninsured losses through the general fund. The District carries commercial insurance for all risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded coverage for the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

NOTE 8: ACCOUNTS RECEIVABLE

The amounts to be collected for charges for services relating to emergency medical service billings are a significant estimate. In 2016, the District used not only the direct write-off method, but also the allowance method to assess uncollectible emergency medical service charges.

During 2016, total uncollectible amounts written-off were \$272,571 all related to Medicare and Medicaid adjustments. The amounts shown on the statement of net position and the governmental fund balance sheet are net of the allowance for additional doubtful accounts of \$149,149.

NOTE 9: TAXPAYER BILL OF RIGHTS (TABOR)

Amendment 1 to Article X, Section 20, of the Colorado Constitution (TABOR) requires the District to establish an emergency reserve in the amount of 3% of its fiscal year spending (as defined in TABOR) for the years ended December 31, 2016. District policy is to reserve 3% of the fiscal year resources or spending, whichever is greater. On the statement of net position and balance sheet for the governmental fund, the restricted amount for the TABOR reserve for 2016 is \$80,947. These amounts are based on fiscal year spending and are shown as "Restricted for Emergencies" in the Statement of Net Position and "Restricted-TABOR" in the balance sheet of the governmental fund.

ELK CREEK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016

NOTE 10: LEASE REVENUE

The District entered into an agreement to lease certain land to an unrelated third party on August 31, 2010. The lease requires monthly payments of \$1,800 over the five-year initial lease term ending August 31, 2015. At the end of the initial lease term, the lessee renewed the first of two five-year terms ending August 31, 2020.

Future minimum lease revenues are:

For years ending December 31,	
2017	\$ 26,050
2018	26,831
2019	27,636
2020	28,465
	<u>\$108,982</u>

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REQUIRED SUPPLEMENTARY INFORMATION

ELK CREEK FIRE PROTECTION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2016

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes:			
Property Taxes	\$ 1,622,001	\$ 1,597,626	\$ (24,375)
Specific Ownership Taxes	116,000	144,496	28,496
Investment Earnings	3,750	7,464	3,714
Grants	57,000	69,933	12,933
Charges for Services	539,320	524,537	(14,783)
CRRF Reimbursement	300,000	390,847	90,847
Other Income	44,000	32,899	(11,101)
Total Revenues	<u>2,682,071</u>	<u>2,767,802</u>	<u>85,731</u>
EXPENDITURES			
Current:			
Administration	388,910	356,144	32,766
Emergency Medical Services	850,520	1,003,233	(152,713)
Wildland Fire Suppression	209,000	242,675	(33,675)
Fire Prevention	66,595	49,502	17,093
Training	217,030	151,500	65,530
Maintenance	92,550	94,898	(2,348)
Facilities	42,410	66,288	(23,878)
Pension Contribution	26,670	26,670	-
Grant Expenditures	66,000	66,309	(309)
Capital Outlays	250,000	151,483	98,517
Debt Service	384,316	457,294	(72,978)
Total Expenditures	<u>2,594,001</u>	<u>2,665,996</u>	<u>(71,995)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	90,000	102,225	12,225
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>102,225</u>	<u>12,225</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 178,070</u>	204,031	<u>\$ 25,961</u>
FUND BALANCE, January 1, 2016		<u>1,093,942</u>	
FUND BALANCE, December 31, 2016		<u>\$ 1,297,973</u>	

Notes to Required Supplementary Information:
The basis of budgeting is the same as GAAP.
This schedule is presented on a GAAP basis.

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PENSION PLAN

SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS MULTIYEAR (1)

Year 2 (prospectively since 2015)

Measurement period ending December 31,	2015	2016
Total Pension Asset		
Service Cost	\$ 35,224	\$ 34,219
Interest on the Total Pension Asset	156,445	156,306
Benefit Changes	-	-
Difference between Expected and Actual Experience	(7,728)	-
Assumption Changes	-	-
Benefit Payments	(187,360)	(183,160)
Net Change in Total Pension Asset	<u>(3,419)</u>	<u>7,365</u>
Total Pension Asset - Beginning	<u>2,160,622</u>	<u>2,157,203</u>
Total Pension Asset - Ending	<u>\$ 2,157,203</u>	<u>\$ 2,164,568</u>
Plan Fiduciary Net Position		
Employer Contributions	\$ 26,670	\$ 26,670
Pension Plan Net Investment Income	178,186	49,032
Benefit Payments	(187,360)	(183,160)
Pension Plan Administrative Expense	(27,623)	(11,791)
State of Colorado Supplemental Discretionary Payment	24,000	24,000
Net Change in Plan Fiduciary Net Position	13,873	(95,249)
Plan Fiduciary Net Position - Beginning	<u>2,710,584</u>	<u>2,724,457</u>
Plan Fiduciary Net Position - Ending	<u>\$ 2,724,457</u>	<u>\$ 2,629,208</u>
Net Pension Asset	<u>\$ 567,254</u>	<u>\$ 464,640</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	126.3%	121.5%
Covered Employee Payroll	N/A	N/A
Net Pension Asset as a Percentage of Covered Employee Payroll	N/A	N/A

1. This schedule is presented to illustrate the requirement to show information for ten years. However until a full ten year requirement is compiled the District is showing information for those years in which it is available.

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PENSION FUND
SCHEDULE OF CONTRIBUTIONS MULTIYEAR
 Last 10 Fiscal Years (prospectively since 2014)

Fiscal Year Ending, December 31,	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$	\$ 50,670 *	\$ (50,670)	N/A	N/A
2016		\$ 50,670	\$ (50,670)	N/A	N/A

Actuarial Assumptions

* Actuarially determined contributions is net of employee contributions, if any. Actual contribution is from the employer only and does not include employee amounts. Actual amounts do include both employer and State of Colorado Supplemental Discretionary Payment.

The January 1, 2016 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2016. The valuation used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level \$ of Payroll, Open
Amortization Period	20 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return	7.50%
Projected Salary Increases	N/A
Cost of Living Adjustments (COLA)	0.00%
Included Inflation at	3.00%

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. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA issued in the projection of post-retirement benefits.

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ELK CREEK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
STATEWIDE DEFINED BENEFIT PENSION FUND
SCHEDULE OF CONTRIBUTIONS MULTIYEAR

For the year ended December 31, 2016
 Employee Pension Plan Year Two

Fiscal Year Ending, December 31,	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 58,368	\$ 44,156
Contributions in relation to the statutorily required contribution	<u>\$ 58,368</u>	<u>\$ 44,156</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 794,522	\$ 896,971
District's contribution as a percentage of its covered - employee payroll	7.35%	4.92%

1. This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year requirement is compiled, the District is showing information for those years in which it is available.

See the accompanying independent auditors' report.

ELK CREEK FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
STATEWIDE DEFINED BENEFIT PENSION FUND

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET

For the year ended December 31, 2015 (Measurement date)
Employee Pension Plan Year Two

	2014	2015
District's proportion of the net pension asset	0.0983%	0.0843%
District's proportionate share of the net pension asset	\$ 110,969	\$ 1,486
Plan fiduciary net position as a percentage of the total pension asset	106.8%	100.1%
District's covered employee payroll	\$774,522	\$794,522
District's proportionate share of the net pension asset as a percentage of its covered - employee payroll	14.3%	0.19%

1. This schedule is presented to illustrate the requirement to show information for ten years. However until a full ten year requirement is compiled the District is showing information for those years in which it is available.

See the accompanying independent auditors' report.