

**RATTLESNAKE FIRE PROTECTION DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2016**



**RECEIVED**

*By Electronic Submission at 11:14 am, May 12, 2017*

# **RATTLESNAKE FIRE PROTECTION DISTRICT**

## **ANNUAL FINANCIAL REPORT For the Year Ended December 31, 2016**

### **TABLE OF CONTENTS**

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Report of Independent Certified Public Accountants	i
Management Discussion and Analysis	iii
Basic Financial Statement	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – General Fund	3
Reconciliation of the Balance Sheet – General Fund to Change in Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund to Change in Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund - Budget and Actual	7
Notes to the Financial Statements	8

REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and General Fund of the Rattlesnake Fire Protection District (the “District”), as of and for the year ended December 31, 2016, which collectively comprise the District’s basic financial statements as listed in the table of contents.

*Management’s Responsibility for the Financial Statements*

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

*Auditors’ Responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants (“US GAAS”).

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District’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 District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements*

In our opinion, the financial statements previously referred to present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Rattlesnake Fire Protection District, as of December 31, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consist of inquires 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Omission of Required Supplementary Information*

The Board of Directors has elected to omit the required supplementary 10-year fiscal history of the changes, components and related ratios related to the District's net pension liability in accordance with Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
April 24, 2017

## Management's Discussion and Analysis

As management of Rattlesnake Fire Protection District (the "District"), we offer the readers of the District's financial statements and related notes this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2016.

### Financial Highlights

- The government-wide net position of the District is defined by the amount that the District's assets and deferred outflows of resources exceeds its liabilities and deferred inflows of resources. The net position of the District at the close of the most recent fiscal year was \$3,054,539. Of this amount \$1,135,331 (unassigned net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net position increased by \$177,012. The majority of the increase can be attributed to the sale of a fire tanker and a donation to the District by a long-time supporter.
- The District spent \$129,723 on radios and other equipment, \$22,129 on station improvements and \$44,590 on a snow cat that will be ready for service during the first quarter of 2017.
- At close of the current fiscal year, the District's General Fund reported an ending balance of \$1,264,018, an increase of \$240,483.

### Overview of the Financial Statements

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

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

The statement of net position presents information on all of the District's assets, liabilities and deferred outflows and inflows of resources with the net difference reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of net 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items may result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are supported by charges for services and general revenues, primarily property taxes.

The governmental activities of the District include the fire prevention, fire protection and emergency medical services.

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

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses governmental fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund, the general fund and adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget. There were no amendments to the 2016 budget.

The basic governmental fund financial statements can be found on pages 3 – 6 of this report.

**Notes to the Financial Statements** - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 8 of this report.

## Government-Wide Financial Analysis

As noted earlier, the District's net position may, over time, serve as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,054,539 at the close of the most recent fiscal year.

By far the largest portion of the District's net position (61.90 %) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment and vehicles), net of accumulated depreciation and any related debt, if any, used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year the District is able to report a positive balance in net position.

### Rattlesnake Fire Protection District Statement of Net Position

	2016	2015
Current and other assets	\$ 1,907,217	\$ 1,650,710
Capital assets, net of depreciation	1,965,288	1,975,351
Deferred outflows of resources	80,246	36,507
Total Assets and Deferred Outflows of Resources	<u>3,952,751</u>	<u>3,662,568</u>
Current liabilities	46,341	20,841
Long term liabilities due beyond one year	160,392	65,376
Deferred inflows of resources	691,479	698,824
Total Liabilities and Deferred Inflows of Resources	<u>898,212</u>	<u>785,041</u>
Net Position		
Invested in capital assets, net of related debt	1,890,873	1,975,351
Restricted	28,335	24,256
Unrestricted	1,135,331	877,920
Total Net Position	<u>\$ 3,054,539</u>	<u>\$ 2,877,527</u>

The restricted portion of the District's net position (.93 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,135,331 may be used to meet the government's ongoing obligations to citizens and creditors.

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR") contains the requirement of setting an emergency reserve. This reserve cannot be accessed except for an unexpected disaster. As of December 31, 2016 the reserve amounts to \$28,335.

The District's net position increased by \$177,012 during the current fiscal year as a result of the District's revenues exceeding expenditures.

**Rattlesnake Fire Protection District  
Statement of Activities**

	2016	2015
<b>Revenue:</b>		
Program revenues:		
Charges for services	\$ 225,932	\$ 116,663
Operating grants and contributions	52,900	-
Total program revenues	278,832	116,663
General revenues:		
Property taxes	605,372	508,734
Other income	168,279	93,540
Total general revenues	773,651	602,274
Total revenues	1,052,483	718,937
 <b>Expenses:</b>		
Fire protection – operation	674,766	572,470
Depreciation	200,705	248,202
Total expenses	875,471	820,672
 Change in Net Position	177,012	(101,735)
Net Position-Beginning	2,877,527	2,979,262
Net Position-Ending	\$ 3,054,539	\$ 2,877,527

Charges for services increased by \$109,269, this increase can be attributed to higher District impact fees due to growth in new construction along with an increase in the number of emergency medical services transports and subsequent receipt of payments.

General revenue increased by a total of \$171,377 with \$96,638 of that an increase in property taxes and \$74,739 increase in other income. The District sold a tank truck and a trailer netting \$44,700 and received \$50,200 in contributions.

Operations for fire protection increased by \$102,296; the increase is due to adding a full-time fleet mechanic to the District’s payroll along with an increase in the cost for repairs and maintenance to the District’s equipment.

**Financial Analysis of the District’s Funds**

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

**Governmental Funds** - The focus of the District’s general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the District’s net resources available for future spending, if necessary.

As of the end of the current fiscal year, the District’s general fund reported an ending balance of \$1,264,018, an increase of \$240,483 in comparison with the prior year. Approximately 97.57% or \$1,231,632 constitutes unassigned fund balance, which is available for future spending, if necessary, at the District’s discretion. The remainder of the fund balance is non-spendable and

reserved to indicate that it is not available for new spending because it has been committed to prepaid expenses and the TABOR emergency reserve.

### **General Fund Budgetary Highlights**

There were no amendments to the General Fund budget for 2016.

### **Capital Assets**

The District's investment in capital assets as of December 31, 2016 amounts to \$1,965,288 (net of accumulated depreciation). This investment in capital assets includes construction and equipment in progress, land, building and other improvements, equipment and vehicles. The District added a snow cat that will be operational first quarter 2017, plasma cutter, lift jacks, car hauler, snow plow blade, chair lifts, radios and station improvements during the current fiscal year.

### **Long-term Debt**

As reflected on the Statement of Net Position, the District has a net pension liability in accordance with GASB 68, *Accounting and Financial Reporting for Pensions* and \$74,415 of a capital lease outstanding for the purchase of Motorola radios. As of December 31, 2016 there was \$2,109 of accrued interest on the capital lease.

### **Economic Factors and Next Year's Budget**

The District has appropriated \$622,858 for spending in the 2017 fiscal year general fund budget from property taxes. It is intended that the projected 2017 revenues into the General Fund will be sufficient to cover the District's expenditures.

- The District's budget for 2016 reflects general property tax revenue of \$606,334 (based on an assessed valuation for the District of \$61,613,085 and a mill levy of 9.841 mills).
- The District's budget for 2017 reflects general property tax revenue of \$622,858 (based on an assessed valuation for the District of \$63,292,188 and a mill levy of 9.841 mills).

There was an increase in new construction within the District during the current fiscal year and the trend is projected to continue. Property valuations are re-assessed every odd year and the District anticipates based on the current market conditions for assessed valuations to continue to increase but that increase may be offset by the impact of the Gallagher Amendment. The continuing development and legislation is being monitored by the District's Board of Directors for the long-term impact on providing services by the District to its citizens.

### **Requests for Information**

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

**Rattlesnake Fire Protection District  
46220 Coal Creek Drive  
Parker, CO 80138**

# **Basic Financial Statements**

**RATTLESNAKE FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 39,540
Investments – state pool	1,228,949
Cash with fiscal agents	7,842
Intergovernmental receivable	3,977
Prepaid expenses	4,051
Property taxes receivable	622,858
Capital assets (not being depreciated)	
Land	43,448
Construction in progress	5,740
Equipment in progress	44,590
Capital assets (net of accumulated depreciation)	
Buildings and improvements	1,043,612
Improvements other than buildings	78,809
Fire apparatus-automotive	392,401
Machinery and equipment	356,688
Total capital assets	<u>1,965,288</u>

**DEFERRED OUTFLOWS OF RESOURCES**

80,246

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

3,952,751

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	7,306
Intergovernmental payable	852
Payroll liabilities	3,902
Accrued wages and benefits payable	8,281
Accrued interest	2,109

**TOTAL CURRENT LIABILITIES**

22,450

**LONG TERM LIABILITIES**

Lease payable due within one year	23,891
Lease payable due beyond one year	50,524
Net pension liability due beyond one year	109,868

**TOTAL LONG TERM LIABILITIES**

184,283

**DEFERRED INFLOWS OF RESOURCES**

691,479

**TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

898,212

**NET POSITION**

Invested in capital assets, net of related debt	1,890,873
Restricted for:	
TABOR emergency	28,335
Unrestricted	1,135,331
<b>TOTAL NET POSITION</b>	<u>\$ 3,054,539</u>

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

		<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Grants and Contributions</b>		<b>Total Governmental Activities</b>
Governmental activities:					
Fire protection operations	\$ (674,766)	\$ 84,108	\$ 52,900	\$	(537,758)
Depreciation	(200,705)	-	-		(206,811)
<b>Total Governmental Activities</b>	(875,471)	84,108	\$ 52,900		(738,463)
<b>General revenues:</b>					
Property tax					605,372
Specific ownership tax					101,892
Impact fees					141,824
Investment earnings					7,648
Mechanic outsourced					12,107
Sell of capital assets					44,700
Other income					1,932
<b>Total General Revenues</b>					915,475
<b>Change in net position</b>					177,012
<b>NET POSITION – BEGINNING OF YEAR</b>					2,877,527
<b>NET POSITION – END OF YEAR</b>				\$	3,054,539

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT  
BALANCE SHEET – GENERAL FUND  
DECEMBER 31, 2016**

**ASSETS**

Cash and cash equivalents	\$	39,540
Investments – state pool		1,228,949
Cash with fiscal agents		7,842
Intergovernmental receivable		3,977
Prepaid expenses		4,051
Property taxes receivable		622,858
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,907,217</u></b>

**LIABILITIES**

Accounts payable	\$	7,306
Intergovernmental payable		852
Payroll liabilities		3,902
Accrued wages and benefits payable		8,281
<b>TOTAL LIABILITIES</b>		<b><u>20,341</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Property taxes		622,858
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b><u>622,858</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		<b><u>643,199</u></b>

**FUND BALANCE**

Non-spendable:		
Prepaid expenses		4,051
Restricted:		
TABOR Reserve		28,335
Unassigned		1,231,632
<b>TOTAL FUND BALANCE</b>		<b><u>1,264,018</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$</b>	<b><u>1,907,217</u></b>

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF THE BALANCE SHEET –  
GENERAL FUND TO THE CHANGE IN NET POSITION  
DECEMBER 31, 2016**

Adjustments to reconcile the fund balance to the net position are as follows:

Fund balance per general fund balance sheet	\$	1,264,018
Capital assets used in governmental activities are not available financial resources and therefore, are not reported in the general fund.		1,965,288
Long-term liabilities, including lease payable and accrued interest used to fund capital assets are not due and payable in the current period and therefore are not reported in the fund.		
Lease payable		(74,415)
Accrued interest		(2,109)
Net pension liability reflected in the governmental-wide activities is not a liability under fund governmental accounting and therefore, is not reported in the general fund.		(109,868)
Net deferred outflows and inflows of resources related to net pension liability are not current resources and therefore, are not reported in the general fund.		11,625
Net position of governmental activities	\$	3,054,539

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**GENERAL REVENUES**

Property taxes	\$ 605,372
Specific ownership taxes	101,892
Impact fees	141,824
Emergency medical services	84,108
Mechanic outsourced income	12,107
Sell of capital assets	50,500
Contributions	50,200
Grants	2,700
Investment income	7,648
Total general revenues	1,056,351

**OTHER REVENUES**

Other	1,932
Total revenues	1,058,283

**EXPENDITURES**

Fire protection – operations	695,773
Capital outlay	196,442
Total expenditures	892,215

**EXCESS OF REVENUES OVER EXPENDITURES**

166,068

**OTHER FINANCING SOURCES**

Lease proceeds	74,415
Total other financing sources	74,415

**CHANGE IN FUND BALANCE**

240,483

**FUND BALANCE – BEGINNING OF YEAR**

1,023,535

**FUND BALANCE – END OF YEAR**

\$ 1,264,018

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE –GENERAL  
FUND TO THE CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Amounts reported for the governmental activities in the statement of activities are different because:

Change in fund balance	\$ 240,483
<p>The general fund reports capital outlays as expenditures. However, in the statement of activities the cost of the capital assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	196,442
Depreciation	(200,705)
	(4,263)
<p>Adjustment of the proceeds on the sale of capital assets to reflect the gain on sale of capital assets as reported in the statement of activities</p>	
	(5,800)
<p>Long-term debt (e.g. lease payable, accrued interest) provide current financial resources to government funds, while the repayment of the principal of the long-term consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.</p>	
Lease proceeds	(74,415)
Accrued interest	(2,109)
<p>Difference in the recognition of pension expense as reflected in the general fund and the statement of activities.</p>	
	23,116
Change in net position	\$ 177,012

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GENERAL FUND  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Property taxes	\$ 606,334	\$ 605,372	\$ (962)
Specific ownership taxes	67,342	101,892	34,550
Interest on taxes	500	490	(10)
Investment income	1,925	7,648	5,723
Grants	23,000	2,700	(20,300)
Emergency medical services	56,100	84,108	28,008
Impact fees	75,000	141,824	66,824
Resource deployment	50,000	-	(50,000)
Contribution	1,000	50,200	49,200
Credit card rewards	1,724	1,422	(302)
Mechanic outsourced income	40,000	12,107	(27,893)
Sell of capital assets	130,000	50,500	(79,500)
Other	200	20	(180)
<b>TOTAL REVENUES</b>	<u>1,053,125</u>	<u>1,058,283</u>	<u>5,158</u>
<b>EXPENDITURES:</b>			
Current Expenditures			
Payroll and payroll related expenses	365,543	327,473	38,070
Fire administration	103,581	75,583	27,997
Fire repair service	61,000	78,909	(17,909)
Firefighting	176,494	95,783	80,711
Fire station maintenance	94,950	52,223	42,727
Fire communication	72,992	17,204	55,788
Pension contribution	35,311	30,817	4,494
County Treasurer fee	18,190	17,781	409
Total Current Expenditures	<u>928,060</u>	<u>695,773</u>	<u>232,287</u>
Capital Outlay	70,500	196,442	(125,942)
<b>TOTAL EXPENDITURES</b>	<u>1,463,535</u>	<u>693,430</u>	<u>770,105</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	54,565	166,068	(111,503)
<b>OTHER FINANCING SOURCES</b>			
Lease proceeds	-	74,415	(74,415)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>74,415</u>	<u>(74,415)</u>
<b>CHANGES IN FUND BALANCE</b>	54,565	240,483	(185,918)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,023,261</u>	<u>1,023,535</u>	<u>(274)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,077,826</u>	<u>\$ 1,264,018</u>	<u>\$ (186,192)</u>

The accompanying notes are an integral part of these financial statements

**RATTLESNAKE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

The Rattlesnake Fire Protection District, a quasi-municipal corporation, is governed, pursuant to provisions of the Colorado Special District Act, by a five member Board of Directors. The Board of Directors are elected by voters within the District boundaries. The District's service area is located in the northwest corner of Elbert County, Colorado. The District was established to provide fire protection and emergency medical services.

The District follows the Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set the financial accountability of governmental organizations elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of non-fiduciary activities of the primary government.

The statement of net 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 segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Property and other taxes and other revenue not included as program revenue are reported as general revenues.

**MEASUREMENT FOCUS AND FINANCIAL ACCOUNTING FRAMEWORK**

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

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

**RATTLESNAKE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

Property taxes, specific ownership taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

The District reports the following major governmental fund:

**General Fund** – the general fund is the primary operating fund of the District. It accounts for all financial resources of the District.

**Fund Balance/Net Position**

***Fund Balance***

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – the amount of fund balance that is not in spendable form or is legally or contractually required to be maintained intact

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint

Assigned fund balance – amounts the District intends to use for a special purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the District's Board of Directors delegates the authority.

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

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

***Net Position***

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

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

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

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

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

**Cash and Cash Equivalents-Investments**

Cash and cash equivalents consists of cash on hand and amounts deposited in the bank and pooled state regulated investment accounts subject to immediate withdrawal. Investments are stated at cost, which approximates fair value.

**Capital Assets**

Capital assets which include land, buildings and improvements, fire apparatus and related equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The District’s Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated and capital assets received through grants are recorded at estimated fair market value at date of donation.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives.

Buildings	5 – 35	years
Improvements	20	years
Fire Apparatus - automotive	10 – 15	years
Equipment	2 – 20	years

**Deferred Outflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets by the government that is applicable to a future reporting period. As of December 31, 2016 the District’s deferred outflows of resources consists of:

Pension contributions subsequent to the net pension liability measurement date of 12/31/2015	\$ 30,817
Unamortized difference between the projected and actual earning on plan investments for the year ending 12/31/14	4,268
Unamortized difference between the projected and actual earnings on pension plan investments for the year ending 12/31/15	45,161
Total deferred outflows of resources - government-wide	<u>\$ 80,246</u>

**RATTLESNAKE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**Long-term Obligations**

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

**Deferred Inflows of Resources**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of December 31, 2016 the District's deferred inflows of resources consists of:

Property taxes receivable	\$ 622,858
Unamortized difference between expected and actual experience of the total pension liability	<u>68,621</u>
Total deferred inflows of resources - government-wide	<u>\$ 691,479</u>

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American ("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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Risk Management**

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

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Formal budgetary integration is employed as a management control device during the year in the general fund. Formal budgetary integration is also employed to comply with Budget Law of the State of Colorado. The Board of Directors adopted the District's budget in accordance with the Colorado Revised Statutes. Appropriation for all funds lapse at year-end.

The budgets for governmental fund types are adopted on a GAAP basis. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level. Total fund expenditure amounts determine the level at which expenditures may not legally exceed appropriations. Colorado Revised Statutes require the District to adopt a balanced budget. A balanced budget is when expenditures do not exceed the beginning cash balance plus revenues for the budget year. The District's Board of Directors can amend the budget and adopt supplemental budgets in accordance with the Colorado Revised Statutes.

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

State of Colorado Statutes requires a balanced budget. For 2016, the District's general fund's budgeted revenues exceeded budgeted expenditures by \$54,565. It was anticipated the excess of revenues over expenditures would be added to the fund balance and be available in future years.

**B. PROPERTY TAXES**

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

Property taxes are recorded initially as deferred inflows of resources in the year the property taxes are levied and measurable since the property taxes are not normally available nor are the property taxes budgeted as a resource until the subsequent year. The property taxes are recorded as revenue in the subsequent year as the property taxes are received.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposit may not be returned to it. As of December 31, 2016, the District's deposits were not exposed to custodial credit risk as all deposits were insured by the Federal Deposit Insurance Commission and collateralized in accordance with PDPA.

**Investments**

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

- Obligations of the United States and certain U.S. governmental agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of U.S. and local governmental entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Written repurchase agreements collateralized by certain authorized securities.

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

- Certain money market funds.
- Guaranteed investment contracts.
- Local government investment pools.

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District’s investment policy states that the weighted average maturity of the portfolio shall be no longer than 2.5 years.

**Credit Risk** – The District’s investment policy is to apply the prudent person rule where investments are made, as a prudent person would be expected to act. The District’s investment policy limits investments in fixed income securities to U.S. Treasury Bills, Notes and Bonds, Certificate of Deposits, Commercial Paper, Money Market Funds and Colorado Public Investment pools. The investment policy limits investment in commercial paper to be rated AI/PI by at least one nationally recognized rating agency at the time of purchase. Money market funds are registered as an investment company.

**COLOTRUST** – At December 31, 2016, the District had \$1,228,949 invested in the Colorado Local Government Liquid Trust (“Trust”), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of the U.S. government agencies. The District’s investments are in the COLOTRUST PLUS+ portfolio. COLOTRUST is rated AAAM by Standard & Poor’s.

**Investment Valuation** – The District’s has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value measurement of the District’s investment in COLOTRUST at December 31, 2016 is valued using Level 2 inputs.

Cash deposits and investments as reflected on the December 31, 2016 balance sheet are as follows:

Cash deposits	\$	39,540
Investments		1,228,949
Total cash deposits and investments		\$ 1,268,489

**B. EMERGENCY MEDICAL SERVICES (“EMS”)**

The District grants credit to residents, visitors and third party medical payers for EMS and EMS support response services provided by the District. Due to the uncertainty related to the various third-party payer adjustments and the actual collection of the EMS and EMS support response fees, the District recognizes revenue associated with the EMS and EMS support responses services on the cash basis thereby recognizing the revenue when the payment for EMS and EMS support services is received.

**RATTLESNAKE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**C. CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	Balance at December 31, 2015	Additions	Deletions	Balance at December 31, 2016
<b>Capital assets - not being depreciated</b>				
Land	\$ 43,448	-	-	\$ 43,448
Construction in progress	5,740	-	-	5,740
Equipment in progress	-	44,590	-	44,590
Total capital assets not being depreciated	<u>49,188</u>	<u>44,590</u>	<u>-</u>	<u>93,778</u>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	1,511,324	22,130	-	1,533,454
Improvements other than buildings	595,408	-	-	595,408
Fire apparatus-automotive	3,223,600	-	(113,593)	3,110,007
Machinery and equipment	614,537	129,723	(45,790)	698,470
Total capital assets being depreciated	<u>5,944,869</u>	<u>151,853</u>	<u>(159,383)</u>	<u>5,937,339</u>
<b>Less depreciation</b>				
Buildings and improvements	(444,488)	(45,354)	-	(489,842)
Improvements other than buildings	(493,464)	(23,135)	-	(516,599)
Fire apparatus-automotive	(2,755,456)	(71,509)	109,359	(2,717,606)
Machinery and equipment	(325,298)	(60,707)	44,223	(341,782)
Total accumulated depreciation	<u>(4,018,706)</u>	<u>(200,705)</u>	<u>153,582</u>	<u>(4,065,829)</u>
Total capital assets being depreciated, net	<u>1,926,163</u>	<u>(48,852)</u>	<u>(5,801)</u>	<u>1,871,510</u>
<b>Capital assets - net</b>	<u>\$ 1,975,531</u>	<u>\$ (4,262)</u>	<u>\$ (5,801)</u>	<u>\$ 1,965,288</u>

**D. LONG-TERM DEBT**

The District entered into a capital lease agreement for Motorola Radios on March 30, 2016. Total acquisition cost and amount financed is \$74,415. Payments are to be made in annual installments of \$26,703 beginning April 1, 2017, with final payment due April 1, 2019. The following is summary of debt service principal and interest requirements to maturity:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 23,891	\$ 2,812	\$ 26,703
2018	24,793	1,910	26,703
2019	25,731	972	26,703
<b>Total</b>	<u>\$ 74,415</u>	<u>\$ 5,694</u>	<u>\$ 80,109</u>

As of December 31, 2016, assets under the lease agreement with a cost of \$74,415 and accumulated depreciation of \$9,922 are recorded in the District's governmental activities. As of December 31, 2016 there was \$2,109 of accrued interest.

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 5 – OTHER INFORMATION**

**A. Pension Plans**

**Volunteer Firefighters’ Pension**

*Description of the Plan and Benefits Provided*

The District, on behalf of its volunteer firefighters, contributes to a defined benefit pension plan (“Plan”) that is affiliated with the Colorado Fire and Police Pension Association (“FPPA”). Assets of the plan are commingled for investment purposes in the Fire and Police Member’s Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The Plan provides retirement benefits for members and beneficiaries according to the Plan provisions as enacted and governed by the Pension Fund Board of Trustees. Colorado Revised Statutes, as amended, establishes basic benefit provisions under the Plan. FPPA issues publicly available annual financial reports that include assets of the volunteer plan. That report may be obtained by calling the FPPA at (303) 770-3772 in the Denver Metro area, or 1-800-332-FPPA (3772) from outside the metro area.

The Pension Plan’s Board of Trustees is composed of the five Directors of the District and two District volunteer firefighters. Volunteer firefighters who complete the minimum annual training required by the District and are members in good standing, are eligible to participate in the Plan for that year.

The District makes contributions based upon District established benefits and funding requirements based upon an actuarial study. Plan members do not make contributions. The State of Colorado also contributes to the plan in an amount set by statute.

The Plan provides retirement benefits for Plan participants and beneficiaries according to the Plan provisions as enacted and governed by the Plan Board of Trustees as follows:

Normal Retirement Benefit at Age 50 with 20 years of service (monthly)	\$	375
Disability Retirement Benefit (monthly)		
Short Term Disability for line of duty injury		150
Long Term Disability for line of duty injury		300
Survivor Benefits (monthly)		
Death in the line of duty, before retirement eligible		187
Death after normal retirement		187
Death after disability retirement		75
Funeral Benefit, lump sum, one-time only		100

Volunteer firefighter’s rights to a benefit vest after ten years of service. Volunteer firefighters, who retire with 10 years of credited services, are entitled to a partial benefit. Surviving spouses are entitled to 50% benefits. The above benefit provisions were also used to determine the total pension liability, discussed subsequently.

*Plan participants covered by the Plan*

Retirees and Beneficiaries	22
Active Members	41
Total Participants	63

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

*Net Pension Liability and Change in the Net Pension Liability*

As defined within GASB Statement No. 68, *Employer Reporting for Pension Plan*, (“GASB 68”) the Net Pension Liability/(Asset) (“NPL”) (“NPA”) is the difference between the Total Pension Liability (“TPL”) and the Plan’s Net Position Available for Benefits. This is analogous to the Plan’s accrued liability less than the market value of the Plan’s assets. The TPL is based upon an actuarial valuation performed as of January 1, 2015 and the measurement date of December 31, 2015. As permitted under GASB 68, the measurement date is within one year of the District’s fiscal year-end of December 31, 2016, and may be used to fulfill the December 31, 2016 reporting requirements.

The change in the Plan’s NPL consists of the following:

Service Cost	\$ 28,371
Interest on the TPL	78,471
District contribution	(30,817)
State of Colorado supplemental discretionary payment	(16,748)
Net investment income	(17,716)
Plan administrative expense	2,931
Change in the Net Pension Liability	44,492
Net Pension Liability – Beginning of the Year	65,376
Net Pension Liability – End of the Year	\$ 109,868

As of December 31, 2015, the measurement date, the NPL consisted of the following:

Total Pension Liability	\$ 1,108,548
Plan Net Position Available for Benefits	998,680
Net Position Liability	\$ 109,868
Percentage of Plan Net Position Available for Benefits to Total Pension Liability	90.09%

The Plan’s NPL is calculated using a Single Discount Rate of 7.50%. The Plan’s NPL (NPA) calculated using a Single Discount Rate that is 1% lower or 1% higher is as follows:

1% Decrease	7.50%	1% Increase
6.50%	7.50%	8.50%
\$ 247,593	\$ 109,868	\$ (3,543)

*Basis for Determining the District and Actuarial Calculated Contributions*

The actuarially determined contributions are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, as such, the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017. The methods and assumptions used to determine the contribution rates are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	20 years
Asset Valuation Method	5-Year smoothed market

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

Inflation	3%
Investment Rate of Return	7.5%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality Post-retirement: RP2000 Combined Mortality Table with Blue Collar Adjustment Disabled: RP2000 Disabled Mortality Table

For the year ending December 31, 2016, the actuarial and District contributions were as follows:

Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Ratio
<u>\$ 47,565</u>	<u>\$ 47,565</u>	<u>\$ -</u>	<u>100.00%</u>

*Deferred Outflows and Inflows of Resources – Pension Plan*

The defined outflows and inflows of resources, as applicable, related to the Plan are amounts used under GASB 68 in developing the annual pension expense. The deferred outflows and inflows of resources arise from differences between expected and actual experiences and changes, as applicable, of assumptions. The portions of these amounts which are not included in the current pension expense are reflected on the statement of net position as deferred outflows and inflows of resources.

Deferred outflows as of December 31, 2016 are as follows:

Deferred outflow of resources to be recognized in future pension expense resulting from differences between projected and actual Plan investment income	\$ 49,429
District contributions to the Plan subsequent to the NPL measurement date	<u>30,817</u>
Total deferred outflows of resources – pension	<u>\$ 80,246</u>

Deferred inflows as of December 31, 2016 are as follows:

Unamortized difference between expected and actual experience of the TPL	\$ 68,621
Total deferred inflows of resources – pension	<u>\$ 68,621</u>

Future amortization and accretion of the deferred outflows as of December 31, 2016 are as follows:

	2014	2015	Total
2017	\$ 1,422	\$ 11,290	\$ 12,712
2018	1,423	11,290	12,713
2019	1,423	11,290	12,713
2020	-	11,291	11,291
2021	-	-	-
Thereafter	-	-	-
	<u>\$ 4,268</u>	<u>\$ 45,161</u>	<u>\$ 49,429</u>

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

Future amortization and accretion of the deferred inflows as of December 31, 2016 are as follows:

	2014	2015	Total
2017	\$ (23,869)	-	\$ (23,869)
2018	(23,869)	-	(23,869)
2019	(20,883)	-	(20,883)
2020	-	-	-
2021	-	-	-
Thereafter	-	-	-
	<u>\$ (68,621)</u>	<u>-</u>	<u>\$ (68,621)</u>

In connection with the biennial valuation, effective with the January 1, 2017 Plan actuarial valuation, the inflation rate will be reduced to 2.5%. In addition, the mortality information will be updated to 2014.

**Paid Firefighters' Plan**

The District has three full time employees that participate in the Fire and Police Pension Association of Colorado's Statewide Defined Benefit Plan ("Plan"). This Plan covers all firefighter and police officer employees of the participating fire and police departments in Colorado hired after April 8, 1978. The Plan is a multi-employer plan administered by the FFPA. Members of the Plan may receive a monthly lifetime benefit upon meeting the eligibility requirements for normal, early, vested or deferred retirement. The employees contribute 9% and the employer contributes 8% of base pay into the plan on each payday.

Contributions made to the Plan for the current year and 5 previous years are as follows:

	2016	2015	2014	2013	2012
Member Contributions	\$ 15,190	\$ 8,190	\$ 7,262	\$ 6,791	\$ 6,881
District Contributions	\$ 13,609	\$ 7,609	\$ 7,262	\$ 6,791	\$ 6,881

**B. Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution in 1992, Article X, Section 20, ("TABOR") which has several limitations, including revenue raising, spending abilities, and other specific requirements for state and local governments. TABOR excludes from its provision Enterprise Activities. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

Fiscal Year Spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

TABOR requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service) in 1995 and thereafter. Emergency reserves as of December 31, 2016, totaling \$28,335 have been presented as a reservation of fund balance in the general fund and net position. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases.

**RATTLESNAKE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

In 2013, the electors of the District authorized the District to collect and spend all revenue received in 2013 and subsequent years, notwithstanding the limitations of TABOR, without increasing its mill levy above current levels without further voter approval.

The District's Board of Directors believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

The District levied 9.841 mills for property taxes to be collected in 2016 and 2017.

**C. Impact Fee**

The District had adopted an "Impact Fee Resolution" establishing the collection of such Impact Fees as the official policy for approval of development or rezoning of real property within the District. If any party secures judgment against the District, such judgment may have a negative impact on the District's ability to collect Impact Fees in the future and may cause the District to refund any such Impact Fees it may have collected to date pursuant to said Resolution.

On May 5, 2016, the State of Colorado passed House Bill 16-1088 Fire Protection District Impact Fee on New Development. The legislation authorizes Fire Districts to impose an impact fee on the construction of new buildings, structures, facilities, or improvements, including oil and gas wells, on previously improved or unimproved real property for reasonable related cost of fire protection services from the Fire Districts. Additionally the County where the Fire District resides must be involved with the assessment and collection of the agreed impact fees. On March 22, 2017, the District entered into an Intergovernmental Agreement with Elbert County for the Assessment, Collection and Remittance of Emergency Services Impact Fees establishing an impact fee schedule and authorizing the County to impose and collect the impact fee less a 3% treasurer fee to defray collection cost.

**D. Intergovernmental Agreement**

In April 2013, the District entered into an Intergovernmental Agreement ("IGA") for the construction and operation of a Joint Facility with Elizabeth Fire Protection District. The Joint Facility enables both Districts to provide high quality and cost effective emergency services to its citizens along with an improvement in insurance ratings. Per the IGA, operating costs of the Joint Facility will be equally shared. The total cost incurred for 2016 was \$5,725 of which the District contributed \$2,863.