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MONTROSE FIRE PROTECTION DISTRICT

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

December 31, 2016



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Montrose Fire Protection District

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Independent Auditor's Report



DALBY, WENDLAND & CO., P.C.

Grand Junction

CPAs and Business Advisors

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Board of Directors
Montrose Fire Protection District
Montrose, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Montrose 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities 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.

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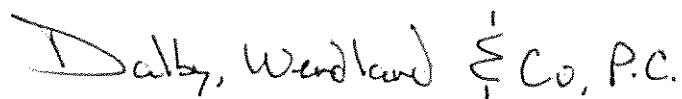
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on page 37 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB No. 27, requires that the Schedules of Changes in Net Pension Liability (Asset) and Related Ratios – Last 10 Years (to be built prospectively), the Schedules of Contributions – Last 10 Years (to be built prospectively), the Schedules of the District's Proportionate Share of the Net Pension Asset of the Statewide Defined Benefit Plan – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Fire & Police Pension Association, the Schedules of District Contributions to the Statewide Defined Benefit Plan – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Fire & Police Pension Association, the Schedules of the District's Proportionate Share of the Net Pension Liability of the Local Government Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association, and the Schedules of District Contributions to the Local Government Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association on pages 38 through 45 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule on page 46 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado
May 17, 2017

Management's Discussion and Analysis

MONTROSE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2016

As management of the Montrose Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2016 with comparative information presented for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- In the government-wide financial statements, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$5,603,240 at December 31, 2016, an increase of \$177,877 from the net position at December 31, 2015.
- The General Fund reported an ending unassigned fund balance of \$1,763,767 at December 31, 2016 an increase of \$52,856 from the prior year.
- Property tax revenue as shown on the statement of activities increased approximately \$136,000 in 2016 from 2015, while program expenses as shown on the statement of activities increased by approximately \$504,000.
- Revenue from property taxes increased approximately \$8,000 in 2015 from 2014, while operating expenses decreased approximately \$98,000.
- During the year ended December 31, 2015, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB 68). GASB 68 establishes accounting and financial reporting standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans (see Note 8).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains required and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating. As previously mentioned, as of and for the year ended December 31, 2015, the District implemented GASB 68. GASB 68 establishes accounting and financial reporting standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans.

The statement of activities presents information showing 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 cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the District's activities are shown in one category: *governmental activities*. The District's activities are principally supported by property taxes and charges for services.

The government-wide financial statements can be found on pages 8 through 10.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are all considered governmental funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental 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 sheet and the General Fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has only one governmental fund: the General Fund. The District's General Fund's financial statements can be found on pages 11 and 13.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison schedule has been provided on page 37.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 15 through 36.

Required Supplementary Information (RSI)

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by GASB 68 including the:

- Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Old Hire Plan Schedules of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively)
- Old Hire Plan Schedules of Contributions – Last 10 Years (to be built prospectively)
- Schedules of the District's Proportionate Share of the Net Pension Asset of the Statewide Defined Benefit Plan – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Fire & Police Pension Association

- Schedules of District Contributions to the Statewide Defined Benefit Plan – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Fire & Police Pension Association
- Volunteer Plan Schedules of Changes in Net Pension Liability / (Asset) and Related Ratios – Last 10 Years (to be built prospectively)
- Volunteer Plan Schedules of Contributions – Last 10 Years (to be built prospectively)
- Schedules of the District’s Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees’ Retirement Association
- Schedules of District Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees’ Retirement Association

A schedule of general fund revenue, expenditures, and changes in fund balance for the current year and prior two years has been presented on page 46.

Government-wide Financial Analysis

The following summarizes the District’s governmental net position as of December 31:

	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 5,733,680	\$ 5,708,541
Capital assets	5,417,041	5,632,642
Net pension asset	<u>8,818</u>	<u>579,986</u>
<i>Total Assets</i>	<u>11,159,539</u>	<u>11,921,169</u>
Deferred Outflows of Resources		
Pension plans	<u>999,280</u>	<u>326,665</u>
<i>Total Deferred Outflows of Resources</i>	<u>999,280</u>	<u>326,665</u>
Liabilities		
Current liabilities	741,070	721,445
Noncurrent liabilities	1,653,326	1,956,927
Net pension liability	<u>749,203</u>	<u>685,628</u>
<i>Total Liabilities</i>	<u>3,143,599</u>	<u>3,364,000</u>
Deferred Inflows of Resources		
Pension plans	14,280	12,971
Deferred property tax revenue	<u>3,397,700</u>	<u>3,445,500</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,411,980</u>	<u>3,458,471</u>
Net Position		
Net investment in capital assets	3,763,715	3,675,715
Reserved for emergencies	148,000	148,000
Restricted for debt service	359,569	359,569
Unrestricted comprised of:		
General unrestricted	1,331,956	1,034,027
Effect of implementation of GASB 68 on unrestricted net position	<u>-</u>	<u>208,052</u>
<i>Total Net Position</i>	<u>\$ 5,603,240</u>	<u>\$ 5,425,363</u>

The following summarizes the change in the District's government-wide net position for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,213,395	\$ 837,328
General revenues:		
Taxes	3,892,765	3,755,965
Miscellaneous	34,301	14,331
Earnings on deposits and investments	9,608	3,180
Grants	49,923	18,419
	<u>Total Revenues</u>	<u>4,629,223</u>
	5,199,992	4,629,223
Expenses		
Fire protection and emergency medical services	4,101,369	3,731,699
Administration	869,119	736,913
Interest on long-term debt	51,627	60,188
	<u>Total Expenses</u>	<u>4,528,800</u>
	5,022,115	4,528,800
	<i>Change in Net Position</i>	100,423
	177,877	100,423
Net Position – beginning of year	5,425,363	5,220,249
Cumulative effect of adoption of new accounting standards	-	104,691
Net Position, beginning of year, as restated	<u>5,425,363</u>	<u>5,324,940</u>
Net Position – end of year	<u>\$ 5,603,240</u>	<u>\$ 5,425,363</u>

Financial Analysis of Governmental Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund had a fund balance of \$2,271,336 as of December 31, 2016, of which \$148,000 is restricted for emergencies and \$359,569 is restricted for debt service. The unreserved portion of the fund balance in the amount of \$1,763,767 is available for spending.

General Fund Budgetary Highlights

Revenues received for EMS Service Fees, Interest/Penalties/Delinquent Taxes, Investment, Interest, and Miscellaneous were more than budgeted, mainly due to an increase in collections, call volume, and dividends received from Pinnacol, bringing the total revenue for 2016 to 98.7% of budget without the fund balance transfer. Total expenditures were \$26,740 below budget. Savings in the Training, Operational/Equipment Supplies, Insurance, and Facilities categories reflected less expense and savings.

The 2016 budget was amended by Board Resolution on December 20, 2016 to allow for revenue and expense above originally adopted amounts for the District's participation in the Colorado Division of Fire Prevention and Control's Wildland Fire Cooperator program.

Capital Asset and Debt Administration

Capital Assets

The District defines capital assets as assets with an initial cost of more than \$5,000. Replacements, which improve or extend the lives of property, are capitalized. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. During 2016, the District capitalized personal protective gear purchased to replace outdated gear and to reach compliance with NFPA standards. The District capitalized the purchase of two new LifePak defibrillators to replace end of life equipment. Additional information on the District's capital assets can be found in Note 6.

Debt Administration

On March 1, 2012, the District issued a revenue bond for \$3,147,575 to refinance the 2004 and 2011 lease purchase agreements. Annual debt service including principal and interest is paid in the amount of \$359,569. Additional information on the District's long-term debt can be found in Note 7 of this report. On November 1, 2015, the District amended the above Mortgage and Loan Agreement with Wells Fargo Bank. The amendment did not change the annual payment but revised the restriction on debt service coverage.

Economic Factors and Next Year's Budget

Next year's budget reflects a sunset to the mill levy but an overall increase in revenue. The District will still operate under a conservative budget to recover from past years of economic hardship and to anticipate the decrease in revenue due to the State of Colorado Gallagher Amendment and its effect on Montrose County property tax revenue.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Chief, 441 South Uncompahgre Avenue, Montrose, CO 81401.

Basic Financial Statements

Government-wide Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

ASSETS	
Cash	
Cash - restricted for debt service	\$ 626,114
Investments	362,662
Receivables:	820,356
Property taxes	3,397,795
Specific ownership taxes	31,469
EMS accounts	319,739
Wildland assignments	151,185
Property held for sale	24,360
Capital assets, net of accumulated depreciation	
Land	1,043,899
Buildings and improvements	2,874,732
Fire apparatus and ambulances	907,212
Other vehicles and equipment	171,946
Dispatch consoles	419,252
	<u>5,417,041</u>
Net pension asset	8,818
	<u>11,159,539</u>
	<i>Capital Assets, net</i>
	<i>Total Assets</i>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to multiple-employer defined benefit pension plans subsequent to the plan measurement date	255,088
Net difference between projected and actual earnings on multiple-employer defined benefit pension investments	506,443
Change in the proportion and differences between contributions and the proportionate share of contributions to multiple-employer defined benefit pension plans	26,833
Difference between the expected and actual experience in the measurement of the total pension asset (liability) from multiple-employer defined benefit pension plans	72,411
Changes in actuarial assumptions on multiple-employer defined benefit plans	138,505
	<u>999,280</u>
	<i>Total Deferred Outflows of Resources</i>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

LIABILITIES

Accounts payable	40,284
Accrued interest	23,643
Accrued compensated absences	677,143
Noncurrent liabilities:	
Due within one year	312,284
Due after one year	1,341,042
Net pension liability	749,203
<i>Total Liabilities</i>	<u>3,143,599</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	3,397,700
Change in the proportion and differences between contributions and the proportionate share of contributions to multiple-employer defined benefit pension plans	1,794
Difference between the expected and actual experience in the measurement of the total pension asset (liability) from multiple-employer defined benefit pension plans	10,415
Changes in actuarial assumptions on multiple-employer defined benefit plans	2,071
<i>Total Deferred Inflows of Resources</i>	<u>3,411,980</u>

NET POSITION

Net investment in capital assets	3,763,715
Reserved for emergencies	148,000
Restricted for debt service	359,569
Unrestricted	1,331,956
<i>Total Net Position</i>	<u>\$ 5,603,240</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

For the year ended December 31, 2016

PROGRAM EXPENSES

Fire fighting/emergency medical services	\$ 3,571,498
Administration	869,119
Equipment and supplies	161,703
Facility maintenance and operations	224,732
Interest	51,627
Communications	107,806
Training	30,979
Fire prevention	4,651

Total Program Expenses 5,022,115

PROGRAM REVENUES

Charges for services	1,213,395
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Net Program Expenses 3,808,720

GENERAL REVENUES

Property taxes	3,451,486
Specific ownership taxes	429,905
Interest on delinquent taxes	11,374
Miscellaneous	34,301
Earnings on deposits and investments	9,608
Grants	49,923

Total General Revenues 3,986,597

Change in Net Position 177,877

Net Position - January 1, 2016 5,425,363

Net Position - December 31, 2016 \$ 5,603,240

See accompanying notes.

Fund Financial Statements

MONTROSE FIRE PROTECTION DISTRICT
BALANCE SHEET – GENERAL FUND

December 31, 2016

ASSETS		
Cash	\$	626,114
Cash - restricted for debt service		362,662
Investments		820,356
Receivables:		
Property taxes		3,397,795
Specific ownership taxes		31,469
EMS accounts		319,739
Wildland assignments		151,185
	<i>Total Assets</i>	<u>\$ 5,709,320</u>
LIABILITIES		
Accounts payable	\$	40,284
	<i>Total Liabilities</i>	<u>40,284</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		3,397,700
	<i>Total Deferred Inflows of Resources</i>	<u>3,397,700</u>
FUND BALANCES		
Restricted for:		
Debt service		359,569
Emergencies		148,000
Unassigned		1,763,767
	<i>Total Fund Balances</i>	<u>2,271,336</u>
	<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 5,709,320</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND
TO THE STATEMENT OF NET POSITION

December 31, 2016

Total Fund Balance - General Fund		\$ 2,271,336
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, are not reported as assets in the governmental funds:		
Cost of capital assets	9,194,427	
Less accumulated depreciation	<u>(3,777,386)</u>	5,417,041
Property held for sale is not a financial resource and, therefore, is not reported as an asset in the governmental funds.		24,360
Net pension asset, net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions are not current financial resources and, therefore, are not reported as assets or liabilities in the governmental funds.		244,615
Debt obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,653,326)
Accrued compensated absences payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(677,143)
Accrued interest on debt obligations is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		<u>(23,643)</u>
Total Net Position - Governmental Activities		<u>\$ 5,603,240</u>

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND**

For the year ended December 31, 2016

REVENUES

Taxes	\$ 3,892,765
Charges for services, net of adjustment	1,204,370
Permits	9,025
Earnings on deposits and investments	9,608
Capital grants	49,923
Miscellaneous	34,301
<i>Total Revenues</i>	<u>5,199,992</u>

EXPENDITURES

Current	
Fire fighting/emergency medical services	3,556,878
Administration	747,493
Equipment and supplies	161,703
Facility maintenance and operations	109,661
Communications	107,806
Training	30,979
Fire prevention	4,651
Capital outlay	68,396
Debt service	
Principal	303,601
Interest	55,968
<i>Total Expenditures</i>	<u>5,147,136</u>

Excess of Revenues Over Expenditures 52,856

Fund Balance - January 1

2,218,480

Fund Balance - December 31

\$ 2,271,336

See accompanying notes.

MONTROSE FIRE PROTECTION DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND TO THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2016

Net Change in Fund Balance - General Fund		\$ 52,856
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	68,396	
Depreciation expense	<u>(283,997)</u>	(215,601)
Principal payments on debt obligations are reported as an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position.		
		303,601
Accrued interest on debt obligations is not reported in the governmental funds but reported as an expenditure when due in the Statement of Net Position.		
December 31, 2015	27,984	
December 31, 2016	<u>(23,643)</u>	4,341
GASB 68 Pension Expense is not reported in the governmental funds but is reported as an expenditure in the Statement of Activities.		
		36,563
Compensated absences are recognized as an expenditure in the governmental funds when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when earned.		
December 31, 2015	673,260	
December 31, 2016	<u>(677,143)</u>	(3,883)
Change in Net Position of Governmental Activities		<u>\$ 177,877</u>

See accompanying notes.

Notes to Basic Financial Statements

MONTROSE FIRE PROTECTION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Montrose Fire Protection District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's more significant accounting policies are described below:

Financial Reporting Entity

The District is a political subdivision of the State of Colorado, formed in 1946 for the purpose of providing fire protection and emergency medical services to portions of Montrose and Ouray counties. The District is governed by an elected five-member board (the Board).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* are supported by taxes, charges for services and intergovernmental revenues. The District has no *business-type activities*, which rely to a significant extent on user charges for support.

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

Fund Financial Statements

The accounts of the District are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

The District has only one governmental fund, the General Fund, which is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Separate financial statements are provided for governmental funds.

Measurement Focus and Basis of Accounting

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 expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days after year end. Those revenues associated with the current period susceptible to accrual are property taxes, interest revenue and charges for services. Grant revenues are recognized as they are earned. All other revenues are reported when cash is received. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due, and compensated absences which are recognized when the obligations are expected to be liquidated with available financial resources.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Investments

Money market funds and external investment pools are stated at cost, which is equivalent to fair value.

Property Taxes

Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2016 are reported as a receivable and deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Capital Assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets with an initial cost of more than \$5,000. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	15 - 40 years
Fire apparatus and ambulances	10 - 20 years
Other vehicles and equipment	5 - 15 years

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Revenue bond obligations payable are reported net of any applicable bond premium or

discount and refinancing losses. At December 31, 2016 there were no revenue bond premiums and discounts, or losses on refinancing included in the statement of net position. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as program expenses in the year in which they are incurred.

In the fund financial statements, issuance costs are recognized when incurred. The face amount of the debt issued, premiums, and discounts received on debt issuances, are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Shift personnel accumulate vacation time at the rate of three, twenty-four hour shifts, after the first full year of employment. Thereafter, one additional shift can be accumulated with a maximum accumulation of ten shifts. Non-shift personnel accumulate two weeks of vacation after the first full year of employment up to a maximum of five weeks after eight years of service. Sick leave for shift personnel accumulates at the rate of four shifts during the first year of service and ten shifts each year thereafter to a maximum of sixty-one shifts. Non-shift personnel accumulate sick leave at the rate of ten days the first year and thirty days in each succeeding year to a maximum of one hundred and eighty days. Upon termination of employment, 58% of accumulated sick leave is paid at the regular hourly rate. The entire liability is reported in the government-wide statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), defines the five elements that make up a statement of financial position to include:

- Assets – resources with a present service capacity under District control
- Deferred Outflows of Resources – consumption of net assets by the District that is applicable to a future reporting period
- Liabilities – present obligations to sacrifice resources
- Deferred Inflows of Resources – acquisitions of net assets by the District that is applicable to a future reporting period
- Net Position – residual of all other elements presented in a statement of financial position

See Note 8 for detail of the composition of the District's deferred outflows and deferred inflows related to pensions.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing attributable to the acquisition or construction of improvements of those assets. Net position is reported as restricted when there are limitations on their use due to external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable resources as of December 31, 2016.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the Taxpayer's Bill of Rights (TABOR) emergency reserves as being restricted because their use is restricted by state statute. The District has also classified the amount restricted for payment of debt service as being restricted because their use is restricted by the financial institution with which the District has a revenue bond.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2016.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District manager through the budgetary process. The District did not have any assigned resources as of December 31, 2016.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

The District would typically use committed resources first and then assigned resources as appropriate opportunities arise, but the District reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance* of the *governmental fund* and *net position of governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenue, expenditures, and changes in fund balances includes a reconciliation between the *net change in fund balances* of the *governmental fund* and the *changes in net position of governmental activities* as reported in the government-wide statement of activities. These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

NOTE 3 - TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as TABOR, which has several limitations including revenue raising, spending abilities, debt limitations, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. TABOR requires a reserve of 3% of the District's fiscal year spending, excluding bonded debt service. A portion of the District's General Fund balance is classified as restricted for an emergency reserve required by TABOR (see Note 1).

In 1996, the voters authorized the District to collect and spend all revenues received in 1995 and subsequent years, notwithstanding the limitations of TABOR, without increasing its mill levy above current levels without further voter approval. In 2006, the voters authorized the District to impose an additional 3.45 mill property tax levy, not to exceed 8.813 mills commencing January 1, 2007. The additional mills were for the construction of two new stations including the necessary equipment and additional salaries for personnel to provide fire, rescue and emergency medical services. On January 1, 2017, the mill levy will be decreased in amount to reduce annual District revenues by approximately \$102,345. On January 1, 2030, the mill levy will be further decreased in amount to reduce annual District revenues by approximately \$964,934.

NOTE 4 - BUDGETS

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Budgets are required by state law.
- B. The budget officer is required to submit a proposed budget to the Board by October 15.
- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. The District expended less than was appropriated during 2016.
- F. Budget appropriations lapse at the end of each year.
- G. Budgets are adopted on the modified accrual basis of accounting.

NOTE 5 - DEPOSITS AND INVESTMENTS

Colorado’s Public Deposit Protection Act (PDPA) governs the District’s deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance through the Federal Deposit Insurance Corporation (FDIC) on deposits held. 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 depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At year end, the carrying amount of the District’s deposits consisted of the following:

	Bank Balance	Carrying Amount
Cash in checking accounts	\$ 125,391	\$ 120,661
Cash on hand	-	118
Money market account	505,335	505,335
Lease purchase – escrow account	362,662	362,662
	<u>\$ 993,388</u>	<u>\$ 988,776</u>

At December 31, 2016, \$257,935 was covered by depositor's insurance and \$735,453 was collateralized under PDPA requirements.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank or investment pool failure, the District would not be able to recover its deposits or the value of its investments. The District's deposits and investments are not deemed to be subject to custodial credit risk as they are covered by federal depository insurance or are collateralized under PDPA.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including: 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 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; and guaranteed investment contracts. The District has no investment policy that would further limit its investment choices.

At December 31, 2016, the District had funds in a local government investment pool (COLOTRUST). The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. The pool is rated AAAM by Standard and Poor's. Financial statements for COLOTRUST may be obtained on their website at www.colotruster.com.

COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form.

Description	Credit Quality Rating	Maturity	Fair Value
COLOTRUST Plus+	AAAM	N/A	\$ 820,356

Interest Rate Risk – Investments

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board. The Board has not adopted an investment policy that allows investment maturities greater than five years.

Concentrations of Credit Risk – Deposits and Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer or institution. The District holds over 99% of its cash deposits in one financial institution and less than 1% in a second institution. The District holds 100% of its investments in one government investment pool.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
Non-depreciable capital assets				
Land	\$ 1,043,899	\$ -	\$ -	\$ 1,043,899
Dispatch consoles	419,252	-	-	419,252
<i>Total non-depreciable capital assets</i>	<u>1,463,151</u>	<u>-</u>	<u>-</u>	<u>1,463,151</u>
Depreciable capital assets				
Buildings and improvements	4,281,133	-	-	4,281,133
Fire apparatus and ambulances	2,840,484	-	-	2,840,484
Other vehicles and equipment	592,261	68,396	(50,998)	609,659
<i>Total depreciable capital assets</i>	<u>7,713,878</u>	<u>68,396</u>	<u>(50,998)</u>	<u>7,731,276</u>
Less accumulated depreciation for				
Buildings and improvements	(1,291,330)	(115,071)	-	(1,406,401)
Fire apparatus and ambulances	(1,789,316)	(143,955)	-	(1,933,271)
Other vehicles and equipment	(463,741)	(24,971)	50,998	(437,714)
<i>Total accumulated depreciation</i>	<u>(3,544,387)</u>	<u>(283,997)</u>	<u>50,998</u>	<u>(3,777,386)</u>
<i>Total capital assets being depreciated, net</i>	<u>4,169,491</u>	<u>(215,601)</u>	<u>-</u>	<u>3,953,890</u>
<i>Total capital assets, net depreciation</i>	<u>\$ 5,632,642</u>	<u>\$ (215,601)</u>	<u>\$ -</u>	<u>\$ 5,417,041</u>

Depreciation expense was charged to functions/programs of the District as follows: firefighting/emergency medical services (\$168,926) and facility maintenance and operations (\$115,071).

NOTE 7 - LONG-TERM LIABILITIES

Changes in long-term liabilities:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
2012 revenue bonds	\$ 1,956,927	\$ -	\$ (303,601)	\$ 1,653,326	\$ 312,284
Accrued compensated absences	673,260	312,140	(308,257)	677,143	-
<i>Total long-term liabilities</i>	<u>\$ 2,630,187</u>	<u>\$ 312,140</u>	<u>\$ (611,858)</u>	<u>\$ 2,330,469</u>	<u>\$ 312,284</u>

Revenue Bond Obligation

2012: March 1, 2012, the District issued a revenue bond for \$3,147,575 to refinance the 2004 and 2011 lease purchase agreements. The revenue bond is collateralized by all revenues, fees, donations, contributions or other income derived from the property, plant and equipment purchased under the 2004 and 2011 lease purchase agreements. The revenue bond is also collateralized by all ad valorem taxes, levied and collected by the District pursuant to the November 2005 voter authorization. As required by GASB No. 65, the issuance costs of \$61,475 were expensed in the year of issuance. The District is obligated under the agreement to make annual payments of \$359,569, including principal and interest at an interest rate of 2.86%, each July 1 beginning July 1, 2012 and ending July 1, 2021. The agreement requires compliance with specified covenants and obligations. The District established a bank account, as required by the agreement, to hold a minimum balance equal to the annual debt service requirement. The balance in the restricted account is \$362,662 at December 31, 2016.

Revenue Bond Minimum Future Obligations

The minimum future obligations are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	312,284	47,285	359,569
2018	321,215	38,354	359,569
2019	330,402	29,167	359,569
2020	339,852	19,717	359,569
2021	349,573	9,998	359,571
<i>Total minimum future obligations payments</i>	<u>\$ 1,653,326</u>	<u>\$ 144,521</u>	<u>\$ 1,797,847</u>

NOTE 8 - PENSION PLANS

Old Hire (Hired prior to April 8, 1978)

The Fire & Police Pension Association (FPPA) administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at FPPAco.org. Once in the site, locate the site map at the bottom of the web page and you will find the ‘Annual Report’ link.

The District is trustee of a single-employer defined benefit pension plan for paid firefighters hired prior to April 8, 1978 (Old Hire Plan). The Old Hire Plan is administered by the FPPA. The Old Hire Plan’s Board of Trustees is comprised of the District’s Board of Directors and firefighters in accordance with Colorado statutes.

The Old Hire Plan provides normal retirement benefits, disability retirement and survivor benefits. Firefighters who have attained both 50 years of age and completed 20 years of active service in any fire department in the State of Colorado are eligible for a monthly pension equal to one-half of their monthly salary as of the date of retirement. Upon death, the surviving spouse receives a monthly pension based on one-third of the salary of a first grade firefighter at the time of retirement, until death or remarriage. The District has two retirees and no active members in the Old Hire Plan as of December 31, 2016.

At December 31, 2016, the District reported a net pension liability of \$184,773 related to the Old Hire Plan. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

At December 31, 2016 the total pension liability was \$294,135, the plan fiduciary net position was \$109,362, and the pension plan fiduciary net position as a percentage of total pension liability was 37.18%. For the year ended December 31, 2016, the District recognized pension expense of \$41,505.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	\$ 5,642	\$ -
Total	\$ 5,642	\$ -

The deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan are included with total deferred outflows of resources and total deferred inflows of resources on the Statement of Net Position.

Deferred outflows of resources of \$17,593 related to the Old Hire Plan resulting from contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Old Hire Plan will be recognized in pension expense as follows:

For the years ending December 31,	
2017	\$ 1,450
2018	\$ 1,450
2019	\$ 1,452
2020	\$ 1,290
2021	\$ -
Thereafter	\$ -
Total	\$ 5,642

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the District were \$17,593 for the year ended December 31, 2016.

Actuarially determined contribution rates are calculated as of January 1 of even numbered years. The contributions rates have a one-year lag, so the actuarial valuation as of January 1, 2014, determines the contribution amounts for 2015 and 2016. Methods and assumptions used to determine contribution rates for the year ended December 31, 2015 were as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	14 Years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	Any remaining actives are assumed to retire immediately
Mortality	Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment; Disabled (pre-1980): RP-2000 Disabled Mortality Table; All tables projected with Scale AA.

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

Assumption changes. The assumptions shown above pertain to the actuarial valuation as of January 1, 2014 and the associated actuarially determined contribution for the year ending December 31, 2015. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for use in the January 1, 2016 valuations. Those assumption changes are incorporated into the total pension liability as of December 31, 2015, since it is based on the actuarial valuation as of January 1, 2016. The

assumptions changes will be observed in the actuarially determined contribution for the year ending December 31, 2017.

The complete assumption set can be found in the actuarial valuation report as of January 1, 2016. The primary changes as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables of Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled (pre-1980): RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

Development of the single discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The long term expected rate of investment return was 7.50 percent. The long term municipal bond rate was 3.57 percent. This rate is from the Federal Reserve statistical release (H.15) as of December 31, 2015. The statistical release describes this rate as “Bond Buyer Index, general obligation, 20 years to maturity, mixed quality.” In describing this index, the Bond Buyer notes that the bonds’ average credit quality is roughly equivalent to Moody’s Investors Service Aa2 rating and Standard & Poor’s Corp.’s AA. The last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded is 2115.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00% *
Total	100.00%	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 205,361	\$ 184,773	\$ 166,528

Paid Firefighters (Hired after April 8, 1978)

The District participates in the Statewide Defined Benefit Plan (SWDB Plan), a cost-sharing multiple-employer defined benefit pension fund administered by FPPA. The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. 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. Eligible employees of the District are provided with pensions through the SWDB Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://fppaco.org>.

FPPA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714. 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 SWDB Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 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 SWDB 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.

The SWDB Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB Plan and their employers are contributing at the rate of 8.5 percent 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 SWDB 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.

At December 31, 2015, the total pension liability for the SWDB Plan was \$1,846,961,999, the plan fiduciary net position was \$1,848,724,853, the net pension asset was \$1,762,854, and the plan fiduciary net position as a percentage of the total pension liability was 100.10%.

At December 31, 2015, the District's proportion of the net pension asset of the SWDB Plan was 0.5002 percent, which was a decrease of 0.0137 percent from its proportion measured as of December 31, 2014. At December 31, 2016, the District reported an asset of \$8,818 for its proportionate share of the SWDB Plan net pension asset. The net pension asset was measured as of December 31, 2015. The collective total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2016. The actuarially determined contributions as of December 31, 2015 are based on the January 1, 2015 actuarial valuation. For the year ended December 31, 2016, the District recognized pension expense of \$134,502.

Employer contributions recognized by the SWDB Plan from the District were \$190,410 for the year ended December 31, 2016.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the SWDB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 448,791	\$ -
Changes in actuarial assumptions	138,505	-
Difference between actual and expected experience	71,317	10,411
Total	\$ 658,613	\$ 10,411

The deferred outflows and deferred inflows related to pensions are included with total deferred outflows and total deferred inflows on the statement of net position. Deferred outflows of resources of \$190,410 related to FPPA pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the FPPA net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December 31,	Amounts Recognized in Pension Expense
2017	\$ 136,545
2018	\$ 136,545
2019	\$ 136,545
2020	\$ 125,418
2021	\$ 21,567
Thereafter	\$ 91,582
Total	\$ 648,202

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

	<u>Total Pension Liability</u>	<u>Actuarially Determined Contributions</u>
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%
*Includes Inflation at	2.5%	3.0%

For determining the total pension liability of the SWDB Plan, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent 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-2014 Mortality Tables for 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 percent 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.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its 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 of 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. 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 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:

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	100.00%	

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

Discount rate. The discount rate used to measure the total pension asset 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 those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset (liability)	\$ (1,235,242)	\$8,818	\$1,040,723

Pension plan fiduciary net position. Detailed information about the SWDB Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at www.coFPPA.org/investments/FPPA-financial-reports.

Volunteer Firefighters

The Fire & Police Pension Association (FPPA) administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at FPPAco.org. Once in the site, locate the site map at the bottom of the web page and you will find the 'Annual Report' link.

The District is trustee of a single-employer defined benefit pension plan for all volunteer firefighters (Volunteer Plan). The Volunteer Plan is administered by the FPPA. The Volunteer Plan's Board of Trustees is comprised of the District's Board of Directors and firefighters in accordance with Colorado statutes.

The Volunteer Plan provides normal retirement benefits, disability retirement and survivor benefits. Fully vested firefighters receive the maximum benefit in an amount reviewed every other year during the actuarial review process. Firefighters who have attained both 50 years of age and completed 20 years of active service in any fire department in the State of Colorado are fully vested and are eligible for a normal retirement benefit. Firefighters with 10 to 20 years of service are also eligible for a reduced monthly benefit based off an amount per year of service that is also reviewed every other year during the actuarial review process. Upon death, the surviving spouse receives a monthly pension equal to 50% of the benefit previously received, payable until death or remarriage. The District had fourteen retirees, two inactive, nonretired members, and four active members in the Volunteer Plan as of January 1, 2015, the actuarial valuation date.

At December 31, 2016, the District reported a net pension liability of \$451,357 related to the Volunteer Plan. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

At December 31, 2016 the total pension liability was \$1,038,820, the plan fiduciary net position was \$587,463, and the pension plan fiduciary net position as a percentage of total pension liability was 56.55%. For the year ended December 31, 2016, the District recognized pension expense of \$30,078.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 246	\$ -
Net difference between expected and actual earnings on pension plan investments	30,242	-
Total	\$ 30,488	\$ -

The deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan are included with total deferred outflows of resources and total deferred inflows of resources on the Statement of Net Position.

Deferred outflows of resources of \$34,000 related to the Volunteer Plan resulting from contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Volunteer Plan will be recognized in pension expense as follows:

For the years ending December 31,	
2017	\$ 8,050
2018	\$ 7,804
2019	\$ 7,805
2020	\$ 6,829
2021	\$ -
Thereafter	\$ -
Total	\$ 30,488

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the District were \$34,000 for the year ended December 31, 2016.

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contributions rates have a one-year lag, so the actuarial valuation as of January 1, 2013, determines the contribution amounts for 2014 and 2015. The actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017. Methods and assumptions used to determine contribution rates for the year ended December 31, 2015 were as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 Years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment. Disabled: RP-2000 Disabled Mortality Table. All tables projected with Scale AA.

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

Assumption changes. The assumptions shown above pertain to the actuarial valuation as of January 1, 2013 and the associated actuarially determined contribution for the year ending December 31, 2015. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 Volunteer Plan valuations.

The primary changes, which can be observed in the January 1, 2017 valuation, as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables of Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

Development of the single discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The long term expected rate of investment return was 7.50 percent. The long term municipal bond rate was 3.57 percent. This rate is from the Federal Reserve statistical release (H.15) as of December 31, 2015. The statistical release describes this rate as “Bond Buyer Index, general obligation, 20 years to maturity, mixed quality.” In describing this index, the Bond Buyer notes that the bonds’ average credit quality is roughly equivalent to Moody’s Investors Service Aa2 rating and Standard & Poor’s Corp.’s AA. The last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded is 2115.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00% *
Total	100.00%	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 533,951	\$ 451,357	\$ 364,553

Non-Firefighters and EMS

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. 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.

Eligible employees of the District are provided with pensions through the LGDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code. Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers: waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained, and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible

employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate ¹
Employer Contribution Rate	10.00%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF.

At December 31, 2015, the total pension liability for PERA was \$4,762,090,000, the plan fiduciary net position was \$3,660,509,000, the net pension liability was 1,101,581,000, and the plan fiduciary net position as a percentage of the total pension liability was 76.9%.

At December 31, 2015, the District's proportion of the net pension liability of PERA was 0.0103 percent, which was a decrease of 0.0003 percent from its proportion measured as of December 31, 2014.

At December 31, 2016, the District reported a liability of \$113,073 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF. For the year ended December 31, 2016, the District recognized pension expense of \$12,728.

Employer contributions recognized by the LGDTF from the District for PERA were \$13,086 for the year ended December 31, 2016.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERA pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 848	\$ 4
Changes in actuarial assumptions	-	2,071
Net difference between projected and actual earnings on pension plan investments.	21,767	-
Total	\$ 22,615	\$ 2,075

The deferred outflows of resources and deferred inflows of resources related to pensions are included with total deferred outflows of resources and total deferred inflows of resources on the Statement of Net

Position. Deferred outflows of resources of \$13,086 related to PERA pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the PERA net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending December, 31	
2017	\$ 4,762
2018	\$ 5,515
2019	\$ 5,751
2020	\$ 4,512
2021	\$ -
Thereafter	\$ -
Total	\$ 20,540

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer math on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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 then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return *
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$173,275	\$113,073	\$63,049

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Deferred Compensation Retirement Plan

The District offers its employees a deferred compensation plan administered by FPPA created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in the

Deferred Compensation Plan Trusts for the exclusive benefit of participants and their beneficiaries. FPPA is trustee of the trusts. The District has no ownership interest in the plan nor is the District liable for losses under the deferred compensation plan.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 10 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 17, 2017, the date at which the financial statements were available to be issued and determined that no events have occurred that required disclosure.

Required Supplemental Information

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Taxes	\$ 3,884,684	\$ 3,884,684	\$ 3,892,765	\$ 8,081
Charges for services, net of adjustment	763,600	1,015,577	1,204,370	188,793
Fund balance transfer	296,943	296,943	-	(296,943)
Permits	5,800	5,800	9,025	3,225
Earnings on deposits and investments	3,200	3,200	9,608	6,408
Capital grants	53,200	53,200	49,923	(3,277)
Miscellaneous	9,250	9,250	34,301	25,051
<i>Total Revenues</i>	<u>5,016,677</u>	<u>5,268,654</u>	<u>5,199,992</u>	<u>(68,662)</u>
EXPENDITURES				
Current				
Fire fighting/emergency medical services	3,563,850	3,563,850	3,556,878	6,972
Administration	556,705	721,372	747,493	(26,121)
Equipment and supplies	182,450	182,450	161,703	20,747
Facility maintenance and operations	124,600	124,600	109,661	14,939
Communications	106,700	106,700	107,806	(1,106)
Training	34,685	34,685	30,979	3,706
Fire prevention	9,150	9,150	4,651	4,499
Capital outlay	71,500	71,500	68,396	3,104
Debt service				
Principal	303,601	303,601	303,601	-
Interest	55,968	55,968	55,968	-
<i>Total Expenditures</i>	<u>5,009,209</u>	<u>5,173,876</u>	<u>5,147,136</u>	<u>26,740</u>
<i>Excess (Deficiency) of Revenues Over Expenditures</i>	<u>7,468</u>	<u>94,778</u>	<u>52,856</u>	<u>(41,922)</u>
<i>Net Change in Fund Balance</i>	<u>\$ 7,468</u>	<u>\$ 94,778</u>	<u>52,856</u>	<u>\$ (41,922)</u>
Fund Balance (budgetary basis) - January 1			2,218,480	
Fund Balance (budgetary basis) - December 31			<u>\$ 2,271,336</u>	

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
OLD HIRE PLAN SCHEDULES OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS
LAST 10 YEARS (to be built prospectively)
For the Year Ended December 31, 2016

Measurement period ending December 31,	2015	2014
Total Pension Liability		
Interest on the total pension liability	\$ 19,722	\$ 20,677
Difference between expected and actual experience of the total pension liability	11,929	-
Changes of assumptions	16,532	-
Benefit payments	(33,412)	(33,412)
Net change in total pension liability	14,771	(12,735)
Total pension liability - beginning	279,364	292,099
Total pension liability - ending	<u>\$ 294,135</u>	<u>\$ 279,364</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 17,593	\$ 16,370
Net investment income	2,211	8,637
Benefit payments	(33,412)	(33,412)
Pension plan administrative expense	(533)	(4,533)
Net change in plan fiduciary net position	(14,141)	(12,938)
Plan fiduciary net position - beginning (market value of assets at beginning of year)	123,503	136,441
Plan fiduciary net position - ending (market value of assets at end of year)	<u>\$ 109,362</u>	<u>\$ 123,503</u>
Net Pension Liability / (Asset)	184,773	155,861
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.18%	44.21%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

OLD HIRE PLAN SCHEDULES OF CONTRIBUTIONS

LAST 10 YEARS (to be built prospectively)

For the Year Ended December 31, 2016

FY Ended December 31,	Actuarially Determined Contribution *	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	\$ 17,593	\$ 17,593	\$ -	N/A	N/A
2014	\$ 15,124	\$ 16,370	\$ (1,246)	N/A	N/A

* Actuarially determined contribution is net of employee contributions. Actual contribution is from the employer only and does not include employee amounts.

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET OF THE STATEWIDE
DEFINED BENEFIT PLAN - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
ADMINISTERED BY THE FIRE & POLICE PENSION ASSOCIATION**

As of December 31, *

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset	0.5002%	0.5139%
District's proportionate share of the net pension asset	\$ 8,818	\$ 579,986
District's covered-employee payroll	\$ 2,411,314	\$ 2,463,001
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.37%	23.55%
Plan fiduciary net position as a percentage of the total pension asset	100.10%	106.80%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF DISTRICT CONTRIBUTIONS TO THE STATEWIDE DEFINED BENEFIT PLAN - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE FIRE & POLICE PENSION ASSOCIATION

For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 190,410	\$ 193,990
Contributions in relation to the statutorily required contribution	(190,410)	(193,990)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,411,314	\$ 2,463,001
Contributions as a percentage of covered-employee payroll	8%	8%

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER PLAN SCHEDULES OF CHANGES IN NET PENSION LIABILITY / (ASSET) AND RELATED RATIOS
LAST 10 YEARS (to be built prospectively)
For the Year Ended December 31, 2016

Measurement period ending December 31,	2015	2014
Total Pension Liability		
Service cost	\$ 5,367	\$ 6,740
Interest on the total pension liability	75,262	69,562
Benefit changes	-	75,047
Difference between expected and actual experience of the total pension liability	-	11,054
Benefit payments	(83,820)	(87,570)
Net change in total pension liability	(3,191)	74,833
Total pension liability - beginning	1,042,011	967,178
Total pension liability - ending	<u>\$ 1,038,820</u>	<u>\$ 1,042,011</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 34,000	\$ 34,000
Net investment income	10,303	39,014
Benefit payments	(83,820)	(87,570)
Pension plan administrative expense	(3,193)	(1,287)
State of Colorado supplemental discretionary payment	22,500	22,500
Net change in plan fiduciary net position	(20,210)	6,657
Plan fiduciary net position - beginning (market value of assets at beginning of year)	607,673	601,016
Plan fiduciary net position - ending (market value of assets at end of year)	<u>\$ 587,463</u>	<u>\$ 607,673</u>
Net Pension Liability / (Asset)	451,357	434,338
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.55%	58.32%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

VOLUNTEER PLAN SCHEDULES OF CONTRIBUTIONS

LAST 10 YEARS (to be built prospectively)

For the Year Ended December 31, 2016

FY Ended December 31,	Actuarially Determined Contribution	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	\$ 44,354	\$ 56,500	\$ (12,146)	N/A	N/A
2014	\$ 44,354	\$ 56,500	\$ (12,146)	N/A	N/A

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

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE LOCAL GOVERNMENT DIVISION TRUST FUND - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

As of December 31, *

	2015	2014
District's proportion of the net pension liability	0.0103%	0.0106%
District's proportionate share of the net pension liability	\$ 113,073	\$ 95,429
District's covered-employee payroll	\$ 58,295	\$ 58,340
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	193.97%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	76.87%	80.72%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2015 and 2014 (the Plan's measurement periods) occurring prior to the District's calendar years ended December 31, 2016 and 2015 in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

MONTROSE FIRE PROTECTION DISTRICT

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF DISTRICT CONTRIBUTIONS TO THE LOCAL GOVERNMENT DIVISION TRUST FUND - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 13,086	\$ 7,986
Contributions in relation to the statutorily required contribution	(13,086)	(7,986)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 58,295	\$ 58,340
Contributions as a percentage of covered-employee payroll	22.45%	13.69%

Other Supplemental Information

MONTROSE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND

For the three years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
REVENUES			
Taxes	\$ 3,892,765	\$ 3,755,965	\$ 3,752,939
Charges for services, net of adjustment	1,204,370	831,103	778,621
Permits	9,025	6,225	8,558
Earnings on deposits and investments	9,608	3,180	2,547
Capital grants	49,923	18,419	68,473
Miscellaneous	34,301	14,331	23,574
<i>Total Revenues</i>	<u>5,199,992</u>	<u>4,629,223</u>	<u>4,634,712</u>
EXPENDITURES			
Current:			
Fire fighting/emergency medical services	3,556,878	3,407,571	3,483,990
Administration	747,493	511,678	440,365
Equipment and supplies	161,703	139,635	156,287
Facility maintenance and operations	109,661	102,583	110,408
Communications	107,806	45,146	40,552
Training	30,979	13,257	24,673
Fire prevention	4,651	2,580	5,997
Capital outlay	68,396	89,028	53,562
Debt service			
Principal	303,601	295,160	286,953
Interest	55,968	64,409	72,616
<i>Total Expenditures</i>	<u>5,147,136</u>	<u>4,671,047</u>	<u>4,675,403</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>52,856</u>	<u>(41,824)</u>	<u>(40,691)</u>
<i>Net Change in Fund Balance</i>	<u>52,856</u>	<u>(41,824)</u>	<u>(40,691)</u>
Fund Balance - January 1	<u>2,218,480</u>	<u>2,260,304</u>	<u>2,300,995</u>
Fund Balance - December 31	<u>\$ 2,271,336</u>	<u>\$ 2,218,480</u>	<u>\$ 2,260,304</u>

