

RYE FIRE PROTECTION DISTRICT
RYE, COLORADO
AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016



RECEIVED

By the Office of the State Auditor at 10:25 am, Jul 31, 2017

CONTENTS

FINANCIAL SECTION

	<u>Page #</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	7
Statement of Activities	8

Fund Financial Statements:

Governmental Fund	
Balance Sheet	9
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances	11
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	12
Notes to Financial Statements	13

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund	30-31
Notes to Required Supplementary Information	32
Schedule of the District's Proportionate Share of the Net Pension Liability	33
Schedule of the District's Contributions	34



503 N. Main Street, Suite 740
Pueblo, CO 81003-3131
Phone (719) 543-0516
Fax (719) 544-2849

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rye Fire Protection District
Rye, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Rye Fire Protection District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rye Fire Protection District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the budgetary comparison schedule as listed in the table of contents on pages 30 through 32, schedule of the District's proportionate share of the net pension liability on page 33 and the schedule of the District's contributions on page 34 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.

McPherson, Greffugel, Pavolini & Goodrich, PC

July 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

RYE FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

December 31, 2016

As management of Rye 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 fiscal year ended December 31, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$373,189 (net position). The composition of net position for the most recent fiscal year was comprised of the carrying amount of capital assets net of capital lease obligation in the amount of \$337,169 (net investment in capital assets), donor restrictions to acquire specific equipment of \$6,346, donor restrictions for Hatchet Ranch capital improvements and other expansion related costs of \$33,746, restricted for pension of \$598 and unrestricted net position of \$(4,670).
- The District's total net position decreased by \$11,707 during the year ended December 31, 2016.
- As of the close of the current fiscal year, the District's governmental fund (general fund) reported an ending fund balance of \$(13,393), which is a decrease of \$53,940 for the year ended December 31, 2016.
- At the end of the current fiscal year, unassigned fund balance of the general fund is a deficit of (\$78,646).
- During the current fiscal year, the District's total debt was reduced by \$28,947. No new debt obligations were incurred.

Overview of the Financial Statements

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

The basic financial statements present two different views of the District's financial information using government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other required supplemental information that will enhance the reader's understanding of the financial condition of the District.

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 and liabilities and deferred inflows of resources. The difference between assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources are reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes. The governmental activities of the District primarily include community safety services (e.g., general administration, fire suppression, fire and accident prevention, search and rescue, and the provision of emergency medical services). The District has no business-type activities. The government-wide financial statements can be found on pages 7-8 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 government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as state statutes. The general fund is used to account for all of the District's activities.

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 fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Governmental funds are reported using an accounting method called modified accrual accounting which has a current financial resources measurements focus. As a result, the governmental fund financial statements gives the reader a detailed short-term view that helps the reader determine if there are adequate financial resources available to finance the District's programs.

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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation, which is a part of the fund financial statements, to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

The basic general fund financial statements can be found on pages 9-12 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-29 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$373,189 at the close of the most recent fiscal year.

The District's net investment in capital assets (e.g. building improvements, fire apparatus, radio equipment, ambulances and equipment) was \$337,169. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities unless they are sold.

The following table reflects the condensed Statement of Net Position at December 31:

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 875,803	\$ 743,986
Capital assets	552,000	522,192
Net pension asset	<u>598</u>	<u>39,085</u>
Total Assets	<u>\$ 1,428,401</u>	<u>\$ 1,305,263</u>
 Deferred outflows of resources	 <u>\$ 64,653</u>	 <u>\$ 17,630</u>
Current and other liabilities	\$ 227,653	\$ 277,131
Long-term liabilities	<u>183,968</u>	<u>214,021</u>
Total Liabilities	<u>\$ 411,621</u>	<u>\$ 491,152</u>
 Deferred inflows of resources	 <u>\$ 708,244</u>	 <u>\$ 446,845</u>
Net Position:		
Net investment in capital assets	\$ 337,169	\$ 278,414
Restricted	40,690	79,589
Unrestricted	<u>(4,670)</u>	<u>26,893</u>
Total Net Position	<u>\$ 373,189</u>	<u>\$ 384,896</u>

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR) includes certain requirements regarding the establishment of “emergency reserves.” Under these provisions, the emergency reserve can be used for “declared emergencies only,” as that term is defined in the amendment. This reserve totaled \$18,300 and \$16,200 as of December 31, 2016 and 2015, respectively. Management has elected to designate specific fixed assets in order to meet this specific requirement of TABOR.

The Statement of Activities presents information showing how the District’s net position changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or when a liability is incurred.

The following table reflects the condensed Statement of Activities for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 312,353	\$ 453,169
Operating grants and contributions	3,024	625
Capital grants and contributions	123,460	45,710
General revenues:		
Property taxes	441,950	432,959
Specific ownership taxes	38,870	37,253
Unrestricted investment earnings	13	26
Other	429	23,303
Total Revenues	<u>920,099</u>	<u>993,045</u>
Expenses:		
Community safety services	848,704	873,375
General government	71,335	44,104
Interest on long-term debt	11,767	10,930
Total Expenses	<u>931,806</u>	<u>928,409</u>
Change in Net Position	(11,707)	64,636
Net Position - Beginning	384,896	320,260
Net Position - Ending	<u>\$ 373,189</u>	<u>\$ 384,896</u>

Financial Analysis of Rye Fire Protection District’s Fund

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

Governmental funds. The focus of the District’s governmental fund is to provide information on current year revenues, expenditures, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the fiscal year.

The general fund is the only fund of the District. As of December 31, 2016, the District’s general fund reported an ending balance of \$(13,393).

General Fund Budgetary Highlights

During the fiscal year, the District made amendments to the original budget. Generally, budget amendments fall into one of two categories: 1) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 2) increase in appropriations that become necessary to maintain services.

The general fund expenditures were equal to the approved final budget.

Capital Assets and Debt Administration

Capital assets. The District's net investment in capital assets for its governmental activities as of December 31, 2016 and 2015 totals \$552,000 and \$522,192, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

Rye Fire Protection District (Net of depreciation)

	Governmental Activities	
	2016	2015
Land	\$ 6,630	\$ 6,630
Buildings and improvements	57,549	62,219
Equipment	357,283	302,531
Vehicles	130,538	150,812
Total	<u>\$ 552,000</u>	<u>\$ 522,192</u>

Additional information on the District's capital assets can be found in Note E on page 20 of this report.

Long-term debt. Additional information on the District's long-term debt can be found in Note F on pages 21-22 of this report.

Final Comments

The District continues to strive to achieve its mission of providing affordable, efficient, and reliable community safety services.

Requests for Information

This financial report is designed to provide a general overview of Rye Fire Protection District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fire Chief, Rye Fire Protection District, PO Box 19190, Colorado City, CO 81019.

BASIC FINANCIAL STATEMENTS

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

ASSETS

Cash and equivalents	\$ 7,487
Investments	1,339
Receivables, net	841,816
Inventory	8,952
Prepaid expenses	16,209
Capital assets	
Non-depreciable capital assets	6,630
Depreciable capital assets, net	545,370
Total capital assets, net	552,000
Net pension asset	598
Total assets	1,428,401

DEFERRED OUTFLOWS OF RESOURCES - PENSION RELATED	64,653
---	--------

LIABILITIES

Accounts payable and accrued expenses	181,658
Long-term liabilities	
Due within one year	
Capital leases	30,863
Accrued interest	714
Compensated absences	14,418
Due in more than one year	
Capital leases	183,968
Total liabilities	411,621

DEFERRED INFLOWS OF RESOURCES

Property taxes	707,538
Pension related	706
Total deferred inflows of resources	708,244

NET POSITION

Net investment in capital assets	337,169
Restricted for:	
Capital projects	40,092
Pension related	598
Unrestricted	(4,670)
Total net position	\$ 373,189

The accompanying notes are an integral part of this statement.

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Primary government					
Governmental activities:					
General government	\$ 71,335	\$ -	\$ -	\$ -	\$ (71,335)
Public safety	848,704	312,353	3,024	123,460	(409,867)
Interest on long-term debt	11,767	-	-	-	(11,767)
Total	<u>931,806</u>	<u>312,353</u>	<u>3,024</u>	<u>123,460</u>	<u>(492,969)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	439,724
Penalty and interest	2,226
Specific ownership tax	38,870
Unrestricted investment earnings	13
Miscellaneous	429
Total general revenues	<u>481,262</u>
Change in net position	(11,707)
Net position, January 1	<u>384,896</u>
Net position, December 31	<u><u>\$ 373,189</u></u>

The accompanying notes are an integral part of this statement.

**RYE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2016**

	General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 7,487	\$ 7,487
Investments	1,339	1,339
Receivables, net	841,816	841,816
Inventory	8,952	8,952
Prepaid items	16,209	16,209
Total assets	875,803	875,803
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	140,978	140,978
Payroll taxes payable	1,641	1,641
Accrued wages and benefits	39,039	39,039
Total liabilities	181,658	181,658
 Deferred inflows of resources:		
Property taxes	707,538	707,538
Total deferred inflows of resources	707,538	707,538
 Fund balances:		
Nonspendable	25,161	25,161
Restricted	40,092	40,092
Unassigned	(78,646)	(78,646)
Total fund balances	(13,393)	(13,393)
Total liabilities, deferred inflows of resources and fund balances	\$ 875,803	\$ 875,803

The accompanying notes are an integral part of this statement.

**RYE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Total fund balance, governmental funds \$ (13,393)

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported as governmental activities in the Statement of Net Position.

	1,649,931	
The cost of capital assets is		
Accumulated depreciation is	(1,097,931)	552,000

Recognition and measurement of the net pension asset, together with pension-related deferred outflows of resources and deferred inflows of resources in financial statements prepared using the economic resources measurement focus and the accrual basis of accounting are not financial resources and, therefore, are not reported in the governmental fund

	598	
Net pension asset		
Deferred outflows of resources	64,653	
Deferred inflows of resources	(706)	64,545

Long-term liabilities, including capital lease contract payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statement, but are included in governmental activities. Long-term liabilities at year end consist of:

	(214,831)	
Capital lease payable		
Accrued interest payable	(714)	
Compensated absences	(14,418)	(229,963)

Total Net Position - Governmental Activities		\$ 373,189
--	--	------------

The accompanying notes are an integral part of this statement.

RYE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Total Governmental Fund</u>
REVENUES		
Property taxes	\$ 439,724	\$ 439,724
Penalty and interest	2,226	2,226
Specific ownership tax	38,870	38,870
Intergovernmental	123,460	123,460
Charges for services	327,270	327,270
Investment earnings	13	13
Other revenues	3,453	3,453
Total revenues	<u>935,016</u>	<u>935,016</u>
EXPENDITURES		
Current:		
General government	71,335	71,335
Public safety	783,564	783,564
Capital outlay	101,247	101,247
Debt service:		
Principal	28,947	28,947
Interest and other charges	11,863	11,863
Total expenditures	<u>996,956</u>	<u>996,956</u>
Excess of expenditures over revenues	(61,940)	(61,940)
OTHER FINANCING SOURCES		
Proceeds from sale of assets	8,000	8,000
Total other financing sources	<u>8,000</u>	<u>8,000</u>
Net change in fund balances	(53,940)	(53,940)
Fund balance, January 1	40,547	40,547
Fund balance, December 31	<u>\$ (13,393)</u>	<u>\$ (13,393)</u>

The accompanying notes are an integral part of this statement.

**RYE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental fund: \$ (53,940)

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

The governmental fund reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities annually reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay exceeds depreciation expense in the current period.

	Depreciation expense	(71,439)	
	Capital outlay	<u>101,247</u>	29,808

Recognition and measurement of the changes in the net pension asset, together with the changes in the pension-related deferred outflows of resources and deferred inflows of resources in financial statements prepared using the economic resources measurement focus and the accrued basis of accounting are not financial resources and, therefore, are not reported in governmental funds as such. Rather, pension expenditures are reported in the governmental funds when paid.

	Pension expense	(9,348)	
	Pension expenditures	<u>17,983</u>	8,635

Governmental funds recognize revenue when measurable and available. In contrast, certain revenues are reported in the Statement of Activities when earned. These revenues were generally charges for services. (22,917)

In the Statement of Activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. This year, compensated absences earned (\$20,716) exceeded amounts paid (\$18,379). (2,337)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. Interest is recognized as an expenditure in the governmental fund when it is due. In the Statement of Activities, interest expense is recognized as time passes, regardless of when it is due. The net effect of these differences in the treatment of leases and other obligations is as follows:

	Principal payments on capital leases	28,947	
	Interest expense on capital leases	<u>97</u>	29,044

Change in net position of governmental activities \$ (11,707)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Rye Fire Protection District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

Rye Fire Protection District (the District) is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local Board of Directors whose members are elected by the voters of the District. The District provides fire protection, ambulance and other public safety services to the public. As required by generally accepted accounting principles, these financial statements present the Rye Fire Protection District (the primary government) and its component units. No additional separate governmental units, agencies or nonprofit corporations are included in the financial statements of the District since none were determined to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, 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.

Government-Wide Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include a statement of net position and a statement of activities, report information on all the activities of the District.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given functional category or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. 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 activity; (2) grants and contributions that are restricted to meeting the operating requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost by function is normally covered by general revenues such as property taxes, specific ownership taxes or other unrestricted revenues.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual fund of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented 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. Property taxes and special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are 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 available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, while issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, grant and entitlement revenues, interest, and charges for services, are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until that time. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance and, as such, entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for the major governmental fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements. The District's only fund is the general fund, which is always presented as a major fund.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are short-term liquid investments that have maturities of three months or less when purchased.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced to estimated net realizable value by the establishment of an allowance for uncollectible amounts.

Investments

The District's policy is to state investments in their financial statements at fair value. Unrealized gain or loss, if applicable, resulting from the change in the fair value of investments is recognized in the government-wide statement of activities and the statement of revenues, expenditures and changes in fund balances.

Inventories and Prepaid Items

Inventories are recorded at the lower of cost (first-in, first-out basis) or market and consist of expendable medical supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Land is recorded at cost and is not depreciated. Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Buildings and improvements	40 years
Equipment	5-15 years
Vehicles	5-20 years

Vacation, Sick Leave and Other Compensated Absences

Full time employees earn compensated vacation time at rates ranging from 16 hours to 26 hours per month, depending on length of employment. The maximum number of vacation hours that can accrue ranges from 288 hours to 468 hours depending on length of employment. Compensated sick leave accrues immediately at a rate of 8 hours per month for all full time employees regardless of length of employment. However, the maximum number of sick leave hours an employee can accrue is 864 hours.

Accumulated compensated absence benefits are payable only in conjunction with the employee's termination. Payments are made in a lump sum at termination.

The unpaid sick leave, vacation pay and related benefits at the end of the period will generally not be paid with expendable and available resources and, as such, the liability is generally not reflected in the governmental fund financial statements. The entire liability for compensated absences is reported in the government-wide financial statements.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2016, the District had the following obligation to eligible employees for accumulated benefits:

Current portion	\$ 14,418
Long-term portion	-
Total	\$ 14,418

Pensions

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

Fund Equity

Governmental funds report fund balance in classifications based primarily on the extent the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Fund balances of the District’s governmental fund consist of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid items and inventories.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the Board of Directors of the District. Commitments may be modified or changed only by the Board of Directors approving a new resolution.
- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. As authorized by the Board of Directors, intent is expressed by the Fire Chief as to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget.
- Unassigned – includes amounts that do not meet any of the above criteria.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors or laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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

Interest

Interest revenue on investments is recognized in the period it is earned subject to the measurable and available criteria for governmental funds.

Property Taxes

County Treasurers are responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation and represent ad valorem taxes levied by the District. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments before the last day of February and the 15th day of June or in full before the last day of April.

Property taxes are recognized as revenue for the year levied because they are considered both measurable and available. Available means due or past due and receivable within the current period and collected no more than 60 days after December 31.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Data

Formal budgetary accounting is employed as a management control tool for the general fund. Budgets are prepared on the modified accrual basis of accounting for the general fund. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. The budgetary amounts reflect the original and most recent amended amounts, which were adopted in accordance with the appropriate provisions of state law. Encumbrance accounting is not employed as part of the budgetary process.

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Tax, Revenue, Spending and Debt Limitations

In November, 1992, Colorado voters adopted Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992. TABOR also includes certain requirements regarding the establishment of “emergency reserves.” Under these provisions, the emergency reserve can be used for “declared emergencies only,” as that term is defined in the amendment. This reserve totaled \$18,300 and \$16,200 as of December 31, 2016 and 2015, respectively. Management has elected to designate specific capital assets in order to meet this specific requirement of TABOR.

The amendment is complex and subject to judicial interpretation, however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment’s language in order to determine its compliance.

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2016, cash, cash equivalents and investments are summarized as follows:

Demand deposits	\$ <u>7,487</u>
Investments – Colo Trust investment pool	\$ <u>1,339</u>

DEPOSITS

At December 31, 2016, the carrying amount and bank balance of the District’s deposits was \$7,487, which was covered entirely by federal depository insurance and held in a qualified depository bank.

INVESTMENTS

The District is subject to the provisions of Colorado Revised Statutes 24-75-601, which is entitled “Concerning Investment in Securities by Public Entities”. This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed insurance contracts and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

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

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At December 31, 2016, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturity (in years) Less Than One Year</u>
Investment Type:		
Colo Trust investment pool	\$ 1,339	\$ 1,339
Total Investments	<u>\$ 1,339</u>	<u>\$ 1,339</u>

Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment policy does not limit the holding of securities by counterparties. As of December 31, 2016, the District’s investment in Colo Trust is rated AAAM by Standard and Poor’s and Aaa by Moody’s.

Interest rate risk – The District’s policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the Board of Directors authorizes a longer period.

The District is subject to Colorado Revised Statute 24-75-601 which is entitled “concerning investment in securities by public entities”. This statute, among other things, outlines the type of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period or other exceptions apply.

At December 31, 2016, the District’s investments consisted solely of its Colo Trust holdings whose investment maturity in years is less than one year.

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

NOTE D – RECEIVABLES

Receivables as of December 31, 2016 consist of the following:

	<u>Governmental Activities General Fund</u>
Receivables:	
Property taxes	\$ 707,538
Specific ownership taxes	3,051
Penalties and interest	137
State firefighting fees	107,389
Ambulance service fees	<u>261,314</u>
	1,079,429
Less: allowance for uncollectible ambulance service fees	<u>(237,613)</u>
Net Receivables	<u>\$ 841,816</u>

NOTE E – CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance January 1, 2016	<u>Additions</u>	<u>Deletions</u>	Balance December 31 2016
Governmental Activities				
Capital assets, not being depreciated –				
Land	\$ 6,630	\$ -	\$ -	\$ 6,630
Capital assets not being depreciated	<u>6,630</u>	<u>-</u>	<u>-</u>	<u>6,630</u>
Capital assets, being depreciated –				
Buildings and improvements	171,687	-	-	171,687
Vehicles	299,901	-	-	299,901
Equipment	<u>1,070,466</u>	<u>101,247</u>	<u>-</u>	<u>1,171,713</u>
Capital assets being depreciated	<u>1,542,054</u>	<u>101,247</u>	<u>-</u>	<u>1,643,301</u>
Accumulated depreciation –				
Buildings and improvements	(109,468)	(4,671)	-	(114,139)
Vehicles	(149,089)	(20,274)	-	(169,363)
Equipment	<u>(767,935)</u>	<u>(46,494)</u>	<u>-</u>	<u>(814,429)</u>
Total accumulated depreciation	<u>(1,026,492)</u>	<u>(71,439)</u>	<u>-</u>	<u>(1,097,931)</u>
Capital assets being depreciated, net	<u>515,562</u>	<u>29,808</u>	<u>-</u>	<u>545,370</u>
Governmental activities capital assets, net	<u>\$ 522,192</u>	<u>\$ 29,808</u>	<u>\$ -</u>	<u>\$ 552,000</u>
Depreciation expense by function:				
General government	\$ -			
Public safety	<u>71,439</u>			
	<u>\$ 71,439</u>			

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

NOTE F – LONG-TERM DEBT

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2016:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
Obligations under capital leases:					
2009 Capital Lease- Fire Engine	\$ 243,778	\$ -	\$ (28,947)	\$ 214,831	\$ 30,863
Compensated absences	<u>12,081</u>	<u>20,716</u>	<u>(18,379)</u>	<u>14,418</u>	<u>14,418</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 255,859</u>	<u>\$ 20,716</u>	<u>\$ (47,326)</u>	<u>\$ 229,249</u>	<u>\$ 45,281</u>

The following is a description of each individual issue for the governmental activities:

Obligations under capital lease

\$295,794 of obligation under capital lease dated December 2009 for the acquisition of new fire engine; interest rate of 5.3%; payable in annual installments, beginning in 2012, of \$38,867 including interest through December 2023; lease provides a prepayment clause which may be exercised anytime equal to 103.5% of the remaining unamortized balance of the capital lease; debt is serviced by the general fund; no lease principal payments were made in 2012, 2013 or 2014.

\$ 214,831

The debt service requirements for the governmental activities capital lease as of December 31, 2016 follows:

Year Ending December 31,	<u>Governmental Activities</u>		
	<u>Capital Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,149	\$ 8,718	\$ 38,867
2018	31,372	7,495	38,867
2019	32,645	6,222	38,867
2020	33,957	4,910	38,867
2021	35,348	3,519	38,867
2022-2023	<u>51,360</u>	<u>2,084</u>	<u>53,444</u>
Total	<u>\$ 214,831</u>	<u>\$ 32,948</u>	<u>\$ 247,779</u>

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

NOTE F – LONG-TERM DEBT(Continued)

The assets acquired and related accumulated amortization under capital leases are as follows:

	Governmental Activities
Assets:	
Equipment	\$ 295,794
Less: accumulated amortization	(118,318)
	\$ 177,476

Amortization of assets acquired under capital leases is included with depreciation expense.

NOTE G – NET POSITION

Restricted net position represents net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2016 for governmental activities are as follows:

	Governmental Activities
Restricted for:	
Capital projects	\$ 6,346
Hatchett Ranch expansion related costs	33,746
Pension related	598
Total Restricted Net Position	\$ 40,690

Restricted for capital projects. This represents amounts received from donors with the restriction that the funds be used to acquire a wood chipper.

Hatchett Ranch Expansion. The residents of Hatchett Ranch agreed to a one-time inclusion fee that totaled \$65,330 to be included in the fire district. These funds are to be used for capital improvements and other expansion related costs related to this expansion.

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

NOTE H – FUND BALANCES

At December 31, 2016, fund balance for the governmental fund consists of the following:

	<u>Governmental Activities</u>	
	<u>General Fund</u>	<u>Total Governmental Fund</u>
Nonspendable fund balances:		
Inventory	\$ 8,952	\$ 8,952
Prepaid items	16,209	16,209
Total nonspendable fund balances	25,161	25,161
Restricted fund balances:		
Capital projects	6,346	6,346
Hatchett Ranch expansion	33,746	33,746
Total restricted fund balances	40,092	40,092
Unassigned fund balances (deficit):	(78,646)	(78,646)
Total fund balances (deficit)	\$ (13,393)	\$ (13,393)

NOTE I – DEFINED BENEFIT PENSION PLAN

Statewide-Defined Benefit Plan

General Information about the Pension Plan

Plan description. The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

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

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

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

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for 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.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

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

Contributions to the pension plan from the District were \$13,163 for the year ended December 31, 2016.

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

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2016, the Rye Fire Protection District reported an asset of \$598 for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The District's proportion of the net pension liability (asset) was based on the District's contributions to the SWDB for the calendar year 2015 relative to the total contributions of participating employers to the SWDB. At December 31, 2015, the District's proportion was .033941 percent, which was a decrease of 0.000691 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$9,348. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 706
Net difference between projected and actual earnings on pension plan investments	30,453	-
Difference between actual and expected experience	4,839	-
Changes in assumptions	9,398	-
Changes in proportionate share	1,507	-
Differences between contributions recognized and proportionate share of contributions	474	-
Contributions subsequent to the measurement date	<u>17,982</u>	<u>-</u>
Total	<u>\$ 64,653</u>	<u>\$ 706</u>

\$17,982 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the 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:

Year ended	
2017	\$ 9,537
2018	9,537
2019	9,537
2020	8,582
2021	1,685
Thereafter	<u>7,087</u>
	<u>\$ 45,965</u>

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

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions. The actuarial valuations for the SWDB were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumptions 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 *	7.50 percent	7.50 percent
Projected Salary Increases *	4.0 – 14.0 percent	4.0 – 14.0 percent
Cost of Living		
Adjustments (COLA)	0.00 percent	0.00 percent
* Includes inflation at	2.5 percent	3.0 percent

For determining the total pension liability, 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.

In 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 FPAA’s actuaries, 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. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

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>10 Year Expected Geometric Real Rate of Return</u>
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	<u>2.0%</u>	0.0%
Total	<u>100.00%</u>	

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

The discount rate used to measure the total pension liability was 7.50%. 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 established 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.

Discount rate. 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%.

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

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is one percent lower and one percent higher:

	<u>1% Decrease (6.50%)</u>	<u>Single Discount Rate Assumption (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate share of the net pension liability (asset)	\$ <u>83,818</u>	\$ <u>(598)</u>	\$ <u>(70,618)</u>

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

Payable to the pension plan

At December 31, 2016, the District reported a payable of \$2,034 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

NOTE J – OTHER POST EMPLOYMENT BENEFITS

Fire and Police Statewide Death & Disability (New Hire) Plan

Plan Description - The Rye Fire Protection District contributes to the statewide, cost-sharing, multiple-employer death and disability plan administered by the Colorado Fire and Police Pension Association (FPPA). The statewide plan provides death and disability benefits for those new hires employed after January 1, 1997 and their beneficiaries. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available financial report that includes the statewide death and disability plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado, 80111, or by calling FPPA at 303-770-3772 in the Denver metro area or 800-332-3772 from outside the metro area.

Funding Policy - Plan members and the District are required to contribute at a rate set by statute. Pursuant to statute, the FPPA Board of Directors may adjust the contribution rate every two years based on an annual actuarial valuation by no more than one-tenth of one percent. The 2016 contribution rate for new-hire fire members is 0.1% of covered salary and for the District the contribution rate is 2.5% of covered salary. The District has elected to absorb the member contribution of 0.1%. The District’s contributions to the statewide death and disability plan for the years ended December 31, 2016, 2015 and 2014 were \$5,952, \$4,452 and \$4,049, respectively, which were equal to their required contributions for each year.

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for such risks, including workers' compensation and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage for each of the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

**RYE FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts,	Final Budget -
			Budgetary	Positive
			Basis	(Negative)
REVENUES				
Property Tax - Pueblo	\$ 408,089	\$ 437,640	\$ 437,640	\$ -
Property Tax - Huerfano	5,930	6,763	6,763	-
Property Tax - Custer	32,021	36,417	36,417	-
Interagency Fire Fighting	150,000	150,000	148,817	(1,183)
Emergency Medical Services	182,000	182,000	178,453	(3,547)
Donations	1,000	1,000	3,024	2,024
Other	5,000	59,651	429	(59,222)
Miscellaneous Grants	100,000	123,460	123,460	-
Interest	25	25	13	(12)
Total Revenues	<u>884,065</u>	<u>996,956</u>	<u>935,016</u>	<u>(61,940)</u>
EXPENDITURES				
General Government				
Legal Expense	22,500	22,500	3,442	19,058
Other Administrative Expense	5,950	5,950	5,839	111
Administrative Supplies	2,000	2,000	1,466	534
Treasurer's Fee	8,921	8,921	7,865	1,056
Bad Debt Expense	-	-	19,523	(19,523)
Outside Service Fees	31,000	31,000	33,200	(2,200)
Total General Government	<u>70,371</u>	<u>70,371</u>	<u>71,335</u>	<u>(964)</u>
Public Safety				
EMS Billing Fee	14,560	14,560	13,049	1,511
Insurance - Worker's Comp	19,153	19,153	19,152	1
Insurance - Liab, Auto, & Prop	25,841	25,841	18,345	7,496
Career Firefighters	196,500	196,500	165,339	31,161
Command Staff	83,440	83,440	89,410	(5,970)
Part-time Firefighters	124,118	124,118	157,348	(33,230)
Interagency Administration	-	-	13,934	(13,934)
Interagency Staffing	-	104,287	46,558	57,729
Interagency Overtime Pay	-	-	57,729	(57,729)
Payroll Taxes - FICA	11,840	11,840	18,754	(6,914)
Payroll Taxes - Medicare	9,290	9,290	7,661	1,629
Payroll Taxes - SUTA	1,212	1,212	1,754	(542)
Payroll Taxes - Other	0	-	-	-
Employee Benefits - Health Ins	40,320	40,320	44,053	(3,733)
Employee Benefits - Retirement	20,380	20,380	23,934	(3,554)
Operational Supplies	10,500	10,500	33,019	(22,519)
Training - Tuition & Travel	3,000	3,000	144	2,856
Interagency Travel Reimb.	-	-	14,055	(14,055)
Training - Supplies	1,000	1,000	402	598
Information/Prevention Expense	1,500	1,500	694	806
Communication - R&M	1,500	1,500	-	1,500
Communication - Supplies	500	500	-	500

Continued

**RYE FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
Continued				
Fleet - Fuel & Oil	25,000	25,000	16,819	8,181
Fleet - R&M	25,000	25,000	15,834	9,166
Fleet - Other	500	500	-	500
EMS - Physician Advisor	4,440	4,440	4,440	-
EMS - Medical Supplies	15,000	15,000	1,793	13,207
Utilities - Telephone	4,660	4,660	3,865	795
Utilities - LPG	6,400	6,400	4,259	2,141
Utilities - Electric	9,600	9,600	7,417	2,183
Utilities - Water	2,600	2,600	2,333	267
Utilities - Trash	840	840	840	-
Physical Plant Expenditures	5,000	5,000	218	4,782
Hatchet Ranch Expenditures	-	-	412	(412)
Contingency	-	8,604	-	8,604
Capital outlay	111,000	111,000	101,247	9,753
Total Public Safety	<u>774,694</u>	<u>887,585</u>	<u>884,811</u>	<u>2,774</u>
Debt Service:				
Capital Lease - Principal	39,000	39,000	28,947	10,053
Capital Lease - Interest	-	-	11,863	(11,863)
Total Debt Service	<u>39,000</u>	<u>39,000</u>	<u>40,810</u>	<u>(1,810)</u>
Total Expenditures	<u>884,065</u>	<u>996,956</u>	<u>996,956</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(61,940)	(61,940)
OTHER FINANCING SOURCES				
Proceeds from sale capital assets	-	-	8,000	(8,000)
Net change in fund balances	-	-	(53,940)	(53,940)
Fund Balances, January 1	-	-	40,547	40,547
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,393)</u>	<u>\$ (13,393)</u>

RYE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

BUDGETARY INFORMATION

The District adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedules.

On or before the first board meeting in October, the executive director submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts a budget for the general fund and the general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budget.

Expenditure estimates in the annual budgets are enacted into law by the passage of an appropriation resolution. The board of directors may amend the original adopted budget during the year by passing a new resolution to reflect current needs. The original budget was amended in 2016.

The legal level of budgetary control exists at the total fund level, which is to say total expenditures in the general fund cannot legally exceed appropriations.

RYE FIRE PROTECTION DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 NEW HIRE FIRE AND POLICE PENSION FUND

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.033941%	0.034632%	0.035684%
District's proportionate share of the net pension liability (asset)	(598)	(39,085)	(31,908)
District's covered-employee payroll	224,775	171,216	155,740
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.266%	-22.828%	-0.20488%
Plan fiduciary net position as a percentage of the total pension liability	100.100%	106.800%	105.800%

This schedule will show information for ten years, as it becomes available.

RYE FIRE PROTECTION DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 NEW HIRE FIRE AND POLICE PENSION FUND

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,982	\$ 13,697	\$ 12,459
Contributions in relation to the contractually required contribution	<u>17,982</u>	<u>13,697</u>	<u>12,459</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's cover-employee payroll	224,775	171,216	155,740
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

This schedule will show information for ten years, as it becomes available.